



**PENNRIDGE SCHOOL DISTRICT
PERKASIE, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2020

PENNRIDGE SCHOOL DISTRICT

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PENNRIDGE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

December 3, 2020

Board of School Directors
Pennridge School District
Perkasie, 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 the Pennridge School District ("the District"), Perkasie, Pennsylvania, 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

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error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Report on Summarized Comparative Information

The financial statements of the Pennridge School District for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on November 20, 2019.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the District's net OPEB liability - single employer plan on pages 58 through 62 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.

Board of School Directors
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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 67 and 68 as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

FINANCIAL HIGHLIGHTS

On a full accrual basis, the District contributed \$7.1 million to the total net position, bringing the 2019 - 2020 full accrual net deficit to \$(74.1) million. The 2019 - 2020 full accrual statements include the District's share of pension and other postemployment benefits ("OPEB") liabilities, as required in accordance with the Governmental Accounting Standards Board ("GASB") Codification. The District's net pension liability was \$206.4 million and \$209.1 million as of June 30, 2020 and 2019, respectively. The District's net OPEB liability was \$17.4 million and \$16.7 million as of June 30, 2020 and 2019, respectively.

On a modified accrual basis, the District's governmental funds experienced a decrease of \$4.0 million to the 2019 - 2020 total fund balance. The majority of the fund balance decrease resulted from purchasing capital assets. This brought the total 2019 - 2020 governmental fund balances to \$34.0 million. Modified accrual revenues totaled \$141.4 million, modified accrual expenditures totaled \$145.3 million.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District (*except for fiduciary funds held in trust for student purposes*) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at a conclusion regarding the overall health of the District.

Entity-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, 2019 - 2020 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$74.1 million at the close of the fiscal year.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A portion of the District's total net position reflects the net pension liability. The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania defines the plan benefits, manages the plan, and directs what contributions the District makes to the plan. The Commonwealth reimburses the District for 50 percent of plan contributions, but this reimbursement is not factored into pension liability calculations. The statutory employer (District) contribution rate for the PSERS plan has risen sharply in the last few years, rising from 5.64 percent in 2010 - 2011 to 34.29 percent in 2019 - 2020.

A portion of the District's total net position reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2019 - 2020 to 2018 - 2019 follows:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 66,398,314	\$ 68,599,637	\$ 1,182,744	\$ 1,515,582	\$ 67,581,058	\$ 70,115,219
Capital assets	150,612,421	150,609,777	260,380	271,467	150,872,801	150,881,244
Total Assets	217,010,735	219,209,414	1,443,124	1,787,049	218,453,859	220,996,463
Deferred outflows of resources	40,704,402	42,638,078	485,798	512,000	41,190,200	43,150,078
Liabilities:						
Current liabilities	30,120,811	18,453,884	120,505	85,593	30,214,316	18,539,477
Long-term liabilities	285,667,135	309,926,384	3,597,024	3,640,418	289,264,159	313,566,802
Total Liabilities	315,787,946	328,380,268	3,717,529	3,726,011	319,505,475	332,106,279
Deferred inflows of resources	13,983,844	13,018,541	222,957	211,000	14,206,851	13,229,541
Net Position (Deficit):						
Net investment in capital assets	87,035,465	76,875,246	260,380	271,467	87,295,845	77,146,713
Restricted	16,024,765	21,500,817	-	-	16,024,765	21,500,817
Unrestricted (Deficit)	(175,116,933)	(177,927,380)	(2,271,944)	(1,909,429)	(177,388,877)	(179,836,809)
Total Net Position (Deficit)	\$ (72,056,703)	\$ (79,551,317)	\$ (2,011,564)	\$ (1,637,962)	\$ (74,068,267)	\$ (81,189,279)

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Entity

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental and business-type activities.

