

CENTRAL BUCKS SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Central Bucks School District
Doylestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Bucks School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information Central Bucks School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 6 through 26, the budgetary comparison information on pages 68 and 69, and the pension and other post-employment benefits schedules on pages 70 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Bucks School District's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of Central Bucks 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 Central Bucks 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 Central Bucks School District's internal control over financial reporting and compliance.⁹

Barz Gowie Amon & Fultz, LLC

Media, Pennsylvania
February 22, 2021

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

INTRODUCTION

Our discussion and analysis of Central Bucks School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- On March 13, 2020, Central Bucks School District closed all schools for in-person instruction for the remainder of the 2019-2020 school year due to the outbreak of the coronavirus ("COVID-19"). The COVID-19 pandemic brought unprecedented challenges upon every facet of the District – instructionally, operationally, and financially. Certain revenue sources, such as interim real estate taxes, real estate transfer taxes, and the District's childcare program, were negatively impacted by the pandemic. In addition, Governor Wolf signed into law Act 13 of 2020, which required that any employee of the District who was employed as of the closure to receive their full compensation that they would have been entitled to receive from the District had COVID-19 not occurred.
- As of the close of the current fiscal year, the Unassigned fund balance for the General Fund is \$21,988,177 or 6.5% of the total General Fund subsequent year's budget. In addition, there is a Non-spendable fund balance of \$179,454 and an Assigned fund balance of \$10,795,262. The Non-spendable funds are amounts that are not in a spendable form and are primarily composed of prepaid expenditures. The Assigned funds are amounts that have been constrained to specific purposes by the School District. The balance of Assigned Funds is comprised of the following: \$4,638,100 for additional future healthcare obligations; a reserve of \$1,518,097 for future real estate tax assessment appeals; and a budgetary reserve in the amount of \$4,639,065 to be used in future budget years as a supplement to revenues. As such, the Assigned funds can only be used for other purposes if direction to do so is provided by the Board of Directors.
- The impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, resulted in the liabilities of the district exceeding its assets at the close of the most recent fiscal year. At the close of the 2015-16 school year the district was required to recognize its share of the state pension liability, and the current balance of that liability as of the close of this current fiscal year is \$545,906,000. In addition, beginning at the close of the 2017-18 fiscal year, the district was also required to recognize its share of the state liability for other post-employment benefits. The current balance of that liability as of the close of this current fiscal year is \$24,818,000. The impact of the recognition of these liabilities resulted in taking the ending net position from a positive balance of \$416,554,108 to a negative balance of \$154,169,892. The basis of the pension and other post-employment benefits entries are further discussed in Note 10 and Note 11 of the financial statements, respectively.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Central Bucks School District's basic financial statements. The Central Bucks School District basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all Central Bucks School District assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

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

Both of the government-wide financial statements distinguish functions of the Central Bucks School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Central Bucks School District include general operations of public education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Central Bucks School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Central Bucks School District can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

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 Funds financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The Central Bucks School District maintains three individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances.

The Central Bucks School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Fund - The Central Bucks School District maintains one Proprietary Fund which is Food Service. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

The Proprietary Fund provides the same type of information in the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Food Service function.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Central Bucks School District's own programs. The accounting used for Fiduciary Funds is much like that used for the Proprietary Fund.

Notes to the Financial Statements

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

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

It was previously noted that the net position may serve over time as a useful indicator of a government's financial position and, given that the School District's current negative position results from recognizing its portion of the state pension and other post-employment benefits liabilities, the net position still indicates a strong financial standing. It is important to note that without the recognition of the post-employment liabilities that were made in accordance with GASB 68 and GASB 75, the district's net position at the close of the most recent fiscal year would not be a negative balance of \$154,169,892 but would reflect a positive balance of \$416,554,108.

Condensed Statements of Net Position
June 30, 2020 and 2019

Central Bucks School District's Net Position

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|---|-------------------------|-------------------------|--------------------------|-------------------|-------------------------|-------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| ASSETS | | | | | | |
| Current and other assets | \$ 126,233,828 | \$ 145,606,700 | \$ 640,378 | \$ 740,459 | \$ 126,874,206 | \$ 146,347,159 |
| Capital assets | 368,920,880 | 370,421,432 | 383,437 | 440,181 | 369,304,317 | 370,861,613 |
| TOTAL ASSETS | 495,154,708 | 516,028,132 | 1,023,815 | 1,180,640 | 496,178,523 | 517,208,772 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Pension | 77,004,744 | 88,098,531 | - | - | 77,004,744 | 88,098,531 |
| Other post-employment benefits | 4,897,798 | 4,495,528 | - | - | 4,897,798 | 4,495,528 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 81,902,542 | 92,594,059 | - | - | 81,902,542 | 92,594,059 |
| LIABILITIES | | | | | | |
| Current liabilities | 49,281,949 | 42,321,670 | 222,990 | 475,533 | 49,504,939 | 42,797,203 |
| Long-term liabilities | 642,750,281 | 679,804,813 | - | - | 642,750,281 | 679,804,813 |
| TOTAL LIABILITIES | 692,032,230 | 722,126,483 | 222,990 | 475,533 | 692,255,220 | 722,602,016 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension | 19,658,000 | 8,574,000 | - | - | 19,658,000 | 8,574,000 |
| Other post-employment benefits | 18,254,845 | 20,772,202 | - | - | 18,254,845 | 20,772,202 |
| Deferred amounts on refunding bonds | 1,282,067 | 1,848,844 | - | - | 1,282,067 | 1,848,844 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 39,194,912 | 31,195,046 | - | - | 39,194,912 | 31,195,046 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 348,581,804 | 313,430,816 | 383,437 | 440,181 | 348,965,241 | 313,870,997 |
| Unrestricted | (502,751,696) | (458,130,154) | 417,388 | 264,926 | (502,334,308) | (457,865,228) |
| TOTAL NET POSITION | \$ (154,169,892) | \$ (144,699,338) | \$ 800,825 | \$ 705,107 | \$ (153,369,067) | \$ (143,994,231) |

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Governmental Activities - Governmental activities reduced the Central Bucks School District's net position by \$9,470,554. Business-type activities increased the School District's net position by \$95,718, resulting in a total decrease in net position of \$9,374,836. Key elements of this change in position are as follows:

Changes in Net Position
Years Ended June 30, 2020 and 2019

| | Central Bucks School District's Change in Net Position | | | | | |
|--|--|-------------------------|--------------------------|-------------------|-------------------------|-------------------------|
| | Governmental Activities | | Business-Type Activities | | Total Government | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 763,888 | \$ 1,069,534 | \$2,610,633 | \$3,819,430 | \$ 3,374,521 | \$ 4,888,964 |
| Operating grants and contributions | 69,375,706 | 68,952,887 | 920,897 | 1,031,118 | 70,296,603 | 69,984,005 |
| Capital grants and contributions | 4,029,275 | 1,564,661 | - | - | 4,029,275 | 1,564,661 |
| General Revenues | | | | | | |
| Property taxes | 234,011,062 | 232,605,147 | - | - | 234,011,062 | 232,605,147 |
| Other taxes | 27,446,934 | 26,900,390 | - | - | 27,446,934 | 26,900,390 |
| Grants and contributions not restricted to specific programs | 3,613,193 | 1,911,205 | - | - | 3,613,193 | 1,911,205 |
| Other | 3,044,982 | 5,105,854 | 2,228 | 416 | 3,047,210 | 5,106,270 |
| TOTAL REVENUES | 342,285,040 | 338,109,678 | 3,533,758 | 4,850,964 | 345,818,798 | 342,960,642 |
| EXPENSES | | | | | | |
| Instruction | 217,431,135 | 210,132,189 | - | - | 217,431,135 | 210,132,189 |
| Support services | 106,893,702 | 108,520,249 | - | - | 106,893,702 | 108,520,249 |
| Operation of non-instructional services | 9,395,060 | 8,989,419 | - | - | 9,395,060 | 8,989,419 |
| Facilities acquisition, construction, and improvement services | 16,289,365 | 21,328,860 | - | - | 16,289,365 | 21,328,860 |
| Debt service | 1,746,332 | 1,557,696 | - | - | 1,746,332 | 1,557,696 |
| Food service | - | - | 3,438,040 | 4,633,660 | 3,438,040 | 4,633,660 |
| TOTAL EXPENSES | 351,755,594 | 350,528,413 | 3,438,040 | 4,633,660 | 355,193,634 | 355,162,073 |
| CHANGE IN NET POSITION | (9,470,554) | (12,418,735) | 95,718 | 217,304 | (9,374,836) | (12,201,431) |
| NET POSITION: | | | | | | |
| BEGINNING OF YEAR | (144,699,338) | (132,280,603) | 705,107 | 487,803 | (143,994,231) | (131,792,800) |
| END OF YEAR | \$ (154,169,892) | \$ (144,699,338) | \$ 800,825 | \$ 705,107 | \$ (153,369,067) | \$ (143,994,231) |

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the Central Bucks School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Central Bucks School District’s Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Central Bucks School District’s financing requirements. In addition, Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Central Bucks School District. General Fund revenues of the Central Bucks School District come from three basic sources. The largest source was provided by local funding totaling \$263,072,865 (77.1%), of which \$221,462,290 were current and interim real estate tax revenues. State funding amounted to \$74,237,654 (21.8%). Federal funding amounted to \$3,838,491 (1.1%). According to State criteria, Central Bucks is a relatively wealthy district and, as such, State and Federal funding continue to provide a relatively small percentage (22.9%) of total School District revenue.

General Fund expenses of the School District fall into four major categories, and the changes are as follows:

| | <u>2019-20</u> | <u>2018-19</u> | <u>Change</u> | |
|-------------------|------------------------------|------------------------------|----------------------------|-------------|
| Instruction | \$ 204,222,180 | \$ 197,918,944 | \$ 6,303,236 | 3.2% |
| Support services | 97,135,617 | 96,786,068 | 349,549 | 0.4% |
| Non-instructional | 8,935,596 | 8,563,154 | 372,442 | 4.3% |
| Debt service | 9,283,365 | 13,024,444 | (3,741,079) | -28.7% |
| Other | 32,876 | 3,400 | 29,476 | N/A |
| Totals | <u>\$ 319,609,634</u> | <u>\$ 316,296,010</u> | <u>\$ 3,313,624</u> | 1.0% |

Revenues fell short of the budgeted estimates by \$1,099,603 due to impacts of the pandemic, including reduced childcare program revenues and lower real estate transfer and interim taxes. Actual expenditures were \$4,338,978 less than budgeted driven by lower transportation costs. These totals exclude transfers to other funds.

Budgetary line transfers were required to meet actual expenditures, which exceeded original estimates. These transfers, all relatively immaterial, were approved by the Board throughout the year.

Regarding the General Fund balance, the Board of Directors has adopted a practice to maintain an Unassigned fund balance of the General Fund at a range of 3-5% of the subsequent year’s budget. At the end of the current fiscal year, Unassigned fund balance is \$21,988,177, representing 6.5% of the subsequent year’s budget amount of \$336,668,586. As it is the intent of the Board to use all available funds over the recommended range to build a reserve for future capital projects, the Board is expected to approve a transfer of \$5,000,000 from the General Fund to the Capital Project Fund during the 2020-21 fiscal year. This expected transfer will decrease the Unassigned General Fund balance to 4.7% of the subsequent year’s budget, in-line with Board practice. In addition to the Unassigned fund balance, there is also a Non-spendable fund balance of \$179,454 and an Assigned fund balance of \$10,795,262, which is comprised of funds sets aside for additional future healthcare obligations, future real estate tax

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

assessment appeals, and a budgetary reserve to be used in future budget years as a supplement to revenues.

A history of General Fund ending balances follows:

| | |
|----------------------|--------------|
| June 30, 2010 | \$42,299,055 |
| June 30, 2011 | \$34,066,395 |
| June 30, 2012 | \$33,476,973 |
| June 30, 2013 | \$18,519,326 |
| June 30, 2014 | \$17,813,141 |
| June 30, 2015 | \$25,744,989 |
| June 30, 2016 | \$35,023,119 |
| June 30, 2017* | \$48,201,020 |
| June 30, 2018 | \$46,300,233 |
| June 30, 2019 | \$26,713,023 |
| June 30, 2020 | \$32,962,893 |

* As restated to account for prior period adjustments of \$6,296,906

The Capital Project Fund has a total fund balance of \$48,108,194 as of the end of the current fiscal year, all of which is designated for capital improvements.

The Debt Service Fund balance of \$0 as of the end of the current fiscal year reflects the debt defeasance of \$30,000,000 in existing debt, approved by the Board in May 2019 and executed in July 2019.

FINANCIAL ANALYSIS OF PROPRIETARY FUND

The Central Bucks School District’s Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail. Net position of the Food Service Fund at the end of the year amounts to a balance of \$800,825, of which \$383,437 is the net investment in capital assets and \$417,388 is unrestricted. The Food Service Fund revenues are intended to offset daily operating costs to provide that service, such as labor, product, utilities and equipment.