STATEMENT OF ACTIVITIES - EXPENSES

	2020		2019	
	<u>Total Expenses</u>	<u>Net Expenses</u>	<u>Total Expenses</u>	<u>Net Expenses</u>
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 85,016,622	\$ 73,616,826	\$ 82,130,838	\$ 63,910,382
Support services	10,769,102	5,511,570	10,407,623	9,661,656
Administration	10,584,024	10,584,024	12,977,946	12,977,946
Maintenance	10,299,552	9,093,123	9,919,882	9,682,216
Pupil transportation	7,721,631	5,302,980	7,651,099	5,972,821
Student activities	1,595,271	1,242,906	1,638,874	1,638,874
Community services	69,636	65,136	68,989	68,989
Unallocated depreciation	5,202,964	5,202,964	3,979,529	3,979,529
Interest and fiscal charges	<u>1,289,994</u>	<u>245,660</u>	<u>1,947,794</u>	<u>318,879</u>
Total Governmental Activities	<u>132,548,796</u>	<u>110,865,189</u>	<u>130,722,574</u>	<u>108,211,292</u>
Business-type Activities:				
Food service	<u>2,641,389</u>	<u>388,228</u>	<u>2,557,651</u>	<u>(74,384)</u>
Total Business-type Activities	<u>2,641,389</u>	<u>388,228</u>	<u>2,557,651</u>	<u>(74,384)</u>
Total Program Expenses	<u>\$ 135,190,185</u>	<u>\$ 111,253,417</u>	<u>\$ 133,280,225</u>	<u>\$ 108,136,908</u>

Governmental activities experienced an increase in the total cost of services of \$1,826,222 and an increase in the net cost of services of \$2,653,897. These changes were attributed to general inflationary growth including rising benefit costs.

Business-type activities experienced an increase of \$83,738 in total service costs and an increase in net service cost of \$462,612.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Charges for services	\$ 436,672	\$ 405,358	\$ 1,091,935	\$ 1,615,470	\$ 1,528,607	\$ 2,020,828
Operating grants	21,246,935	20,477,009	1,161,226	1,016,565	22,408,161	21,493,574
Capital grants	-	1,628,915	-	-	-	1,628,915
Total Program Revenues	<u>21,683,607</u>	<u>22,511,282</u>	<u>2,253,161</u>	<u>2,632,035</u>	<u>23,936,768</u>	<u>25,143,317</u>
General Revenues:						
Taxes	103,053,553	102,352,362	-	-	103,053,553	102,352,362
Grants and entitlements	13,935,029	13,498,124	-	-	13,935,029	13,498,124
Investment earnings	1,252,955	1,805,795	14,626	20,817	1,267,581	1,826,612
Miscellaneous	118,266	361,177	-	-	118,266	361,177
Total General Revenues	<u>118,359,803</u>	<u>118,017,458</u>	<u>14,626</u>	<u>20,817</u>	<u>118,374,429</u>	<u>118,038,275</u>
EXPENSES						
Program Services:						
Instruction	85,016,622	82,130,838	-	-	85,016,622	82,130,838
Support Services:						
Instructional staff support	10,769,102	10,407,623	-	-	10,769,102	10,407,623
Administration	10,584,024	12,977,946	-	-	10,584,024	12,977,946
Maintenance	10,299,552	9,919,882	-	-	10,299,552	9,919,882
Pupil transportation	7,721,631	7,651,099	-	-	7,721,631	7,651,099
Student activities	1,595,271	1,638,874	-	-	1,595,271	1,638,874
Community Service	69,636	68,989	-	-	69,636	68,989
Unallocated depreciation	5,202,964	3,979,529	-	-	5,202,964	3,979,529
Interest/fiscal charges	1,289,994	1,947,794	-	-	1,289,994	1,947,794
Food service	-	-	2,641,389	2,557,651	2,641,389	2,557,651
TOTAL EXPENSES	<u>132,548,796</u>	<u>130,722,574</u>	<u>2,641,389</u>	<u>2,557,651</u>	<u>135,190,185</u>	<u>133,280,225</u>
CHANGE IN NET POSITION	<u>\$ 7,494,614</u>	<u>\$ 9,806,166</u>	<u>\$ (373,602)</u>	<u>\$ 95,201</u>	<u>\$ 7,121,012</u>	<u>\$ 9,901,367</u>