CAPITAL ASSETS

The Central Bucks School District currently operates 23 school buildings:

- 15 Elementary Schools (K-6th grade)
- 5 Middle Schools (7th-9th grade)
- 3 High Schools (10th-12th grade)

In addition, the School District has two administration centers, three transportation centers, and one maintenance facility. Each facility is in very good condition and well-maintained.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

| School | Original Construction | Year(s) of Additions / Renovations | Grades Housed | Rated Capacity | 10/01/2019 Enrollment |
|------------------------|-----------------------|------------------------------------|---------------|----------------|-----------------------|
| Elementary: | | | | | |
| Barclay | 1965 | 1968; 1971; 1990; 2006 | K-6 | 725 | 642 |
| Bridge Valley | 2004 | | K-6 | 1,100 | 699 |
| Buckingham | 1955 | 1964; 1971; 2003 | K-6 | 625 | 440 |
| Butler | 1964 | 1966; 1990; 2006 | K-6 | 875 | 844 |
| Cold Spring | 1995 | | K-6 | 800 | 490 |
| Doyle | 1966 | 1968; 1990 | K-6 | 575 | 472 |
| Gayman | 1960 | 1965; 1971; 1990; 1998 | K-6 | 600 | 407 |
| Groveland | 2000 | | K-6 | 1,100 | 880 |
| Jamison | 1997 | | K-6 | 800 | 554 |
| Kutz | 1936 | 1954; 1958; 1963; 1971; 1990 | K-6 | 650 | 514 |
| Linden | 1960 | 1968; 1990 | K-6 | 700 | 417 |
| Mill Creek | 2000 | | K-6 | 1,100 | 709 |
| Pine Run | 1971 | 1990; 2006; 2011 | K-6 | 700 | 477 |
| Titus | 1951 | 1955; 1957; 1962; 2007 | K-6 | 750 | 644 |
| Warwick | 1958 | 1962; 1979; 1990; 2003 | K-6 | 725 | 563 |
| Secondary: | | | | | |
| Holicong Middle | 1971 | 1998; 2016 | 7-9 | 1,229 | 994 |
| Lenape Middle | 1956 | 1995; 2011 | 7-9 | 1,074 | 897 |
| Tamanend Middle | 1960 | 1990; 1995; 2012 | 7-9 | 1,069 | 852 |
| Tohickon Middle | 2002 | | 7-9 | 1,399 | 909 |
| Unami Middle | 1964 | 1997; 2016 | 7-9 | 1,124 | 875 |
| Central Bucks East HS | 1969 | 1974; 1997; 2013 | 10-12 | 2,056 | 1,517 |
| Central Bucks South HS | 2004 | | 10-12 | 2,167 | 1,724 |
| Central Bucks West HS | 1950 | 1972; 1989; 1996; 2005; 2010 | 10-12 | 2,062 | 1,503 |
| Other: | | | | | 81 |
| Total | | | | 24,005 | 18,104 |

| | |
|-------------------|--------|
| Enrollment | 18,104 |
| Building Capacity | 24,005 |
| Capacity % | 75.4% |

The above capacity calculation is a simple calculation assuming every classroom can house 25 students. This is a general rule of thumb, but please remember that special education laws limit class size to 12 students and in some cases 8 students or less when educating autistic support students. Special needs students typically make up 12 to 14% of the school district's population.

The Central Bucks School District's investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) amounts to \$368,920,880 and \$383,437 respectively, as of June 30, 2020. The investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements and furniture and equipment. The construction in progress of \$14,405,375 as of June 30, 2020 reflects the expenditures recognized on construction contracts in progress as of the end of the year, which total \$16,170,570.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The School District continued to address several major financial matters during the fiscal year, the most important of which was the transfer of additional funds to the capital funds to accumulate funding for future major expenses such as school building HVAC, roofing, and other infrastructure improvements, technology upgrades, and school bus replacements.

Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 13,419,843 | \$ 13,419,843 | \$ - | \$ - | \$ 13,419,843 | \$ 13,419,843 |
| Construction in progress | 14,405,375 | 407,605 | - | - | 14,405,375 | 407,605 |
| Site improvements | 15,226,149 | 14,761,668 | - | - | 15,226,149 | 14,761,668 |
| Buildings and improvements | 312,056,287 | 327,578,634 | - | - | 312,056,287 | 327,578,634 |
| Machinery and equipment | 13,813,226 | 14,253,682 | 383,437 | 440,181 | 14,196,663 | 14,693,863 |
| Totals | \$ 368,920,880 | \$ 370,421,432 | \$ 383,437 | \$ 440,181 | \$ 369,304,317 | \$ 370,861,613 |

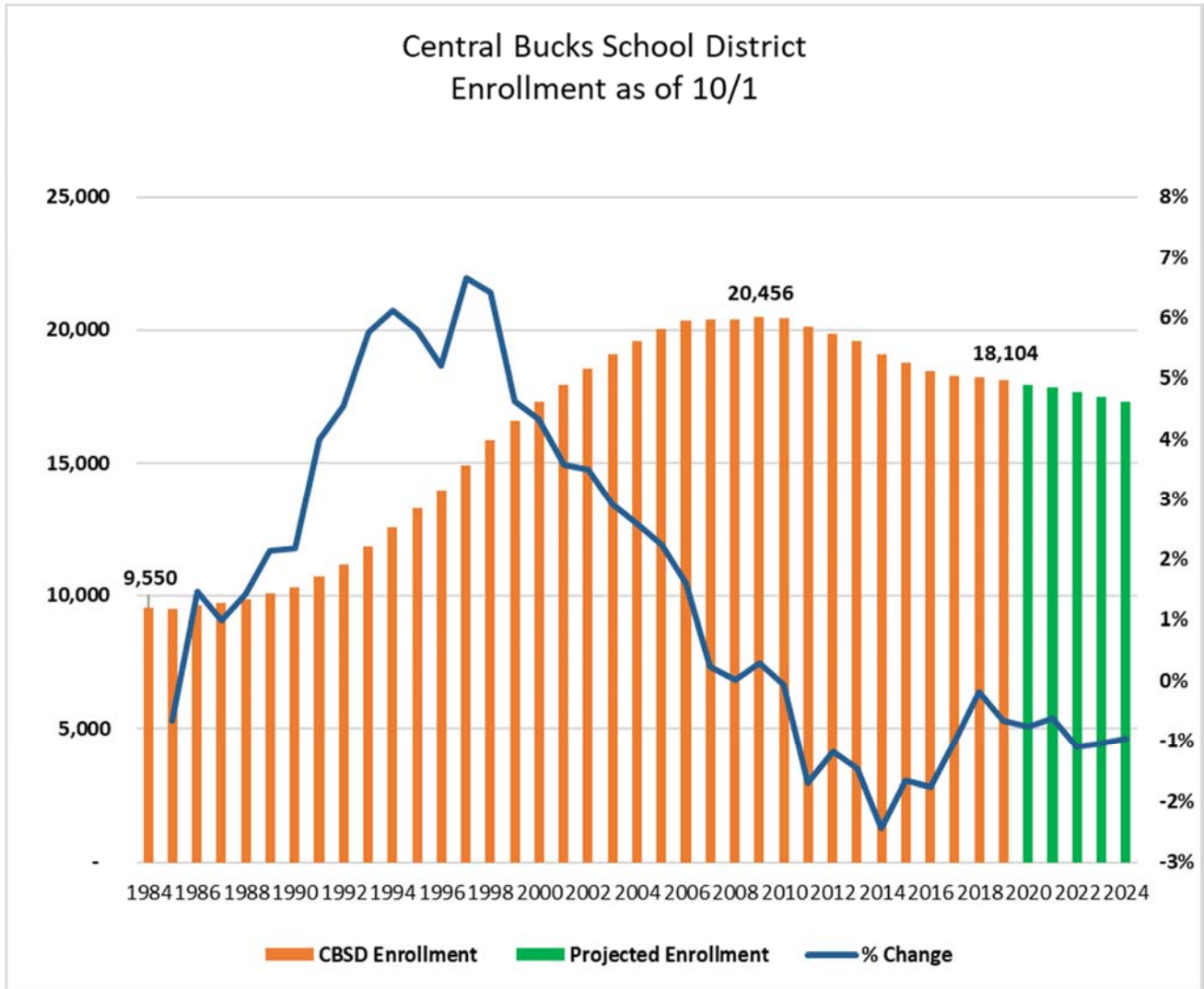
Additional information of the Central Bucks School District's capital assets can be found in Note 6 on page 50 of this report.

ENROLLMENT

Enrollment for the 2019-20 fiscal year totaled 18,104 students, which continues the gradual enrollment decline from the peak year of 2009 at 20,456 students. Enrollment projections provided by the Pennsylvania Department of Education indicate the district will continue to decline, as reflected in the graph below.

The District does not expect any loss of state subsidies as a result of enrollment declines. Even with declining enrollment, the District is seeing pockets of elementary school enrollment growth due to new housing development. Localized growth has required the District to add portable classrooms at one elementary school and plan for a building addition at another elementary school. Realignment of some minor attendance boundaries in new neighborhoods to shift student populations to lower enrolled schools may also be necessary in the near future. Because of the decreased enrollment being widespread, it has not had much impact on staffing. Any staff decreases have been offset by the district's STEM-QUEST initiative, new middle school schedule, and increased staffing needs in the special education area.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020



CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

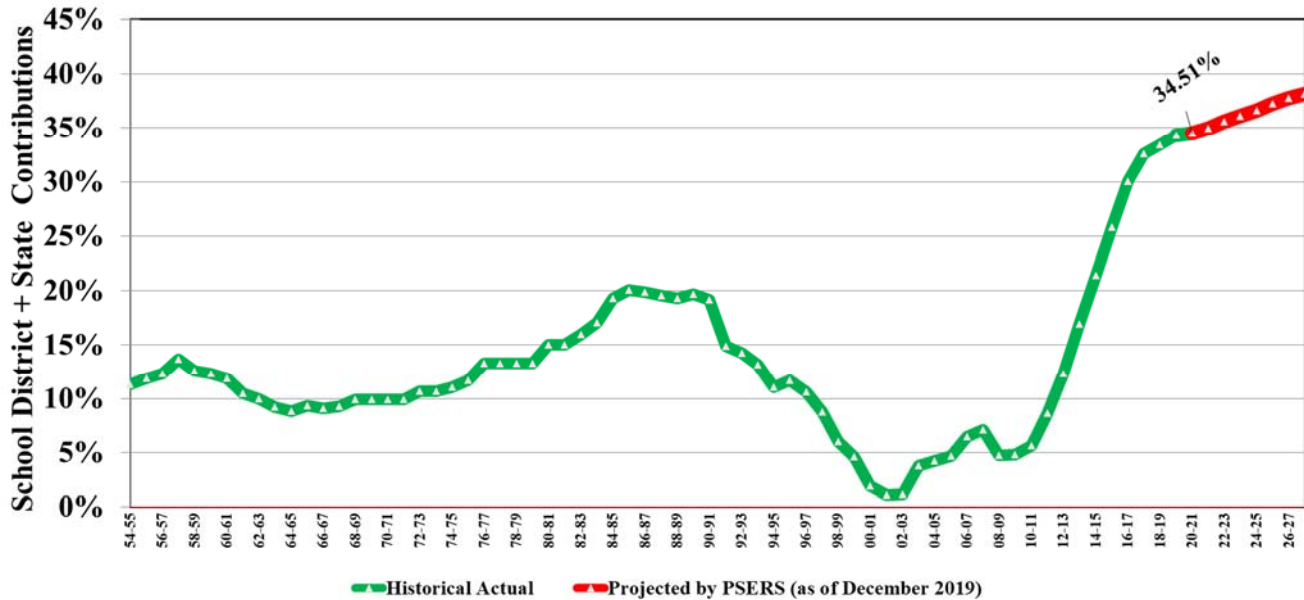
EMPLOYEE COUNT

| Central Bucks School District | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|-----------|
| Employee Count (as of October 1) | | | | | | | |
| Description | 2015 | 2016 | 2017 | 2018 | 2019 | 5-Year Change | |
| Administrator | 102 | 105 | 106 | 101 | 103 | 1 | 1% |
| Teacher | 1,166 | 1,206 | 1,234 | 1,234 | 1,244 | 78 | 7% |
| Long-Term Substitute Teacher | 129 | 89 | 104 | 93 | 89 | (40) | -31% |
| Support Staff, Non-Facility (12-month) | 80 | 88 | 85 | 86 | 85 | 5 | 6% |
| Confidential Secretary | 6 | 10 | 9 | 9 | 9 | 3 | 50% |
| Support Staff (10-month) | 487 | 496 | 478 | 484 | 480 | (7) | -1% |
| EA, Title 1/Basic Skills, Comm School | 27 | 24 | 46 | 53 | 57 | 30 | 111% |
| Transportation EA | 30 | 27 | 29 | 33 | 35 | 5 | 17% |
| EA, Title 1/Basic Skills, Comm School | 50 | 49 | 36 | 39 | 49 | (1) | -2% |
| EA, Title 1/Basic Skills, Comm School | 32 | 35 | 29 | 32 | 28 | (4) | -13% |
| Maintenance/Custodial | 183 | 182 | 180 | 186 | 195 | 12 | 7% |
| Transportation | 95 | 101 | 120 | 118 | 126 | 31 | 33% |
| Transportation (12-month) | 11 | 10 | 11 | 11 | 11 | 0 | 0% |
| Per Diem Substitutes (Certified) | 71 | 61 | 52 | 39 | 34 | (37) | -52% |
| Per Diem Substitutes (Emergency Certified) | 8 | 14 | 19 | 15 | 16 | 8 | 100% |
| Per Diem Substitutes (Assigned) | 13 | 18 | 14 | 10 | 11 | (2) | -15% |
| Homebound Instructor | 2 | 1 | 0 | 0 | 0 | (2) | -100% |
| Substitutes - Building, District | 0 | 1 | 5 | 6 | 1 | 1 | n/a |
| Community School CC | 113 | 123 | 117 | 127 | 120 | 7 | 6% |
| Community School - Other | 1 | 4 | 0 | 1 | 2 | 1 | 100% |
| Community School - Aquatics | 11 | 15 | 19 | 12 | 13 | 2 | 18% |
| Substitutes - EA | 7 | 12 | 8 | 11 | 11 | 4 | 57% |
| Community School - Aquatics (Student) | 8 | 14 | 5 | 15 | 3 | (5) | -63% |
| Substitutes - Custodial | 3 | 2 | 2 | 2 | 1 | (2) | -67% |
| Substitutes - Transportation | 43 | 38 | 34 | 30 | 23 | (20) | -47% |
| Substitutes - Nurse | 1 | 4 | 3 | 2 | 2 | 1 | 100% |
| Substitutes - Secretarial | 0 | 0 | 0 | 1 | 0 | 0 | n/a |
| Pre-term employees | 7 | 6 | 5 | 7 | 3 | (4) | -57% |
| EDR | 81 | 87 | 109 | 104 | 114 | 33 | 41% |
| Tax Collector | 7 | 7 | 7 | 7 | 7 | 0 | 0% |
| District Total | 2,774 | 2,829 | 2,866 | 2,868 | 2,872 | 98 | 4% |

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

DEBT ADMINISTRATION

**Pennsylvania School Employees Retirement System (PSERS)
Employer Retirement Contributions**



The Pennsylvania School Employee Retirement System (PSERS) employer contribution rate is the percentage of gross payroll that must be contributed equally by the Central Bucks School District and the State of Pennsylvania to the pension program. From 2001 through 2015, the state legislature artificially suppressed the employer contribution rates below the PSERS actuarial requirements. The contribution rate was suppressed in hopes that the stock market declines from the “dot com” bust of 2001 would rebound. The economic downturn in 2008 compounded earlier stock market losses and consequently further impacted the funding level of the PSERS retirement system.