Charges for services decreased by approximately \$492 thousand over the previous fiscal year. Operating grants increased by approximately \$915 thousand. Capital grants decreased by approximately \$1.6 million. Tax revenues also increased by \$701 thousand as a result of increased

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

collection rates and increased assessments value. Total expenses for all categories increased by approximately \$1.9 million.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements; therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for funds held on behalf of the District's students. All of the District's fiduciary activities are reported in the Statement of Net Position - Fiduciary Funds on page 23 and the Statements of Changes in Net Position - Fiduciary Funds on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Fund Financial Statements

The fund financial statements of the District's major funds begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds – governmental, proprietary, and fiduciary – use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$34.0 million, which is a \$4.0 million decrease from the prior year. The majority of the fund balance decrease resulted from the District purchasing capital assets. The following schedule illustrates the fund balance and the total change in fund balances between 2019 - 2020 and 2018 - 2019.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Fund Balance 6/30/2020	Fund Balance 6/30/2019	Increase (Decrease)
General Fund:			
Nonspendable	\$ 483,086	\$ 499,521	\$ (16,435)
Committed	6,057,767	6,057,767	-
Assigned	1,494,666	-	1,494,666
Unassigned	9,969,638	9,953,203	16,435
Total General Fund	<u>18,005,157</u>	<u>16,510,491</u>	<u>1,494,666</u>
Capital Reserve Fund	<u>16,024,765</u>	<u>21,500,817</u>	<u>(5,476,052)</u>
TOTAL	<u>\$ 34,029,922</u>	<u>\$ 38,011,308</u>	<u>\$ (3,981,386)</u>

The District's general fund and capital projects fund balance increase of \$1.5 million and decrease of \$5.5 million, respectively, are due to conservative fiscal management in the general fund and the purchase of capital assets in the capital projects fund.

The District fund balance plan directs the general fund balance to be kept at the statutory limit of eight percent, and any fund balance contributions over this level are either assigned in the general fund for long-term needs such as PSERS increases, medical insurance, technology and capital needs, or contributed to the capital projects fund.

The decrease in the capital projects fund balance reflects the purchase of capital assets during the year. This is in line with the District's fund balance plan and the long-term capital spending plan. The long-term capital spending plan outlines the known capital projects and illustrates how the capital reserve funds are to be used.

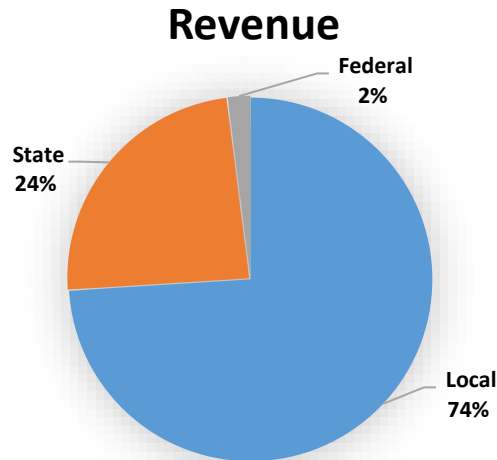
	2020 Revenues	2019 Revenues	Change	Percent Change
Governmental Funds				
Revenues				
Local	\$105,152,094	\$105,010,715	\$ 141,379	0.1%
State	33,694,744	32,993,013	701,731	2.1%
Federal	<u>2,523,076</u>	<u>2,609,402</u>	<u>(86,326)</u>	<u>-3.3%</u>
Total	<u>\$141,369,914</u>	<u>\$140,613,130</u>	<u>\$ 756,784</u>	<u>0.5%</u>

Local revenues increase 0.1 percent. The drivers for local revenue increases were current real estate tax revenue.

State revenues increased approximately \$702 thousand, or 2.1 percent. The District received approximately \$693 thousand, or 7.1 percent, more in retirement subsidy.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following chart illustrates the distribution of revenue across the revenue sources:



	2020 Expenditures	2019 Expenditures	Change	Percent Change
<i>Governmental Expenditures</i>				
Instruction	\$ 86,249,035	\$ 82,391,322	\$ 3,857,713	4.7%
Support services	40,025,042	39,330,202	694,840	1.8%
Operation of non-instructional services	1,658,834	1,710,559	(51,725)	-3.0%
Capital outlays	5,478,142	3,457,486	2,020,656	58.4%
Debt service	11,924,798	11,939,505	(14,707)	-0.1%
Total Expenditures	<u>\$145,335,851</u>	<u>\$138,829,074</u>	<u>\$ 6,506,777</u>	<u>4.7%</u>

Expenditures increased by \$6.5 million, or 4.7 percent. The District experienced expenditure increases in instruction, support services, and capital outlays. Benefit increases were driven by the statutory increase in employer pensions and OPEB contribution rates, which grew from 33.43 percent to 34.29 percent. As mentioned, the State provides subsidy payments to partially fund employer pension payments. The State reimburses school districts for 50 percent of their pension payments incurred. There were additional increases in instructional expenditures. All planned capital outlays are replacements of existing infrastructure.

Business-type Activities

Business-type activities include the food service program. This program had a decrease in net position of \$373,602 due to decreases in sales as a result of COVID-19.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2020, the District amended its general fund budget several times to accommodate differences from the original budget to the actual expenditures of the District. The District used site-based budgeting, and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budgeted revenue totaled \$141,513,253, but the District realized actual revenues of \$141,367,824. The budgeted expenditures were \$141,175,600 plus a budgetary reserve of \$337,654. The District expended \$139,857,709 without the need to utilize the budgetary reserve. The District budgets expenditures based upon a long-term strategy of sustainability and held the line on the actual expenditures during the year in support of that strategy.

Capital Assets

The District has \$150.9 million invested in capital assets net of depreciation, nearly all of which is attributable to governmental activities. Depreciation expense for the year was \$5.2 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 4).

Debt

At June 30, 2020, the District had \$63.6 million in outstanding general obligation bonds and notes payable. The District had a net decrease of \$10.4 million in bonds and notes during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 6).

Under current Commonwealth of Pennsylvania statutes, the District's non-electoral general obligation bonded debt issues are subject to legal limitation based on 225 percent of the average revenues for the prior three years. At June 30, 2020, the District's general obligation debt was below the legal limit.

Factors Expected to Have an Effect on Future Operations

- The District continues to receive and monitor assessment appeals by property owners that result in the reduction of real estate assessed values. The rate of decline has slowed, and the District has continued to experience growth in assessed value due to new construction.
- Short-term interest rates are increasing from historically low levels. This is having a positive effect on the District's investment earnings.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- Healthcare costs have increased over the past five fiscal years. We expect this to continue into the next fiscal year.
- The District's contribution to the Pennsylvania School Employees' Retirement System is projected to increase over the next several years. The current economic condition suggests that the contribution rate will continue to increase for the foreseeable future.
- The contract with the Pennridge Education Association runs through June 30, 2023.

All of these factors have been considered in preparing the Pennridge School District's budget for the 2020-2021 fiscal year.