Artificially low employer contribution rates and stock market losses have now caused the future employer contribution rates into the PSERS system to increase dramatically. These high contribution rates are expected to remain in place for over 20 years. The increased employer contribution rate is one of the major influences causing financial stress within the District. Fortunately, over the past few years, the reduced student enrollment has allowed the district to maintain staffing levels without impacting the number of students per classroom.

In addition, to help combat the spiking employer contribution rate to the state retirement system, the District has been refinancing and paying off debt ahead of schedule to ease the future tax burden on the community.

During 2007-08 Moody’s rating agency upgraded Central Bucks School District’s financial creditworthiness from AA2 to AA1 which is one step below AAA rating. This helped to reduce the District borrowing cost on the 2008 bond issue particularly since the bond issue was not insured by a third party. In March of 2011, the District refinanced \$170M in outstanding debt and prepaid \$35M in construction debt saving the District interest costs of \$1.5M per year on average and reducing yearly principal payments by \$1M in the near-term.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

In June 2013, the District paid off (defeasance) about \$72M in long-term debt, saving the District roughly \$24M in interest expenses over the following 15 years, or about \$1.5M per year.

In June 2015, the District paid off another \$40M in long term debt reducing debt payments between \$1M and \$7M in future years.

This past year, in July 2019, the District executed a debt defeasance of \$30M to provide future budgetary relief and offset future state retirement system pressures.

Prior to 2011, the District had level debt payments of approximately \$29M per year. Through these efforts to reduce debt, the District has changed the debt structure from flat payments to declining payments. These declining debt payments have allowed and will continue to allow the District to partly offset the dramatically higher state retirement system payments, with the contribution rate exceeding 38% of gross payroll in 2027-28 in the latest estimates.

General Fund Debt Schedule

| Issue | Principal Balance as of 6/30/20 | Payments Due 2020-2021 | | Retirement Date |
|---------------|------------------------------------|------------------------|-------------------|--------------------|
| | | Principal | Interest | |
| 2007 | \$ 3,720,000 | \$ 3,385,000 | \$ 186,000 | 05/2022 |
| 2011 B | 14,600,000 | 2,580,000 | 671,750 | 05/2029 |
| Totals | \$ 18,320,000 | \$ 5,965,000 | \$ 857,750 | |

2020-2021 Average Rate of Interest = 4.68%

| Year Ending June 30, | Principal | Interest | Totals |
|----------------------|----------------------|---------------------|----------------------|
| 2021 | 5,965,000 | 857,750 | 6,822,750 |
| 2022 | 4,870,000 | 572,400 | 5,442,400 |
| 2023 | 3,520,000 | 374,250 | 3,894,250 |
| 2024 | 2,270,000 | 198,250 | 2,468,250 |
| 2025 | 1,345,000 | 84,750 | 1,429,750 |
| 2026 | 350,000 | 17,500 | 367,500 |
| Totals | \$ 18,320,000 | \$ 2,104,900 | \$ 20,424,900 |

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

| Remaining Borrowing Capacity | Fiscal Year Ending June 30, | | |
|---|------------------------------------|-----------------------|------------------------------|
| | 2018 | 2019 | 2020 |
| General Fund Revenues | \$ 330,026,513 | \$ 336,392,180 | \$ 341,071,039 |
| Add: Fund Transfers In | - | - | - |
| Add: Proceeds from the Sale of Capital Assets | 50,189 | 1,800 | 10,494 |
| Total Net General Fund Revenues | 330,076,702 | 336,393,980 | 341,081,533 |
| Less: State Subsidies For Debt Reimbursement | 1,256,126 | 1,086,397 | 3,544,386 |
| Less: Proceeds from Disposition of Capital Assets or Other Non-Recurring Revenue (9000 Function) | 50,189 | 1,800 | 10,494 |
| Total Exclusions | 1,306,315 | 1,088,197 | 3,554,880 |
| Net Revenues | \$ 328,770,387 | \$ 335,305,783 | \$ 337,526,653 |
| Total Net Revenues for Three Years | | | <u>\$ 1,001,602,823</u> |
| Borrowing Base = Total Net Revenues for Three Years / 3 | | | <u>333,867,608</u> |
| Debt Limit = 225% of Borrowing Base | | | 751,202,117 |
| Less: Outstanding Principal Amount on Debt as of June 30th | | | <u>18,320,000</u> |
| Remaining Borrowing Capacity | | | <u>\$ 732,882,117</u> |

CONTINUING DISCLOSURE

The downturn in the economy resulting from the pandemic has caused many homeowners and commercial property owners within the school district to file an appeal of the assessed value (taxable value) of their real estate. The tax assessment appeals, which had slowed since the time of the 2008 economic downturn, have picked up again in 2020. The Central Bucks School District is a bedroom community and, as a percent of tax parcels, has a small proportion of commercial properties. Starting in 2017-18, the District changed its accounting for potential real estate assessment appeals from a liability to an assignment of General Fund balance with a value of \$1.5M.

Bucks County has not conducted a study comparing current property values to their taxable value since 1972. Consequently, some homeowners are overpaying their real estate taxes while others are underpaying their real estate taxes. The district has initiated an appeal process with the county to increase the taxable value of some commercial real estate properties that are projected to be under taxed by significant amounts.

The following table reports the Market Value and Assessed Value of real estate property in the Central Bucks School District.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

| REAL ESTATE VALUE | | | | |
|--------------------------|---------------------|-----------------------|-----------------------------------|---------------------------------------|
| Fiscal Year | Market Value | Assessed Value | % Change in Assessed Value | Assessed-to-Market Value Ratio |
| 2003-04 | \$ 8,862,966,400 | \$ 1,571,624,300 | | |
| 2004-05 | \$ 9,234,681,000 | \$ 1,617,550,460 | 2.92% | 17.5% |
| 2005-06 | \$ 11,435,008,500 | \$ 1,668,633,280 | 3.16% | 14.6% |
| 2006-07 | \$ 11,867,551,050 | \$ 1,716,314,580 | 2.86% | 14.5% |
| 2007-08 | \$ 13,630,865,378 | \$ 1,744,705,280 | 1.65% | 12.8% |
| 2008-09 | \$ 13,678,628,811 | \$ 1,756,437,950 | 0.67% | 12.8% |
| 2009-10 | \$ 14,534,680,307 | \$ 1,746,427,980 | -0.57% | 12.0% |
| 2010-11 | \$ 14,453,591,123 | \$ 1,743,359,970 | -0.18% | 12.1% |
| 2011-12 | \$ 14,762,607,313 | \$ 1,745,225,880 | 0.11% | 11.8% |
| 2012-13 | \$ 14,845,052,275 | \$ 1,751,278,260 | 0.35% | 11.8% |
| 2013-14 | \$ 15,038,198,731 | \$ 1,768,074,260 | 0.96% | 11.8% |
| 2014-15 | \$ 15,187,267,524 | \$ 1,784,990,000 | 0.96% | 11.8% |
| 2015-16 | \$ 15,389,037,645 | \$ 1,802,557,600 | 0.98% | 11.7% |
| 2016-17 | \$ 15,569,804,782 | \$ 1,819,570,430 | 0.94% | 11.7% |
| 2017-18 | \$ 16,189,253,057 | \$ 1,839,739,540 | 1.11% | 11.4% |
| 2018-19 | \$ 16,354,867,260 | \$ 1,857,306,750 | 0.95% | 11.4% |
| 2019-20 | n/a | \$ 1,872,365,700 | 0.81% | n/a |

Source: Pennsylvania State Tax Equalization Board (DCED)

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The following table lists the top taxpayers in the District.

**Central Bucks School District
Top Taxpayers**

| Real Estate Taxpayer | Business Type | Property Taxable (Assessed) Value |
|----------------------------------|----------------------|--|
| Doylestown Hospital | Health/Retirement | \$ 7,393,520 |
| Valley Square Owner LLC | Shopping Center | \$ 4,621,410 |
| Capital Enterprise Inc. | Shopping Center | \$ 3,460,640 |
| KRT Property Holding | Shopping Center | \$ 3,324,400 |
| Stonington Farm 2018 LLC | Apartment Complex | \$ 2,538,000 |
| Park at Westminster Assoc. | Apartment Complex | \$ 2,484,000 |
| Valley Square 1 LP | Shopping Center | \$ 2,465,720 |
| New Britain Land Ltd Part | Shopping Center | \$ 2,417,860 |
| Doylestown Commerce Center | Shopping Center | \$ 2,233,910 |
| Anchor Cogdell Doylestown LP | Office Complex | \$ 2,132,880 |
| Buckingham VLG LTD | Shopping Center | \$ 2,123,080 |
| ERP New Britain Property Owners | Shopping Center | \$ 2,098,480 |
| Cross Keys Development Co. | Office Complex | \$ 2,097,600 |
| Goodman, Bruce A & Rubin Seymore | Shopping Center | \$ 1,910,520 |
| Wegman's Food Markets Inc. | Retail Shopping | \$ 1,867,760 |
| New Heritage Towers | Apartment Complex | \$ 1,798,000 |
| Wal-Mart Real Estate Bus. Trust | Retail Shopping | \$ 1,618,990 |
| BRE RC Creekview PA LP | Apartment Complex | \$ 1,617,600 |
| Heritage Warrington Ctr | Shopping Center | \$ 1,604,380 |
| FW PA Mercer Square LLC | Shopping Center | \$ 1,589,990 |
| Warrington Real Estate | Retail Shopping | \$ 1,512,900 |
| Signature Living at Summer Hill | Apartment Complex | \$ 1,435,000 |
| Regency Woods Assoc | Apartment Complex | \$ 1,390,800 |
| Peruto, Jim Ltd Part | Retail Shopping | \$ 1,379,470 |

Earned Income Tax revenues have improved in recent years. As the Act 32 tax collection law gains in efficiency and sophistication, more taxpayers that fell through the cracks in the collection process are now paying the 1% wage tax and providing needed additional revenue. State subsidies over the years have declined which in turn puts more pressure on local real estate taxes to maintain services. Governor Wolf has been pushing for greater state subsidies to school districts which is yielding more state support for school districts.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Taxes and Taxing Powers - General

The School District, as a school district of the second class, is permitted to impose the following taxes under the School Code:

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An annual tax on all taxable real estate without limit to provide for the payment of:
 - (a) Salaries and increments of the teaching and supervisory staff.
 - (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority.
 - (c) Sinking fund charges incurred in connection with indebtedness authorized under the Act.
 - (d) The amortization of a bond issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident over eighteen years of age of not more than \$5.

The School District may also levy under The Local Tax Enabling Act, Act No. 511, approved December 31, 1965, as amended (the "Tax Enabling Act"), an additional per capita tax, wage taxes, and other taxes as provided for therein; provided, however, that the aggregate amount of taxes imposed under the Tax Enabling Act may not exceed 1.25% of the market valuation of the real estate in the School District as determined by the State Tax Equalization Board, and subject to certain other limitations. These taxes are also subject to apportionment between overlapping municipalities and the School District where such municipalities exercise the right of such apportionment.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

| | Fiscal Years Ending June 30, | | | | |
|--|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Real Estate Tax Collections | | | | | |
| Assessed Valuation | \$ 1,802,557,600 | \$ 1,819,570,430 | \$ 1,839,739,540 | \$ 1,857,306,750 | \$ 1,872,365,700 |
| Tax Levy (Assessed Value x Millage Rate) | 223,697,398 | 225,808,690 | 228,311,677 | 230,491,768 | 232,360,583 |
| Homestead Exclusion | 5,857,240 | 6,042,074 | 6,080,991 | 5,994,705 | 6,217,942 |
| Tax Levy, Net of Homestead Exclusion | <u>\$ 217,840,158</u> | <u>\$ 219,766,616</u> | <u>\$ 222,230,686</u> | <u>\$ 224,497,063</u> | <u>\$ 226,142,641</u> |
| Current Collections (net of discounts/penalties) | \$ 210,702,760 | \$ 213,127,211 | \$ 214,782,854 | \$ 217,290,729 | \$ 219,815,808 |
| Delinquent Real Estate Taxes | 2,706,136 | 2,422,170 | 2,331,101 | 2,432,209 | 1,686,011 |
| Total Collections | <u>\$ 213,408,896</u> | <u>\$ 215,549,381</u> | <u>\$ 217,113,955</u> | <u>\$ 219,722,938</u> | <u>\$ 221,501,819</u> |
| Percent of Current Collections divided by Tax Levy | 94.19% | 94.38% | 94.07% | 94.27% | 94.60% |
| Percent of Total Collections divided by Tax Levy | 95.40% | 95.46% | 95.10% | 95.33% | 95.33% |
| Act 511 Taxes - Proportional Assessments: | | | | | |
| Earned Income Tax Revenue at 0.5% | | | | | |
| Budget | \$ 22,000,000 | \$ 23,875,000 | \$ 25,347,000 | \$ 26,107,410 | \$ 25,893,750 |
| Actual | 23,274,334 | 24,759,500 | 24,580,718 | 25,762,362 | 26,232,070 |
| Difference | <u>\$ 1,274,334</u> | <u>\$ 884,500</u> | <u>\$ (766,282)</u> | <u>\$ (345,048)</u> | <u>\$ 338,320</u> |
| Real Estate Transfer Tax Revenue at 0.5% | | | | | |
| Budget | \$ 4,522,500 | \$ 4,900,000 | \$ 5,807,500 | \$ 5,715,628 | \$ 5,720,000 |
| Actual | 5,344,465 | 5,137,676 | 5,263,456 | 5,128,220 | 4,985,307 |
| Difference | <u>\$ 821,965</u> | <u>\$ 237,676</u> | <u>\$ (544,044)</u> | <u>\$ (587,408)</u> | <u>\$ (734,693)</u> |

Over the past few years, the Central Bucks School District has experienced increased budget pressures from health care benefits and the state-mandated PSERS retirement system, with only incremental revenue growth. However, the District has successfully navigated through the financial storm to this point in time and should continue to do so in the foreseeable future. As the table below reflects, recent real estate tax increases have been very modest, with 2019-20 marking the fifth straight year without a millage rate increase.

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

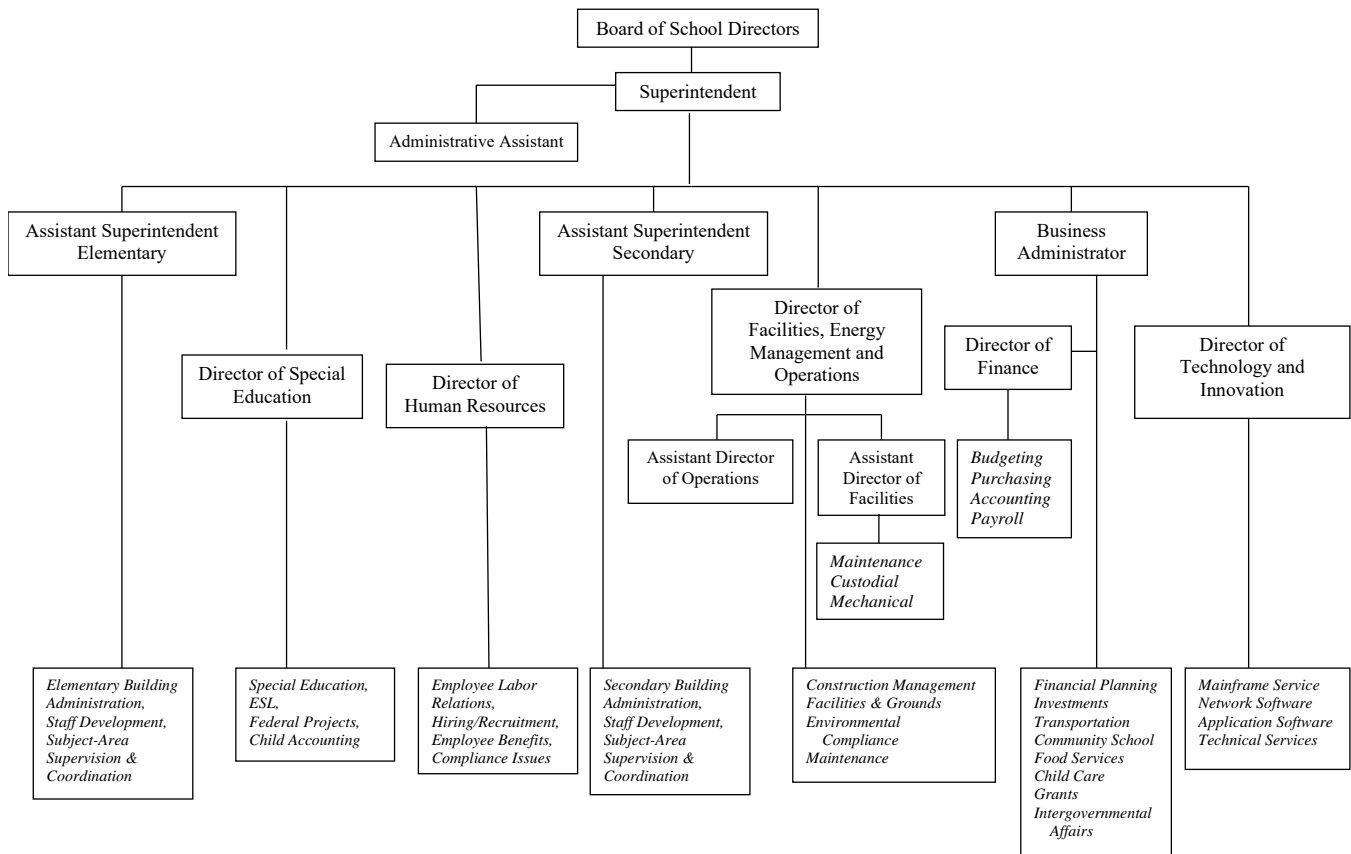
| Tax Year | Base Act 1 Index Millage Rate Increase (%) | Maximum Act 1 Index Millage Rate Increase (%) | Actual CBSD Millage Rate Increase (%) | Actual CBSD Millage Increase | Actual CBSD Millage Rate |
|-----------------|---|--|--|-------------------------------------|---------------------------------|
| 2007-08 | 3.40% | 5.80% | 3.79% | 3.8 | 105.9 |
| 2008-09 | 4.40% | 5.30% | 4.37% | 4.6 | 110.5 |
| 2009-10 | 4.10% | 4.90% | 3.89% | 4.3 | 114.8 |
| 2010-11 | 2.90% | 4.10% | 3.83% | 4.4 | 119.2 |
| 2011-12 | 1.40% | 2.70% | 1.34% | 1.6 | 120.8 |
| 2012-13 | 1.70% | 3.00% | 1.66% | 2.0 | 122.8 |
| 2013-14 | 1.70% | 3.00% | 0.00% | 0.0 | 122.8 |
| 2014-15 | 2.10% | 4.00% | 1.06% | 1.3 | 124.1 |
| 2015-16 | 1.90% | 3.20% | 0.00% | 0.0 | 124.1 |
| 2016-17 | 2.40% | 3.50% | 0.00% | 0.0 | 124.1 |
| 2017-18 | 2.50% | 3.25% | 0.00% | 0.0 | 124.1 |
| 2018-19 | 2.40% | 3.20% | 0.00% | 0.0 | 124.1 |
| 2019-20 | 2.30% | 3.05% | 0.00% | 0.0 | 124.1 |

CENTRAL BUCKS SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

GOVERNANCE

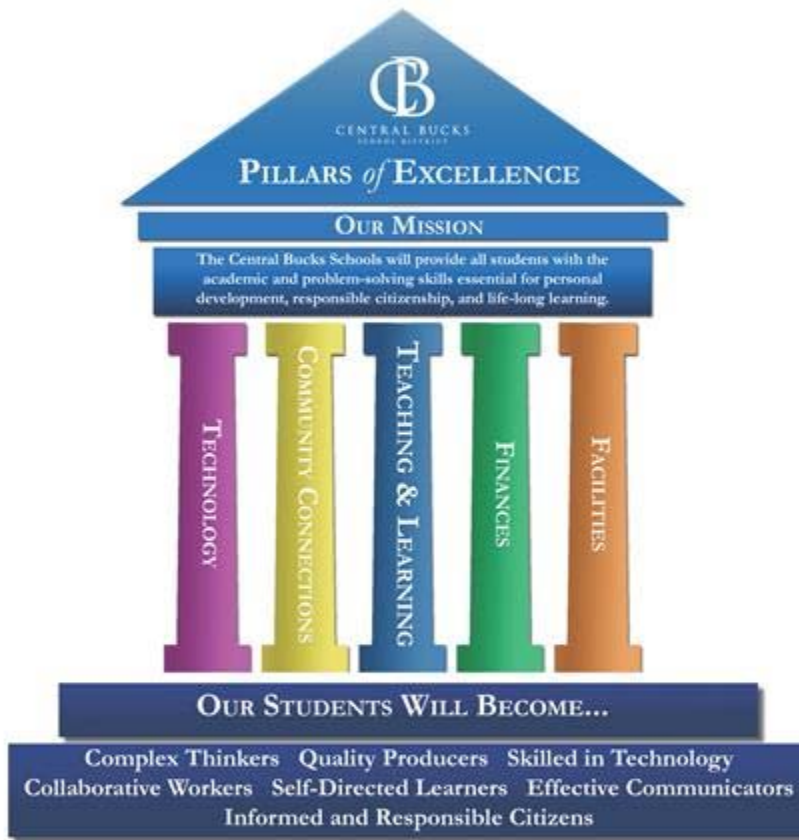
The district is governed by the Board of School Directors. Nine members of the community are elected by voting region and serve for a term of four years. The Superintendent of Schools is considered a non-voting member of the board. Central Bucks School District is a second-class school district (school districts in the Commonwealth of Pennsylvania are classified as first, second, third, or fourth class according to population) and operates under and pursuant to the code of education as amended and supplemented.

Central Bucks School District Organization Chart



The school district is comprised of nine municipalities including the townships of Buckingham, Doylestown, New Britain, Plumstead, Warrington, Warrick, and the boroughs of Chalfont, Doylestown, and New Britain. The school district is located in the central part of Bucks County approximately 30 miles north of the city of Philadelphia. The school district covers approximately 122 square miles.

A VISION *for Our* SCHOOLS



Providing Access, Resources, & Opportunities

MEETING THE NEEDS OF ALL LEARNERS

REQUESTS FOR INFORMATION

This financial report is designed to provide a general financial overview of the Central Bucks District for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Central Bucks School District, Director of Finance, 20 Welden Drive, Doylestown, PA 18901.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental <u>Activities</u> | Business-type <u>Activity</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 79,744,584 | \$ 439,967 | \$ 80,184,551 |
| Investments | 20,199,260 | - | 20,199,260 |
| Accrued Investment Income | 166,507 | - | 166,507 |
| Taxes receivable | 8,915,943 | - | 8,915,943 |
| Internal balances | 15,073 | (15,073) | - |
| Due from other governments | 16,768,642 | 215,484 | 16,984,126 |
| Other receivables | 244,365 | - | 244,365 |
| Inventories | 60,281 | - | 60,281 |
| Prepaid expenses | 119,173 | - | 119,173 |
| Capital assets, net | 368,920,880 | 383,437 | 369,304,317 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | 495,154,708 | 1,023,815 | 496,178,523 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension | 77,004,744 | - | 77,004,744 |
| Other post-employment benefits | 4,897,798 | - | 4,897,798 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 81,902,542 | - | 81,902,542 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| | <u>\$ 577,057,250</u> | <u>\$ 1,023,815</u> | <u>\$ 578,081,065</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 7,276,326 | \$ 4,011 | \$ 7,280,337 |
| Accrued salaries and benefits | 35,803,287 | - | 35,803,287 |
| Unearned revenue | 130,697 | 218,979 | 349,676 |
| Accrued interest | 106,639 | - | 106,639 |
| Long-term liabilities: | | | |
| Portion due or payable within one year: | | | |
| Bonds payable | 5,965,000 | - | 5,965,000 |
| Portion due or payable after one year: | | | |
| Bonds payable | 14,374,076 | - | 14,374,076 |
| Compensated absences | 2,035,229 | - | 2,035,229 |
| Net pension liability | 545,906,000 | - | 545,906,000 |
| Net other post-employment benefits liabilities | 80,434,976 | - | 80,434,976 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | 692,032,230 | 222,990 | 692,255,220 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred amounts on refundings, net | 1,282,067 | - | 1,282,067 |
| Pension | 19,658,000 | - | 19,658,000 |
| Other post-employment benefits | 18,254,845 | - | 18,254,845 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 39,194,912 | - | 39,194,912 |
| NET POSITION | | | |
| Net investment in capital assets | 348,581,804 | 383,437 | 348,965,241 |
| Unrestricted | (502,751,696) | 417,388 | (502,334,308) |
| | <hr/> | <hr/> | <hr/> |
| TOTAL NET POSITION | (154,169,892) | 800,825 | (153,369,067) |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | |
| | <u>\$ 577,057,250</u> | <u>\$ 1,023,815</u> | <u>\$ 578,081,065</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|---|--------------------|---------------------------------|---|---|--|--|----------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| Instruction | | | | | | | |
| Regular programs | \$ 158,259,097 | \$ 763,888 | \$ 37,063,100 | \$ - | \$ (120,432,109) | \$ - | \$ (120,432,109) |
| Special programs | 49,222,538 | - | 14,793,604 | - | (34,428,934) | - | (34,428,934) |
| Vocational education | 4,922,300 | - | - | - | (4,922,300) | - | (4,922,300) |
| Other instructional programs | 4,996,754 | - | 1,392,931 | - | (3,603,823) | - | (3,603,823) |
| Non-public school programs | 30,446 | - | - | - | (30,446) | - | (30,446) |
| Support services | | | | | | | |
| Pupil personnel services | 14,922,937 | - | - | - | (14,922,937) | - | (14,922,937) |
| Instructional staff services | 16,235,121 | - | 1,806,548 | - | (14,428,573) | - | (14,428,573) |
| Administration services | 16,232,745 | - | 1,465,154 | - | (14,767,591) | - | (14,767,591) |
| Pupil health services | 4,547,937 | - | 2,115,144 | - | (2,432,793) | - | (2,432,793) |
| Business services | 1,749,535 | - | 522,055 | - | (1,227,480) | - | (1,227,480) |
| Operation and maintenance of plant services | 27,502,183 | - | 197,403 | - | (27,304,780) | - | (27,304,780) |
| Student transportation services | 20,125,584 | - | 5,309,803 | - | (14,815,781) | - | (14,815,781) |
| Central services | 5,353,618 | - | 1,210,594 | - | (4,143,024) | - | (4,143,024) |
| Other support services | 224,042 | - | 283,621 | - | 59,579 | - | 59,579 |
| Operation of non-instructional services | | | | | | | |
| Student activities | 5,616,728 | - | - | - | (5,616,728) | - | (5,616,728) |
| Community services | 3,778,332 | - | 3,215,749 | - | (562,583) | - | (562,583) |
| Facilities acquisition, construction, and improvement services | 16,289,365 | - | - | 484,888 | (15,804,477) | - | (15,804,477) |
| Interest expense | 1,746,332 | - | - | 3,544,387 | 1,798,055 | - | 1,798,055 |
| TOTAL GOVERNMENTAL ACTIVITIES (Carried Forward) | <u>351,755,594</u> | <u>763,888</u> | <u>69,375,706</u> | <u>4,029,275</u> | <u>(277,586,725)</u> | <u>-</u> | <u>(277,586,725)</u> |