The District continues to look for opportunities to refinance fixed rate outstanding bonds to a lower fixed rate. However, the recent change upward in interest rates has not been favorable for refinancing debt.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Administrator at Pennridge School District, Pennridge District Education Center, 1200 North Fifth Street, Perkasie, PA 18944-2295.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 49,878,168	\$ 911,142	\$ 50,789,310	\$ 65,807,090
Investments	13,759,624	213,671	13,973,295	452,816
Taxes receivable, net of allowance	659,849	-	659,849	714,172
Other receivables	343,249	7,615	350,864	406,892
Due from other governments	821,957	77,385	899,342	1,701,335
Due from (to) other funds	82,392	(82,392)	-	-
Inventories	474,653	55,323	529,976	532,271
Prepaid items	8,433	-	8,433	129,988
Other assets	369,989	-	369,989	370,655
Land	950,176	-	950,176	950,176
Construction-in-progress	1,354,421	-	1,354,421	1,243,720
Buildings and improvements	241,346,427	-	241,346,427	236,301,111
Furniture, equipment, and vehicles	36,947,798	2,639,223	39,587,021	39,484,541
Accumulated depreciation	(129,986,401)	(2,378,843)	(132,365,244)	(127,098,304)
TOTAL ASSETS	217,010,735	1,443,124	218,453,859	220,996,463
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	28,345,907	458,734	28,804,641	30,576,000
Deferred outflows related to OPEB	1,676,539	27,064	1,703,603	1,430,695
Deferred loss on refunding	329,625	-	329,625	434,068
Deferred outflows for lease-rental obligations	10,352,331	-	10,352,331	10,709,315
TOTAL DEFERRED OUTFLOWS OF RESOURCES	40,704,402	485,798	41,190,200	43,150,078
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 257,715,137	\$ 1,928,922	\$ 259,644,059	\$ 264,146,541
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 3,034,405	\$ 408	\$ 3,034,813	\$ 3,377,317
Accrued salaries, payroll withholdings, and benefits	14,026,200	-	14,026,200	13,499,514
Accrued interest payable	496,175	-	496,175	643,779
Unearned revenues	924,351	120,097	1,044,448	63,521
Other current liabilities	-	-	-	955,346
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable, net	11,274,830	-	11,274,830	10,070,000
Lease rental obligations	364,850	-	364,850	356,984
Lease purchase obligations	-	-	-	186,813
Portion due or payable after one year:				
Bonds and notes payable, net	52,302,126	-	52,302,126	63,911,786
Lease-rental obligations	9,987,481	-	9,987,481	10,352,331
Accumulated compensated absences	3,168,743	25,661	3,194,404	2,922,194
Net pension liability	203,103,499	3,301,501	206,405,000	209,062,000
Net OPEB liability	17,105,286	269,862	17,375,148	16,704,694
TOTAL LIABILITIES	315,787,946	3,717,529	319,505,475	332,106,279
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	11,913,627	191,623	12,105,250	11,062,000
Deferred inflows related to OPEB	2,070,267	31,334	2,101,601	2,167,541
TOTAL DEFERRED INFLOWS OF RESOURCES	13,983,894	222,957	14,206,851	13,229,541
NET POSITION (DEFICIT):				
Net investment in capital assets	87,035,465	260,380	87,295,845	77,146,713
Restricted	16,024,765	-	16,024,765	21,500,817
Unrestricted (deficit)	(175,116,933)	(2,271,944)	(177,388,877)	(179,836,809)
TOTAL NET POSITION (DEFICIT)	(72,056,703)	(2,011,564)	(74,068,267)	(81,189,279)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 257,715,137	\$ 1,928,922	\$ 259,644,059	\$ 264,146,541

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 85,016,622	\$ 10,915	\$11,388,881	\$ -	\$ (73,616,826)	\$ (63,910,382)
Support services	10,769,102	-	5,257,532	-	(5,511,570)	(9,661,656)
Administrative and financial support services	10,584,024	-	-	-	(10,584,024)	(12,977,946)
Operation and maintenance of plant services	10,299,552	224,637	981,792	-	(9,093,123)	(9,682,216)
Pupil transportation	7,721,631	455	2,418,196	-	(5,302,980)	(5,972,821)
Student activities	1,595,271	196,165	156,200	-	(1,242,906)	(1,638,874)
Community services	69,636	4,500	-	-	(65,136)	(68,989)
Depreciation expense, unallocated	5,202,964	-	-	-	(5,202,964)	(3,979,529)
Interest on long-term debt	1,289,994	-	1,044,334	-	(245,660)	(318,879)
TOTAL GOVERNMENTAL ACTIVITIES	132,548,796	436,672	21,246,935	-	(110,865,189)	(108,211,292)
BUSINESS-TYPE ACTIVITIES:						
Food service	2,641,389	1,091,935	1,161,226	-	(388,228)	74,384
TOTAL BUSINESS-TYPE ACTIVITIES	2,641,389	1,091,935	1,161,226	-	(388,228)	74,384
TOTAL PRIMARY GOVERNMENT	\$ 135,190,185	\$ 1,528,607	\$ 22,408,161	\$ -	(111,253,417)	(108,136,908)
GENERAL REVENUES						
Property taxes levied for general purposes					86,054,087	83,640,699
Taxes levied for specific purposes					16,999,466	18,711,663
Grants and entitlements not restricted to specific programs					13,935,029	13,498,124
Investment earnings					1,267,581	1,826,612
Miscellaneous					118,266	361,177
TOTAL GENERAL REVENUES					118,374,429	118,038,275
CHANGE IN NET DEFICIT					7,121,012	9,901,367
NET DEFICIT, BEGINNING OF YEAR					(81,189,279)	(91,090,646)
NET DEFICIT, END OF YEAR					\$ (2,011,564)	\$ (81,189,279)