(Continued)

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------|-------------------------|--|--|----------------------------|---------------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | Total |
| TOTAL GOVERNMENTAL ACTIVITIES (Brought Forward) | \$ 351,755,594 | \$ 763,888 | \$ 69,375,706 | \$ 4,029,275 | \$ (277,586,725) | \$ - | \$ (277,586,725) |
| BUSINESS-TYPE ACTIVITY | | | | | | | |
| Food service | 3,438,040 | 2,610,633 | 920,897 | - | - | 93,490 | 93,490 |
| TOTAL SCHOOL DISTRICT ACTIVITIES | <u>\$ 355,193,634</u> | <u>\$ 3,374,521</u> | <u>\$ 70,296,603</u> | <u>\$ 4,029,275</u> | <u>(277,586,725)</u> | <u>93,490</u> | <u>(277,493,235)</u> |
| GENERAL REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 234,011,062 | - | 234,011,062 |
| Earned income taxes | | | | | 27,217,078 | - | 27,217,078 |
| Public utility taxes | | | | | 229,856 | - | 229,856 |
| Grants and contributions not restricted to specific programs | | | | | 3,613,193 | - | 3,613,193 |
| Investment earnings | | | | | 2,907,959 | 2,228 | 2,910,187 |
| Gain on sale of capital assets | | | | | 10,494 | - | 10,494 |
| Miscellaneous | | | | | 126,529 | - | 126,529 |
| TOTAL GENERAL REVENUES | | | | | <u>268,116,171</u> | <u>2,228</u> | <u>268,118,399</u> |
| CHANGE IN NET POSITION | | | | | (9,470,554) | 95,718 | (9,374,836) |
| NET POSITION, BEGINNING OF YEAR | | | | | <u>(144,699,338)</u> | <u>705,107</u> | <u>(143,994,231)</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ (154,169,892)</u> | <u>\$ 800,825</u> | <u>\$ (153,369,067)</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

| | <u>General Fund</u> | <u>Capital Project Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|---------------------------------|------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 44,590,992 | \$ 35,153,592 | \$ - | \$ 79,744,584 |
| Investments | 2,677,000 | 17,522,260 | - | 20,199,260 |
| Taxes receivable | 8,915,943 | - | - | 8,915,943 |
| Due from other funds | 42,280 | - | - | 42,280 |
| Due from other governments | 16,768,642 | - | - | 16,768,642 |
| Other receivables | 244,365 | - | - | 244,365 |
| Inventories | 60,281 | - | - | 60,281 |
| Prepaid expenditures | 119,173 | - | - | 119,173 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 73,418,676</u> | <u>\$ 52,675,852</u> | <u>\$ -</u> | <u>\$ 126,094,528</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,735,875 | \$ 4,540,451 | \$ - | \$ 7,276,326 |
| Accrued salaries and benefits | 35,803,287 | - | - | 35,803,287 |
| Due to other funds | - | 27,207 | - | 27,207 |
| Unearned revenue | 130,697 | - | - | 130,697 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>38,669,859</u> | <u>4,567,658</u> | <u>-</u> | <u>43,237,517</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 1,785,924 | - | - | 1,785,924 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,785,924</u> | <u>-</u> | <u>-</u> | <u>1,785,924</u> |
| FUND BALANCES | | | | |
| Non-spendable | | | | |
| Inventories | 60,281 | - | - | 60,281 |
| Prepaid expenditures | 119,173 | - | - | 119,173 |
| Committed to | | | | |
| Capital projects | - | 48,108,194 | - | 48,108,194 |
| Assigned | | | | |
| Budgetary Reserve | 4,639,065 | - | - | 4,639,065 |
| Healthcare | 4,638,100 | - | - | 4,638,100 |
| Tax Assessment Appeals | 1,518,097 | - | - | 1,518,097 |
| Unassigned | 21,988,177 | - | - | 21,988,177 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>32,962,893</u> | <u>48,108,194</u> | <u>-</u> | <u>81,071,087</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 73,418,676</u> | <u>\$ 52,675,852</u> | <u>\$ -</u> | <u>\$ 126,094,528</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020**

| | | |
|--|----------------------|-------------------------------|
| TOTAL GOVERNMENTAL FUND BALANCES | | \$ 81,071,087 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p> | | 368,920,880 |
| <p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:</p> | | |
| Accrued interest | \$ (106,639) | |
| Bonds payable | (20,339,076) | |
| Deferred amounts on refundings, net of amortization | (1,282,067) | |
| Compensated absences | (2,035,229) | |
| Net OPEB liability, net of related deferred outflows and inflows | (93,792,023) | |
| Net pension liability, net of related deferred outflows and inflows | <u>(488,559,256)</u> | |
| | | (606,114,290) |
| <p>Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds:</p> | | |
| Unavailable revenue - property taxes | 1,785,924 | |
| Unavailable revenue - investment earnings | <u>166,507</u> | |
| | | <u>1,952,431</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | <u><u>\$(154,169,892)</u></u> |

The accompanying notes are an integral part of these financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>General Fund</u> | <u>Capital Project Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|---------------------------------|------------------------------|---|
| REVENUES | | | | |
| Local sources | \$ 263,072,865 | \$ 1,506,196 | \$ 48,481 | \$ 264,627,542 |
| State sources | 74,237,654 | - | - | 74,237,654 |
| Federal sources | <u>3,838,491</u> | <u>-</u> | <u>-</u> | <u>3,838,491</u> |
| TOTAL REVENUES | <u>341,149,010</u> | <u>1,506,196</u> | <u>48,481</u> | <u>342,703,687</u> |
| EXPENDITURES | | | | |
| Instruction | 204,222,180 | 97,440 | - | 204,319,620 |
| Support services | 97,135,617 | 4,604,095 | 66,771 | 101,806,483 |
| Operation of non-instructional services | 8,935,596 | - | - | 8,935,596 |
| Facilities acquisition, construction, and improvement services | - | 17,511,844 | - | 17,511,844 |
| Debt service | 9,283,365 | - | 29,902,481 | 39,185,846 |
| Refund of prior-year revenues | <u>32,876</u> | <u>-</u> | <u>-</u> | <u>32,876</u> |
| TOTAL EXPENDITURES | <u>319,609,634</u> | <u>22,213,379</u> | <u>29,969,252</u> | <u>371,792,265</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>21,539,376</u> | <u>(20,707,183)</u> | <u>(29,920,771)</u> | <u>(29,088,578)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of fixed assets | 10,494 | - | - | 10,494 |
| Interfund transfers in | - | 15,550,181 | - | 15,550,181 |
| Interfund transfers out | <u>(15,300,000)</u> | <u>-</u> | <u>(250,181)</u> | <u>(15,550,181)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(15,289,506)</u> | <u>15,550,181</u> | <u>(250,181)</u> | <u>10,494</u> |
| NET CHANGE IN FUND BALANCES | 6,249,870 | (5,157,002) | (30,170,952) | (29,078,084) |
| FUND BALANCES, BEGINNING OF YEAR | <u>26,713,023</u> | <u>53,265,196</u> | <u>30,170,952</u> | <u>110,149,171</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 32,962,893</u> | <u>\$ 48,108,194</u> | <u>\$ -</u> | <u>\$ 81,071,087</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
RECONCILIATION OF NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (29,078,084)

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

| | | |
|----------------------|-------------------|-------------|
| Depreciation expense | \$ (19,224,697) | |
| Capital outlays | <u>17,724,145</u> | (1,500,552) |

Because some revenues will not be collected within sixty days of the District's fiscal year; those revenues are not considered as "available" revenues in the governmental funds. (396,264)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (the amounts actually paid). 143,711

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 governmental funds:

| | | |
|---|--------------------|--------------|
| Accrued interest expense | 221,197 | |
| Pension expense | (14,154,787) | |
| Other post-employment benefits (OPEB) expense | <u>(1,924,092)</u> | (15,857,682) |

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

| | | |
|--|------------------|-------------------|
| Repayment of bond principal | 36,180,000 | |
| Amortization of bond discounts, premiums, and refunding gains and losses | <u>1,038,317</u> | <u>37,218,317</u> |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (9,470,554)

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

| | <u>Enterprise Fund Food Service Fund</u> |
|-------------------------------------|--|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 439,967 |
| Due from other governments | <u>215,484</u> |
| Total Current Assets | <u>655,451</u> |
| PROPERTY AND EQUIPMENT: | |
| Machinery and equipment | 3,188,912 |
| Accumulated depreciation | <u>(2,805,475)</u> |
| Net Property and Equipment | <u>383,437</u> |
| TOTAL ASSETS | <u><u>\$ 1,038,888</u></u> |
| LIABILITIES AND NET POSITION | |
| Current Liabilities | |
| Accounts payable | \$ 4,011 |
| Due to other funds | 15,073 |
| Unearned revenue | <u>218,979</u> |
| TOTAL (CURRENT) LIABILITIES | <u>238,063</u> |
| NET POSITION | |
| Net investment in capital assets | 383,437 |
| Unrestricted | <u>417,388</u> |
| TOTAL NET POSITION | <u>800,825</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 1,038,888</u></u> |

The accompanying notes are an integral part of these financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Enterprise Fund <u>Food Service Fund</u> |
|---------------------------------|--|
| OPERATING REVENUES | |
| Food service revenues | <u>\$ 2,610,633</u> |
| TOTAL OPERATING REVENUES | <u>2,610,633</u> |
| OPERATING EXPENSES | |
| Purchased property services | 273,595 |
| Other purchased services | 3,072,006 |
| Supplies | 20,435 |
| Depreciation | 56,744 |
| Other operating expenses | <u>15,260</u> |
| TOTAL OPERATING EXPENSES | <u>3,438,040</u> |
| OPERATING (LOSS) | <u>(827,407)</u> |
| NONOPERATING REVENUES | |
| Earnings on investments | 2,228 |
| State sources | 60,681 |
| Federal sources | <u>860,216</u> |
| TOTAL NONOPERATING REVENUES | <u>923,125</u> |
| CHANGE IN NET POSITION | 95,718 |
| NET POSITION, BEGINNING OF YEAR | <u>705,107</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 800,825</u></u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | Enterprise Fund <hr/> Food Service Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,762,289 |
| Cash received from supplier | 51,015 |
| Payments to suppliers | <u>(3,676,878)</u> |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u>(863,574)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State sources | 75,852 |
| Federal sources | <u>772,675</u> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>848,527</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on investments | <u>2,228</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>2,228</u> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (12,819) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>452,786</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 439,967</u></u> |

(Continued)

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Enterprise Fund</u> <u>Food Service Fund</u> |
|--|--|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating (loss) | \$ (827,407) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: | |
| Donated commodities | 108,401 |
| Depreciation | 56,744 |
| Decrease in: | |
| Other receivables | 51,015 |
| Increase (Decrease) in: | |
| Accounts payable | (353,184) |
| Due to other funds | 216 |
| Unearned revenue | <u>100,641</u> |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u><u>\$ (863,574)</u></u> |
| SUPPLEMENTAL DISCLOSURE: | |
| Noncash noncapital financing activity: | |
| USDA donated commodities | <u><u>\$ 108,401</u></u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

| | <u>Trust Funds</u> | <u>Agency Fund</u> |
|---|-------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | <u>\$ 89,439</u> | <u>\$1,381,903</u> |
| TOTAL ASSETS | <u><u>\$ 89,439</u></u> | <u><u>\$1,381,903</u></u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Due to student groups | <u>\$ -</u> | <u>\$1,381,903</u> |
| TOTAL LIABILITIES | <u>-</u> | <u><u>\$1,381,903</u></u> |
| NET POSITION | | |
| Held in trust for benefits and other purposes | <u>89,439</u> | |
| TOTAL NET POSITION | <u>89,439</u> | |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 89,439</u></u> | |

The accompanying notes are an integral part of these financial statements.

**CENTRAL BUCKS SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Trust Funds</u> |
|---------------------------------|-------------------------|
| ADDITIONS | |
| Gifts and contributions | \$ 21,675 |
| Interest | <u>240</u> |
| TOTAL ADDITIONS | <u>21,915</u> |
| DEDUCTIONS | |
| Scholarships awarded | <u>13,830</u> |
| TOTAL DEDUCTIONS | <u>13,830</u> |
| CHANGE IN NET POSITION | 8,085 |
| NET POSITION, BEGINNING OF YEAR | <u>81,354</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 89,439</u></u> |

The accompanying notes are an integral part of these financial statements.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Central Bucks School District (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities, and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board and either (1) the School District’s ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District’s financial statements to be misleading. This report presents the activities of Central Bucks School District. The School District is not a component unit of another reporting entity nor does it have any component units.

B. Joint Venture

The School District is a participating school district in Middle Bucks Institute of Technology (the “Institute”), which was organized and is governed by a group of four school districts located in Bucks County, Pennsylvania. The Institute provides career and vocational education to high school students who are residents of the participating school districts, as well as out-of-school adults. Each school district is responsible for a share of the operating budget based on student enrollment using a formula described within the Articles of Agreement of the joint venture. Continuing education for out-of-school adults receives no school district funding.

The value of the School District’s interest in the Institute as of June 30, 2020 has not been determined and is not reflected in these financial statements. As of June 30, 2020, the total net position of the Institute is \$(13,412,268) and the total fund balance of the Institute’s governmental funds was \$745,291.

Audited financial statements of the Institute can be obtained at their administrative offices at: Middle Bucks Institute of Technology, 2740 York Road, Jamison, PA 18929.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

C. Basis of Presentation and Accounting

Government-Wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental funds financial statements are prepared. Governmental funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of governmental and proprietary funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Capital Project Fund – The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

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

Proprietary Fund

Food Service Fund – The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Private-Purpose Trust Funds – Private-Purpose Trust Funds account for the receipts and disbursements of monies contributed to the School District for scholarships and memorials.

Agency Fund – The Agency Fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist at the explicit approval, subject to revocation, of the School District governing body. This accounting reflects the School District agency relationship with the student activity organizations. Accordingly, receipts and disbursements of the Agency Fund are not included in the revenues and expenditures of the School District. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

E. Cash and Cash Equivalents

The School 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.

F. Investments

Investments consist of certificates of deposit and deposits in the Pennsylvania School District Liquid Asset Fund. Certificates of deposit are stated at cost plus accrued interest. Deposits in the Pennsylvania School District Liquid Asset Fund are valued at amortized cost in accordance with GASB Statement No. 79.

Deposits in savings accounts or time deposits or share accounts of institutions are insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust organized under the laws of the Commonwealth of Pennsylvania. Shares of the PSDLAF are offered to certain Pennsylvania school districts, intermediate units, and area vocational-technical schools. The purpose of the PSDLAF is to enable governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

G. Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities which, when present, are shown as internal balances.

H. Inventories

Inventory of purchased food and paper supplies within the Proprietary Fund is carried at cost using the first-in, first-out method of accounting and is subsequently charged to expense when consumed. Inventory of donated foods is valued at fair market value as established by the U.S. Department of Agriculture.

I. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Property, plant, and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|--|--------------|
| Land improvements, buildings and building improvements | 15-40 |
| Furniture, fixtures, and equipment | 5-20 |
| Vehicles | 8 |

J. Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Unearned revenue arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds balance sheet and revenue is recognized.

K. Long-Term Obligations

In the government-wide financial statements and the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Compensated Absences

Full-time School District employees (excluding teachers) earn vacation based on job classifications and length of service. Unused vacation pay is due upon termination. School District employees accumulate sick time in accordance with their applicable contracts. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees and are included in accrued salaries and benefits.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category, which include deferred outflow of resources related to pension activity and deferred outflows of resources related to other post-employment benefits (OPEB) activity, which is reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has four items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, is reported in the government-wide statement of net position. The third item, deferred inflows related to other post-employment benefits (OPEB) activity, is reported in the government-wide statement of net position. The fourth item is the School District's deferred amount on refunding, which is reported net of accumulated amortization on the government-wide statement of net position. The deferred amount on refunding is the result of deferred charges on debt refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt, reacquisition price, and any unamortized premium/discount on the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Fund Balances

Fund balances are classified as follows:

- *Non-spendable* – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- *Committed* – Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

- *Assigned* – Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The School District has delegated such authority to the Director of Business Affairs.
- *Unassigned* – All amounts not included in other spendable classifications.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The details of the fund balances are included in the governmental funds balance sheet. Restricted funds are used first, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

P. Use of Estimates

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

2. CASH AND INVESTMENTS

Cash

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy is that all monies be invested in accordance with School Code, Act 72. As of June 30, 2020, the carrying value of the School District's deposits totaled \$81,655,893; the total bank balance of the School District's deposits was \$83,475,239, of which \$2,704,735 was insured, \$73,361,427 was uninsured but collateralized with securities held by the pledging bank's trust department not in the School District's name, and \$7,409,077 was held in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are uninsured. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Interest Rate Risk

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

Investments

As of June 30, 2020, the School District had the following investments and maturities:

| <u>Investment Type</u> | <u>Maturities</u> | | <u>Total</u> | <u>Amortized Cost</u> |
|-------------------------------|---------------------------|---------------------------|----------------------|-----------------------|
| | <u>Less Than One Year</u> | <u>More Than One Year</u> | | |
| Bank certificates of deposit | \$ 17,295,260 | \$ 244,000 | \$ 17,539,260 | \$ 17,539,260 |
| PSDLAF certificate of deposit | 240,000 | - | 240,000 | 240,000 |
| PSDLAF fixed income | 2,420,000 | - | 2,420,000 | 2,420,000 |
| Total | \$ 19,955,260 | \$ 244,000 | \$ 20,199,260 | \$ 20,199,260 |

Credit Risk

State law permits the School District to invest funds in the following types of investments:

- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America
- Obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth
- Obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision

The School District's investment policy does not further limit its investment choices. As of June 30, 2020, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

3. TAXES

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements, and debt service. In addition, the School District levies a 0.5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

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

School District property taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

4. TAXES RECEIVABLE

Taxes receivable as of June 30, 2020 consisted of real estate taxes and earned income tax. All taxes receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes. A summary of taxes receivable is as follows:

| | |
|---------------------|---------------------|
| Earned income taxes | \$ 5,793,872 |
| Real estate taxes | <u>3,122,071</u> |
| Total | <u>\$ 8,915,943</u> |

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2020, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|------------------|
| General Fund | Capital Project Fund | \$ 27,207 |
| General Fund | Food Service Fund | <u>15,073</u> |
| | | <u>\$ 42,280</u> |

The interfund balance between the Food Service Fund and the General Fund represent interfund borrowings to pay for operations. The interfund balance between the General Fund and the Capital Project Fund are for renovations to facilities or purchases of equipment.

Interfund Transfers

The School District typically transfers funds from the General Fund to the Capital Project Fund to pay for improvements and capital acquisitions. Transfers from the General Fund to the Capital Project Fund totaled \$15,300,000 during the year ended June 30, 2020. In addition, the School District transferred \$250,181 from the Debt Service Fund to the Capital Project Fund to pay for future expenditures for technology.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--|-------------------------|-----------------------|---------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| <u>Capital assets not being depreciated</u> | | | | |
| Land | \$ 13,419,843 | \$ - | \$ - | \$ 13,419,843 |
| Construction in progress | 407,605 | 14,405,375 | (407,605) | 14,405,375 |
| Total capital assets not being depreciated | <u>13,827,448</u> | <u>14,405,375</u> | <u>(407,605)</u> | <u>27,825,218</u> |
| <u>Capital assets being depreciated</u> | | | | |
| Site improvements | 31,909,083 | 1,812,367 | - | 33,721,450 |
| Buildings and building improvements | 607,583,489 | 407,605 | - | 607,991,094 |
| Machinery and equipment | 41,548,856 | 1,506,403 | (881,787) | 42,173,472 |
| Total capital assets being depreciated | <u>681,041,428</u> | <u>3,726,375</u> | <u>(881,787)</u> | <u>683,886,016</u> |
| Accumulated depreciation | | | | |
| Site improvements | (17,147,415) | (1,347,886) | - | (18,495,301) |
| Buildings and building improvements | (280,004,855) | (15,929,952) | - | (295,934,807) |
| Machinery and equipment | (27,295,174) | (1,946,859) | 881,787 | (28,360,246) |
| Total accumulated depreciation | <u>(324,447,444)</u> | <u>(19,224,697)</u> | <u>881,787</u> | <u>(342,790,354)</u> |
| Total capital assets being depreciated, net | <u>356,593,984</u> | <u>(15,498,322)</u> | <u>-</u> | <u>341,095,662</u> |
| Governmental activities capital assets, net | <u>\$ 370,421,432</u> | <u>\$ (1,092,947)</u> | <u>\$ (407,605)</u> | <u>\$ 368,920,880</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| <u>Capital assets being depreciated</u> | | | | |
| Machinery and equipment | \$ 3,188,912 | \$ - | \$ - | 3,188,912 |
| Accumulated depreciation | (2,748,731) | (56,744) | - | (2,805,475) |
| Business-type activities capital assets, net | <u>\$ 440,181</u> | <u>\$ (56,744)</u> | <u>\$ -</u> | <u>\$ 383,437</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|----------------------|
| Instruction - regular programs | \$ 2,157,011 |
| Operation and maintenance of plant | 211,472 |
| Student transportation services | 1,480,302 |
| Central services | 380,649 |
| Facilities | <u>14,995,263</u> |
| Total | <u>\$ 19,224,697</u> |

7. LONG-TERM DEBT

General Obligation Bonds

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities or to refund prior year bond issues. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

On July 31, 2019, funds held in the Debt Service Fund were used for the advance refunding of the Series A of 2011 Bonds, totaling \$800,000, and Series B of 2011 Bonds, totaling \$27,355,000.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Bonds outstanding as of June 30, 2020 include the following bond issues:

- *Series B of 2011*: The remaining bonds are stated to mature on May 15 of each year from 2021 through 2026 inclusive, with interest payable semi-annually on May 15 and November 15 of each year. Currently, the interest rate on the remaining bonds range from 4% to 5%.
- *Series of 2007*: The remaining bonds are stated to mature on May 15 of each year from 2021 through 2022 inclusive, with interest payable semi-annually on May 15 and November 15 of each year. Currently, the interest rate on the remaining bonds range from 4% to 4.125%.

Certain bonds have been defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|---------------------|----------------------|
| 2021 | \$ 5,965,000 | \$ 857,750 | \$ 6,822,750 |
| 2022 | 4,870,000 | 572,400 | 5,442,400 |
| 2023 | 3,520,000 | 374,250 | 3,894,250 |
| 2024 | 2,270,000 | 198,250 | 2,468,250 |
| 2025 | 1,345,000 | 84,750 | 1,429,750 |
| 2026 | 350,000 | 17,500 | 367,500 |
| Totals | <u>\$ 18,320,000</u> | <u>\$ 2,104,900</u> | <u>\$ 20,424,900</u> |

Long-term liability activity for the year ended June 30, 2020 was as follows:

| | Balance <u>July 1, 2019</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2020</u> | Due Within <u>One Year</u> |
|-------------------------------------|--------------------------------|---------------------|------------------------|---------------------------------|-------------------------------|
| General obligation bonds | | | | | |
| Series A of 2011 | \$ 800,000 | \$ - | \$ (800,000) | \$ - | \$ - |
| Series B of 2011 | 43,480,000 | - | (28,880,000) | 14,600,000 | 2,580,000 |
| Series of 2007 | 10,220,000 | - | (6,500,000) | 3,720,000 | 3,385,000 |
| Total general obligation bonds | 54,500,000 | - | (36,180,000) | 18,320,000 | 5,965,000 |
| Bond premiums | 2,490,616 | - | (471,540) | 2,019,076 | - |
| Total general obligation bonds, net | 56,990,616 | - | (36,651,540) | 20,339,076 | 5,965,000 |
| Compensated absences | 2,178,940 | - | (143,711) | 2,035,229 | - |
| Net pension obligation | 553,929,000 | - | (8,023,000) | 545,906,000 | - |
| Net OPEB obligation | 75,591,257 | 4,843,719 | - | 80,434,976 | - |
| Total long-term liabilities | <u>\$ 688,689,813</u> | <u>\$ 4,843,719</u> | <u>\$ (44,818,251)</u> | <u>\$ 648,715,281</u> | <u>\$ 5,965,000</u> |

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

8. LINES OF CREDIT

The School District has a \$2,000,000 guidance line of credit with TD Bank that is renewable on an annual basis that currently expires on June 30, 2021. The School District also has a \$7,500,000 Automated Clearinghouse (ACH) facility line of credit to support the direct deposit of payroll and health savings accounts, which is annually increased to \$17,500,000 in June to cover summer salaries. There were no outstanding amounts due on the lines of credit as of June 30, 2020.

9. DEFERRED INFLOWS OF RESOURCES AND UNAVAILABLE AND UNEARNED REVENUE

General Fund

Unearned revenue represents revenue collected before the revenue is earned by the School District.

Unavailable revenue represents delinquent tax revenues earned but not collected within 60 days subsequent to the School District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. In the governmental funds financial statements, these receivables are reported as deferred inflows of resources.

Food Service Fund

Unearned revenue represents the total balance of amounts paid by students in advance of meals served.