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

PENNRIDGE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	General Fund	Capital Projects Fund	Totals	
			2020	2019
ASSETS				
Cash and cash equivalents	\$18,547,288	\$16,587,493	\$35,134,781	\$51,790,453
Investments	13,759,624	-	13,759,624	240,000
Taxes receivable, net	659,849	-	659,849	714,172
Other receivables	52,709	-	52,709	226,609
Due from other governments	821,957	-	821,957	1,535,586
Due from other funds	82,392	-	82,392	5,175,234
Inventory	474,653	-	474,653	491,815
Prepaid items	8,433	-	8,433	7,706
TOTAL ASSETS	\$34,406,905	\$16,587,493	\$50,994,398	\$60,181,575
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,239,432	\$ 562,728	\$ 1,802,160	\$ 2,319,292
Accrued salaries, payroll withholdings, and benefits	14,026,200	-	14,026,200	13,499,514
Due to other funds	-	-	-	5,175,234
Unearned revenue	924,351	-	924,351	955,346
TOTAL LIABILITIES	16,189,983	562,728	16,752,711	21,949,386
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	211,765	-	211,765	220,881
TOTAL DEFERRED INFLOWS OF RESOURCES	211,765	-	211,765	220,881
FUND BALANCES:				
Nonspendable	483,086	-	483,086	499,521
Restricted	-	16,024,765	16,024,765	21,500,817
Committed	6,057,767	-	6,057,767	6,057,767
Assigned	1,494,666	-	1,494,666	-
Unassigned	9,969,638	-	9,969,638	9,953,203
TOTAL FUND BALANCES	18,005,157	16,024,765	34,029,922	38,011,308
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$34,406,905	\$16,587,493	\$50,994,398	\$60,181,575

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

**PENNRIDGE SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2020**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 34,029,922
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 950,176	
Construction-in-progress	1,354,421	
Buildings and improvements	241,346,427	
Furniture, equipment, and vehicles	36,947,798	
Accumulated depreciation	<u>(129,986,401)</u>	150,612,421

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accrued interest payable	(496,175)	
Bonds and note payable, net	(63,576,956)	
Lease rental obligations	(10,352,331)	
Accumulated compensated absences	(3,168,743)	
Net pension liability	(203,103,499)	
Net OPEB liability	<u>(17,105,286)</u>	(297,802,990)

Issuance of debt resulted in prepaid insurance costs and deferred charges which will be amortized over the life of new debt but do not represent current rights.	329,625
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An agreement for a lease rental obligation resulted in deferred outflows that will be amortized over the life of the agreement	10,352,331
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An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	14,171,671
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Deferred inflows and outflows of resources related to the District's pension and OPEB plans do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows related to pension	28,345,907	
Deferred outflows related to OPEB	1,676,539	
Deferred inflows of resources:		
Deferred inflows related to pension	(11,913,627)	
Deferred inflows related to OPEB	<u>(2,070,267)</u>	16,038,552

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	<u>211,765</u>
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NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (72,056,703)</u></u>
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These accompanying notes are an integral part of these financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