10. PENSION PLAN

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school 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.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of

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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 new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, 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% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared

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risk” provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The School District’s contractually-required contribution rate for the fiscal year ended June 30, 2020 was 33.36% 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 School District were \$54,988,744 for the year ended June 30, 2020.

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

As of June 30, 2020, the School District reported a liability of \$545,906,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2018 to June 30, 2019. The School 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. As of June 30, 2020, the School District’s proportion was 1.1669 percent, which was an increase of 0.013 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$69,143,531. As of June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between Expected and Actual Experience | \$ 3,006,000 | \$ 18,094,000 |
| Change in Assumptions | 5,219,000 | - |
| Net Difference between Projected and Actual Investment Earnings | - | 1,564,000 |
| Changes in Proportions | 13,791,000 | - |
| Contributions Subsequent to the Measurement Date | <u>54,988,744</u> | <u>-</u> |
| Totals | <u>\$ 77,004,744</u> | <u>\$ 19,658,000</u> |

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An amount of \$54,988,744 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended <u>June 30</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2021 | \$ 9,724,000 |
| 2022 | (4,376,000) |
| 2023 | (3,952,000) |
| 2024 | <u>962,000</u> |
| | <u>\$ 2,358,000</u> |

Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System’s total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, which was comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

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.

The following 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, 2019.

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| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Global Public Equity | 20.0% | 5.6% |
| Fixed Income | 36.0% | 1.9% |
| Commodities | 8.0% | 2.7% |
| Absolute Return | 10.0% | 3.4% |
| Risk Parity | 10.0% | 4.1% |
| Infrastructure/MLPs | 8.0% | 5.5% |
| Real Estate | 10.0% | 4.1% |
| Alternative Investments | 15.0% | 7.4% |
| Cash | 3.0% | 0.3% |
| Financing (LIBOR) | <u>-20.0%</u> | 0.7% |
| Total | <u>100.0%</u> | |

Discount rate

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

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

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

| | 1% Decrease <u>6.25%</u> | Current Discount Rate <u>7.25%</u> | 1% Increase <u>8.25%</u> |
|--|-----------------------------|---|-----------------------------|
| Center's Proportionate Share of the Net Pension Liability | \$ 679,986,000 | \$ 545,906,000 | \$ 432,373,000 |

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Pension Plan Fiduciary Net Position

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

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially-determined expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The post-employment benefit liability is recognized on the statement of net position over time.

The School District accounts for two post-employment benefit plans: (1) the Health Insurance Premium Assistance Plan, which is a governmental cost-sharing multi-employer defined benefit pension plan, that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania; and (2) the Central Bucks School District's OPEB plan, which is a single-employer plan that provides medical insurance benefits to its eligible employees.

Health Insurance Premium Assistance Program

General Information about the Health Insurance Premium Assistance Program

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers the Health Insurance Premium Assistance Program. The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of 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, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24-½ or more years of service, or
- Are a disability retiree, or

CENTRAL BUCKS SCHOOL DISTRICT
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- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension 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 the System include all full-time public school 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.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 School District were \$1,384,609 for the year ended June 30, 2020.

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

As of June 30, 2020, the School District reported a liability of \$24,818,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School 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. As of June 30, 2020, the School District's proportion was 1.1669%, which was an increase of 0.013% from its proportion measured as of June 30, 2019.

CENTRAL BUCKS SCHOOL DISTRICT
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For the Year Ended June 30, 2020

For the year ended June 30, 2020, the School District recognized OPEB expense of \$1,353,073. As of June 30, 2020, the School 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 | \$ 140,000 | \$ - |
| Change in Assumptions | 822,000 | 738,000 |
| Difference between Projected and Actual Investment Earnings | 42,000 | - |
| Changes in Proportions | 713,000 | - |
| Contributions Subsequent to the Measurement Date | <u>1,384,609</u> | <u>-</u> |
| Totals | <u>\$ 3,101,609</u> | <u>\$ 738,000</u> |

An amount of \$1,384,609 reported as deferred outflows of resources related to OPEB resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|-----------------------------------|-------------------|
| 2021 | \$ 149,000 |
| 2022 | 149,000 |
| 2023 | 142,000 |
| 2024 | 137,000 |
| 2025 | 277,000 |
| Thereafter | <u>125,000</u> |
| | <u>\$ 979,000</u> |

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
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Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.97% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect Premium Assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short-term assets designed to protect the principal of the 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 Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
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The following 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, 2019.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 13.2% | 0.20% |
| US Core Fixed Income | 83.1% | 1.00% |
| Non-US Developed Fixed | <u>3.7%</u> | 0.00% |
| Total | <u>100.0%</u> | |

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of 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 plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate as of June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. 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 System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System 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>Current Trend Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|---------------------------|--------------------|
| Total OPEB liability | \$ 24,814,000 | \$ 24,818,000 | \$ 24,821,000 |

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|---------------|-----------------------------|---------------|
| | <u>1.79%</u> | <u>2.79%</u> | <u>3.79%</u> |
| Total OPEB liability | \$ 28,273,000 | \$ 24,818,000 | \$ 21,955,000 |

OPEB plan fiduciary net position

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

Central Bucks School District OPEB Plan

General Information about the OPEB Plan

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

Benefits Provided

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses, and dependents through a single-employer defined benefit plan.

CENTRAL BUCKS SCHOOL DISTRICT
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Employees Covered by Benefit Terms

As of July 1, 2018, the following employees were covered by the benefit terms:

| | |
|---|---------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 71 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>2,097</u> |
| Total | <u><u>2,168</u></u> |

Total OPEB Liability

The School District's total OPEB liability of \$55,616,976 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|-------|
| Healthcare cost trend rates: | |
| 2018-2019 | 2.89% |
| 2019-2020 | 9.50% |
| Decrement | 0.50% |
| Ultimate trend | 5.00% |
| Year ultimate trend is reached | 2029 |
| Salary increases | 3.00% |
| Discount rate | 3.50% |

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2019.

Mortality rates were based on the RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006).

CENTRAL BUCKS SCHOOL DISTRICT
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Changes in the Total OPEB Liability

| | |
|---|--------------------------|
| OPEB liability as of July 1, 2019 | \$ 51,533,257 |
| Changes for the year: | |
| Service cost | 3,131,381 |
| Interest | 1,789,022 |
| Assumption changes | - |
| Difference between actual and expected experience | - |
| Benefit payments | <u>(836,684)</u> |
| OPEB liability as of June 30, 2020 | <u>\$ 55,616,976</u> |

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

The following presents the total OPEB liability, calculated using a discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

| | 1% Decrease <u>2.50%</u> | Current Discount Rate <u>3.50%</u> | 1% Increase <u>4.50%</u> |
|----------------------|-----------------------------|---|-----------------------------|
| Total OPEB liability | \$ 60,935,985 | \$ 55,616,976 | \$ 50,442,960 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability, calculated using the trend rate of 2.89%, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that is one percentage point lower (1.89%) or on percentage point higher (3.89%) than the current healthcare cost trend rates:

| | 1% Decrease <u>1.89%</u> | Current Trend Rate <u>2.89%</u> | 1% Increase <u>3.89%</u> |
|----------------------|-----------------------------|---------------------------------------|-----------------------------|
| Total OPEB liability | \$ 46,948,075 | \$ 55,616,976 | \$ 65,842,268 |

CENTRAL BUCKS SCHOOL DISTRICT
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the School District recognized an OPEB expense of \$1,955,628. As of June 30, 2020, the School District reported deferred outflows 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 | \$ 1,361,183 | \$ 15,109,655 |
| Change in Assumptions | 435,006 | 2,407,190 |
| Totals | \$ 1,796,189 | \$ 17,516,845 |

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Year Ending <u>June 30</u> | <u>Amount</u> |
|--|-----------------|
| 2021 | \$ (2,128,091) |
| 2022 | (2,128,091) |
| 2023 | (2,128,091) |
| 2024 | (2,128,091) |
| 2025 | (2,128,091) |
| Thereafter | (5,080,201) |
| Total | \$ (15,720,656) |

Summary of Net Other Post-Employment Liabilities and Related Deferred Outflows of Resources and Deferred Inflows of Resources

The following is a summary of the School District's net other post-employment liabilities and related deferred outflows of resources and deferred inflows of resources:

| | <u>Net OPEB Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|-------------------------------|---|--|
| Health insurance premium assistance program | \$ 24,818,000 | \$ 3,101,609 | \$ 738,000 |
| School District's post-employment benefit plan | 55,616,976 | 1,796,189 | 17,516,845 |
| Totals | \$ 80,434,976 | \$ 4,897,798 | \$ 18,254,845 |

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
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12. COMMITMENTS AND CONTINGENCIES

Construction Contracts

As of June 30, 2020, the School District was committed under various construction contracts, as follows:

| | |
|---|-------------------------|
| Total cost of construction contracts | \$ 16,170,570 |
| <u>Less: Recognized as expenditures through June 30, 2020</u> | <u>(8,680,865)</u> |
| Contract commitments as of June 30, 2020 | <u>\$ 7,489,705</u> |

Other Commitments

As of June 30, 2020, the School District had secured from TD Bank a standby letter of credit for the benefit of Buckingham Township in the amount of \$1,016,000, which was reduced to \$409,310 in July 2020, and a standby letter of credit for the benefit of Warrington Township in the amount of \$257,000.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

13. RISK MANAGEMENT

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Beginning July 1, 2018, the School District began self-funding healthcare and prescription benefits for its employees. The School District currently reports the cost of these benefits in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

As of June 30, 2020, the liability for healthcare claims was \$2,402,389 and is included in accrued salaries and benefits. This liability is the School District's best estimate based on available information. Changes in the reported liability for the years ended June 30, 2020 and 2019 are as follows:

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| Liability balance as of beginning of year | \$ 2,143,939 | \$ - |
| Current-year claims and changes in estimates | 29,046,893 | 21,842,302 |
| Claim payments | <u>(28,788,443)</u> | <u>(19,698,363)</u> |
| Liability balance as of end of year | <u>\$ 2,402,389</u> | <u>\$ 2,143,939</u> |

As of June 30, 2020, the School District's claim payments for prescription benefits exceeded current-year claims and changes in estimates by \$82,680. This asset, which is included in other receivables, is the School District's best estimate based on available information. Changes in the reported asset for the years ended June 30, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|---------------------------|
| (Asset) balance as of beginning of year | \$ (1,141,212) | \$ - |
| Current-year claims and changes in estimates | 9,870,599 | 7,115,012 |
| Claim payments | <u>(8,812,067)</u> | <u>(8,256,224)</u> |
| (Asset) balance as of end of year | <u>\$ (82,680)</u> | <u>\$ (1,141,212)</u> |

14. SUBSEQUENT EVENTS

An ongoing worldwide pandemic of coronavirus disease 2019 (COVID-19) has continued to have an effect on the United States since March 2020 when many of the large metropolitan areas of the United States imposed strict limits on social gathering and forced non-essential businesses with physical locations to temporarily close. This forced many organizations to find alternatives to continue their operations. As of the report dated, the School District is evaluating the ongoing effects of this pandemic on its current and future operations.

The School District has evaluated all subsequent events through February 22, 2021, the date the financial statements were available to be issued.

**CENTRAL BUCKS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variance with Final Budget Favorable (Unfavorable) |
|--|----------------------|----------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources | \$ 267,032,680 | \$ 267,032,680 | \$ 263,072,865 | \$ (3,959,815) |
| State sources | 72,383,878 | 72,383,878 | 74,237,654 | 1,853,776 |
| Federal sources | 2,832,055 | 2,832,055 | 3,838,491 | 1,006,436 |
| TOTAL REVENUES | <u>342,248,613</u> | <u>342,248,613</u> | <u>341,149,010</u> | <u>(1,099,603)</u> |
| EXPENDITURES | | | | |
| Instruction | 205,160,976 | 205,302,709 | 204,222,180 | 1,080,529 |
| Support services | 99,739,887 | 99,598,154 | 97,135,617 | 2,462,537 |
| Operation of non-instructional services | 9,761,600 | 9,761,600 | 8,935,596 | 826,004 |
| Debt service | 9,286,150 | 9,286,150 | 9,283,365 | 2,785 |
| Refund of prior-year revenues | - | - | 32,876 | (32,876) |
| TOTAL EXPENDITURES | <u>323,948,613</u> | <u>323,948,613</u> | <u>319,609,634</u> | <u>4,338,979</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>18,300,000</u> | <u>18,300,000</u> | <u>21,539,376</u> | <u>3,239,376</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of fixed assets | - | - | 10,494 | 10,494 |
| Interfund transfers out | (18,300,000) | (18,300,000) | (15,300,000) | 3,000,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(18,300,000)</u> | <u>(18,300,000)</u> | <u>(15,289,506)</u> | <u>3,010,494</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>6,249,870</u> | <u>6,249,870</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>20,400,000</u> | <u>20,400,000</u> | <u>26,713,023</u> | <u>6,313,023</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 20,400,000</u> | <u>\$ 20,400,000</u> | <u>\$ 32,962,893</u> | <u>\$ 12,562,893</u> |

The accompanying notes are an integral part of these financial statements.

**Central Bucks School District
Note to the Budgetary Comparison Schedule
For the Year Ended June 30, 2020**

1. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Project Fund.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Capital Project Fund. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| School district's proportion of the net pension liability | 1.1669% | 1.1539% | 1.1333% | 1.1200% | 1.0975% | 1.0577% |
| School district's proportionate share of the net pension liability | \$ 545,906,000 | \$ 553,929,000 | \$ 559,719,000 | \$ 555,036,000 | \$ 475,386,000 | \$ 418,645,000 |
| School district's covered-employee payroll | \$ 160,935,915 | \$ 155,388,484 | \$ 150,885,722 | \$ 145,056,187 | \$ 141,210,865 | \$ 134,977,166 |
| School district's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 339.21% | 356.48% | 370.96% | 382.64% | 336.65% | 310.16% |
| The plan's fiduciary net position as a percentage of the total pension liability | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% |

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of the School District's Pension Contributions
Last Six Fiscal Years

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually Required Contribution | \$ 54,988,744 | \$ 52,465,108 | \$ 49,320,305 | \$ 44,058,631 | \$ 36,264,047 | \$ 28,948,227 |
| Contributions in Relation to the Contractually Required Contribution | <u>(54,988,744)</u> | <u>(52,465,108)</u> | <u>(49,320,305)</u> | <u>(44,058,631)</u> | <u>(36,264,047)</u> | <u>(28,948,227)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-employee Payroll | \$ 164,834,365 | \$ 160,935,915 | \$ 155,388,484 | \$ 150,885,722 | \$ 145,056,187 | \$ 141,210,865 |
| Contributions as a Percentage of Covered- employee Payroll | 33.36% | 32.60% | 31.74% | 29.20% | 25.00% | 20.50% |

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Health Insurance Premium Assistance Plan
Last Four Fiscal Years

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|------------------|------------------|------------------|------------------|
| District's Proportion of the Net OPEB Liability | 1.1669% | 1.1539% | 1.1333% | 1.1200% |
| District's Proportionate Share of the Net OPEB Liability | 24,818,000 | 24,058,000 | \$ 23,090,000 | \$ 24,125,000 |
| District's Covered-employee Payroll | \$ 160,935,915 | \$ 155,388,484 | \$ 150,885,722 | \$ 145,056,187 |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll | 15.42% | 15.48% | 15.30% | 16.63% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 5.56% | 5.56% | 5.73% | 5.47% |

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of School District's OPEB Contributions
Health Insurance Premium Assistance Plan
Last Four Fiscal Years

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$ 1,384,609 | \$ 1,335,768 | \$ 1,289,724 | \$ 1,252,351 |
| Contributions in Relation to the Contractually- Required Contribution | <u>(1,384,609)</u> | <u>(1,335,768)</u> | <u>(1,289,724)</u> | <u>(1,252,351)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-employee Payroll | \$ 164,834,365 | \$ 160,935,915 | \$ 155,388,484 | \$ 150,885,722 |
| Contributions as a Percentage of Covered- employee Payroll | 0.84% | 0.83% | 0.83% | 0.83% |

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios
Central Bucks School District OPEB Plan
Last Four Fiscal Years

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 3,131,381 | \$ 3,025,489 | \$ 3,265,570 | \$ 7,319,129 |
| Interest | 1,789,022 | 1,654,028 | 1,326,060 | 1,741,637 |
| Changes in benefit terms | - | - | - | - |
| Assumption changes and difference between actual and expected experience | - | (2,922,098) | (1,414,840) | (21,128,466) |
| Difference between actual and expected experience | - | 1,652,345 | - | - |
| Change in actuarial cost method | - | - | - | - |
| Benefit payments | <u>(836,684)</u> | <u>(808,390)</u> | <u>(1,546,690)</u> | <u>(2,046,810)</u> |
| Net change in total OPEB liability | 4,083,719 | 2,601,374 | 1,630,100 | (14,114,510) |
| Total OPEB liability - beginning of year | <u>51,533,257</u> | <u>48,931,883</u> | <u>47,301,783</u> | <u>61,416,293</u> |
| Total OPEB liability - end of year | <u>\$ 55,616,976</u> | <u>\$ 51,533,257</u> | <u>\$ 48,931,883</u> | <u>\$ 47,301,783</u> |
| Covered-employee payroll | \$ 146,250,584 | \$ 141,990,859 | \$ 136,596,726 | \$ 132,618,181 |
| Total OPEB liability as a percentage of covered-employee payroll | 38.03% | 36.29% | 35.82% | 35.67% |

Notes to Schedule

Assumption changes and difference between actual and expected experience . The amount presented for the year ended June 30, 2017 represents the difference between the expected net OPEB liability and the OPEB liability as of July 1, 2016 calculated in accordance with GASB Statement No. 45. The amounts presented for the years ended June 30, 2020, 2019, and 2018 represents the effect of other changes in assumptions.



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

To the Board of School Directors
Central Bucks School District
Doylestown, 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 Central Bucks School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Central Bucks School District’s basic financial statements, and have issued our report thereon dated February 22, 2021.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Barz Gowie Amon & Fultz, LLC

Media, Pennsylvania
February 22, 2021



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

To the Board of School Directors
Central Bucks School District
Doylestown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Central Bucks School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Bucks School District's major federal programs for the year ended June 30, 2020. Central Bucks School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Bucks School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Bucks School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Bucks School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Central Bucks 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, 2020.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Barz Gowie Amon & Fultz, LLC

Media, Pennsylvania
February 22, 2021

**CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

| Grantor/Pass-through Grantor/ Program Title | Federal CDFA Number | Pass-Through Grantor's Number | Grant Period | Program or Award Amount | Total Received for the Year | Accrued or (Deferred) Revenue 6/30/19 | Accrued or (Deferred) Revenue 6/30/20 | Revenue Recognized | Expenditures | Amounts Passed Through to Sub- Recipients |
|--|---------------------------|-------------------------------------|-------------------|-------------------------------|-----------------------------------|--|--|-----------------------|------------------|---|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | |
| Passed through PA Department of Education | | | | | | | | | | |
| Title I - Improving Basic Programs | 84.010 | 013-20-0069 | 8/15/18 - 9/30/20 | \$ 1,146,583 | \$ 199,291 | \$ 50,803 | \$ 730,733 | \$ 879,221 | \$ 879,221 | \$ - |
| Title I - Improving Basic Programs | 84.010 | 013-18-0069 | 9/20/17 - 9/30/18 | 661,331 | 50,574 | 50,574 | - | - | - | - |
| Total Title I - CFDA # 84.010 | | | | | 249,865 | 101,377 | 730,733 | 879,221 | 879,221 | - |
| Title III - Language Instruction for Limited English Proficient and Immigrant Students | 84.365 | 010-20-0069 | 8/23/19 - 9/30/20 | 61,650 | 44,036 | - | 4,334 | 48,370 | 48,370 | - |
| Title III - Language Instruction for Limited English Proficient and Immigrant Students | 84.365 | 010-19-0069 | 8/15/18 - 9/30/19 | 60,226 | 4,302 | 1,579 | - | 2,723 | 2,723 | - |
| Total Title III - CFDA # 84.365 | | | | | 48,338 | 1,579 | 4,334 | 51,093 | 51,093 | - |
| Title II - Improving Teacher Quality | 84.367 | 020-20-0069 | 8/23/19 - 9/30/20 | 318,889 | 205,005 | - | 60,898 | 265,903 | 265,903 | - |
| Title II - Improving Teacher Quality | 84.367 | 020-19-0069 | 8/15/18 - 9/30/19 | 348,948 | 117,393 | 77,444 | - | 39,949 | 39,949 | - |
| Total Title II - CFDA # 84.367 | | | | | 322,398 | 77,444 | 60,898 | 305,852 | 305,852 | - |
| Title IV - Student Support and Academic Enrichment | 84.424 | FA-144-20-0069 | 8/23/19 - 9/30/20 | 100,239 | 42,960 | - | 1,831 | 44,791 | 44,791 | - |
| Title IV - Student Support and Academic Enrichment | 84.424 | FA-144-19-0069 | 8/15/18 - 9/30/19 | 48,682 | 17,386 | 14,003 | - | 3,383 | 3,383 | - |
| Title IV - Student Support and Academic Enrichment | 84.424 | FA-144-18-0069 | 9/20/17 - 9/30/18 | 15,209 | 1,170 | 1,170 | - | - | - | - |
| Total Title IV - CFDA # 84.424 | | | | | 61,516 | 15,173 | 1,831 | 48,174 | 48,174 | - |
| Access | 93.778 | N/A | 7/1/19 - 6/30/20 | | 4,048 | - | 31,303 | 35,351 | 35,351 | - |
| Access | 93.778 | N/A | 7/1/18 - 6/30/19 | 46,910 | 38,401 | 42,214 | - | (3,813) | (3,813) | - |
| Total Access - CFDA # 93.778 | | | | | 42,449 | 42,214 | 31,303 | 31,538 | 31,538 | - |
| Total Medicaid Cluster | | | | | 42,449 | 42,214 | 31,303 | 31,538 | 31,538 | - |
| Passed through Bucks County Intermediate Unit | | | | | | | | | | |
| IDEA | 84.027 | 062-200022 | 7/1/19 - 6/30/20 | 2,561,476 | 1,235,946 | - | 1,325,530 | 2,561,476 | 2,561,476 | - |
| IDEA | 84.027 | 062-190022 | 7/1/18 - 6/30/19 | 2,456,945 | 565,301 | 565,301 | - | - | - | - |
| Total IDEA - CFDA # 84.027 | | | | | 1,801,247 | 565,301 | 1,325,530 | 2,561,476 | 2,561,476 | - |
| IDEA Section 619 | 84.173 | 131-190022 | 7/1/19 - 6/30/20 | 9,686 | - | - | 9,686 | 9,686 | 9,686 | - |
| Total IDEA Section 619 - CFDA # 84.173 | | | | | - | - | 9,686 | 9,686 | 9,686 | - |
| Total Special Education Cluster | | | | | 1,801,247 | 565,301 | 1,335,216 | 2,571,162 | 2,571,162 | - |
| Total U.S. Department of Education (Carried Forward) | | | | | 2,525,813 | 803,088 | 2,164,315 | 3,887,040 | 3,887,040 | - |

(Continued)

**CENTRAL BUCKS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020**

| Grantor/Pass-through Grantor/ Program Title | Federal CDFA Number | Pass-Through Grantor's Number | Grant Period | Program or Award Amount | Total Received for the Year | Accrued or (Deferred) Revenue 6/30/19 | Accrued or (Deferred) Revenue 6/30/20 | Revenue Recognized | Expenditures | Amounts Passed Through to Sub- Recipients |
|---|---------------------------|-------------------------------------|------------------|-------------------------------|-----------------------------------|--|--|-----------------------|---------------------|---|
| TOTAL U.S. DEPARTMENT OF EDUCATION (Brought Forward) | | | | | 2,525,813 | 803,088 | 2,164,315 | 3,887,040 | 3,887,040 | - |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | | |
| Passed through PA Department of Education | | | | | | | | | | |
| School Breakfast Program | 10.553 | 365 | 7/1/19 - 6/30/20 | N/A | 51,278 | - | 4,309 | 55,587 | 55,587 | - |
| School Breakfast Program | 10.553 | 365 | 7/1/18 - 6/30/19 | N/A | 27,532 | 27,532 | - | - | - | - |
| Total School Breakfast Program - CFDA # 10.553 | | | | | 78,810 | 27,532 | 4,309 | 55,587 | 55,587 | - |
| National School Lunch Program | 10.555 | 362 | 7/1/19 - 6/30/20 | N/A | 494,041 | - | 202,187 | 696,228 | 696,228 | - |
| National School Lunch Program | 10.555 | 362 | 7/1/18 - 6/30/19 | N/A | 199,825 | 199,825 | - | - | - | - |
| Total National School Lunch Program - CFDA # 10.555 | | | | | 693,866 | 199,825 | 202,187 | 696,228 | 696,228 | - |
| Passed through PA Department of Agriculture | | | | | | | | | | |
| National School Lunch Program | 10.555 | 2-08-09-210 | 7/1/19 - 6/30/20 | N/A | 108,401 | - | - | 108,401 | 108,401 | - |
| Total Child Nutrition Cluster | | | | | 881,077 | 227,357 | 206,496 | 860,216 | 860,216 | - |
| Total U.S. Department of Agriculture | | | | | 881,077 | 227,357 | 206,496 | 860,216 | 860,216 | - |
| TOTAL FEDERAL AWARDS | | | | | <u>\$ 3,406,890</u> | <u>\$ 1,030,445</u> | <u>\$ 2,370,811</u> | <u>\$ 4,747,256</u> | <u>\$ 4,747,256</u> | <u>\$ -</u> |

CENTRAL BUCKS SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Central Bucks School District under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Central Bucks School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Central Bucks School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Central Bucks School District did not elect to use the 10% *de minimis* indirect cost rate.

3. NON-MONETARY FEDERAL AWARDS – DONATED COMMODITIES

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures for USDA Donated Commodities, reported in the Schedule of Expenditures of Federal Awards under CFDA #10.555, National School Lunch Program, represent surplus food consumed by Central Bucks School District during the year ended June 30, 2020.

**CENTRAL BUCKS SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements:

| | |
|--|---------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Internal control over major program: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |

Identification of Major Programs:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures of Federal Awards</u> |
|------------------------------------|----------------------------|---------------------------------------|
| IDEA | 84.027 | \$ 2,561,476 |
| IDEA Section 619 | 84.173 | <u>9,686</u> |
| Total Special Education Cluster | | 2,571,162 |
| Title I - Improving Basic Programs | 84.010 | <u>879,221</u> |
| Total Major Programs | | <u><u>\$ 3,450,383</u></u> |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low risk auditee? | Yes |

CENTRAL BUCKS SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

Status of Prior-Year Findings:

None

Current-Year Findings and Questioned Costs:

None

Section III – Federal Award Findings and Questioned Costs

Status of Prior-Year Findings:

None

Current-Year Findings and Questioned Costs:

None