	General Fund	Capital Projects Fund	Totals	
			2020	2019
REVENUES				
Local sources	\$105,150,004	\$ 2,090	\$105,152,094	\$105,010,715
State sources	33,694,744	-	33,694,744	32,993,013
Federal sources	2,523,076	-	2,523,076	2,609,402
TOTAL REVENUES	<u>141,367,824</u>	<u>2,090</u>	<u>141,369,914</u>	<u>140,613,130</u>
EXPENDITURES				
Current:				
Instruction	86,249,035	-	86,249,035	82,391,322
Support services	40,025,042	-	40,025,042	39,330,202
Operation of noninstructional services	1,658,834	-	1,658,834	1,710,559
Capital outlay	-	5,478,142	5,478,142	3,457,486
Debt service	11,924,798	-	11,924,798	11,939,505
TOTAL EXPENDITURES	<u>139,857,709</u>	<u>5,478,142</u>	<u>145,335,851</u>	<u>138,829,074</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,510,115</u>	<u>(5,476,052)</u>	<u>(3,965,937)</u>	<u>1,784,056</u>
OTHER FINANCING USES				
Refund or prior year receipts	(15,449)	-	(15,449)	(7,964)
TOTAL OTHER FINANCING USES	<u>(15,449)</u>	<u>-</u>	<u>(15,449)</u>	<u>(7,964)</u>
NET CHANGE IN FUND BALANCES	1,494,666	(5,476,052)	(3,981,386)	1,776,092
FUND BALANCES, BEGINNING OF YEAR	<u>16,510,491</u>	<u>21,500,817</u>	<u>38,011,308</u>	<u>36,235,216</u>
FUND BALANCES, END OF YEAR	<u>\$ 18,005,157</u>	<u>\$ 16,024,765</u>	<u>\$ 34,029,922</u>	<u>\$ 38,011,308</u>

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

**PENNRIDGE SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (3,981,386)

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 capital outlays exceeded depreciation in the period.

2,644

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

(9,116)

An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities.

1,614,328

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term and related items.

10,300,387

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

Accrued interest payable	\$ 147,604	
Lease purchase obligation	186,813	
Compensated absences	(277,967)	
Deferred outflows of resources - pensions	(1,866,343)	
Deferred inflows of resources - pensions	(904,377)	
Deferred outflows of resources - OPEB	268,844	
Deferred inflows of resources - OPEB	64,274	
Net pension liability	2,614,501	
Net OPEB liability	(665,592)	(432,243)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 7,494,614

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

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$105,077,828	\$105,077,828	\$105,150,004	\$ 72,176
State sources	34,318,188	34,318,188	33,694,744	(623,444)
Federal sources	2,117,237	2,117,237	2,523,076	405,839
TOTAL REVENUES	<u>141,513,253</u>	<u>141,513,253</u>	<u>141,367,824</u>	<u>(145,429)</u>
EXPENDITURES				
Instruction:				
Regular programs	59,113,796	58,856,369	57,842,260	1,014,109
Special programs	23,511,107	23,757,622	24,670,075	(912,453)
Vocational programs	3,312,000	3,311,899	3,297,320	14,579
Other instructional programs	501,186	501,298	403,771	97,527
Nonpublic school programs	-	-	34,109	(34,109)
Adult education	-	-	1,500	(1,500)
Total Instruction	<u>86,438,089</u>	<u>86,427,188</u>	<u>86,249,035</u>	<u>178,153</u>
Support services:				
Pupil personnel services	5,481,508	5,478,476	5,356,729	121,747
Instructional staff services	4,010,520	3,988,856	4,007,699	(18,843)
Administrative services	8,410,648	8,426,811	8,716,582	(289,771)
Pupil health	1,272,110	1,279,051	1,294,443	(15,392)
Business services	1,253,059	1,244,608	846,203	398,405
Operation and maintenance of plant services	10,653,920	10,653,920	9,988,841	665,079
Student transportation services	7,714,360	7,718,829	7,692,231	26,598
Central support services	1,946,226	1,937,319	1,773,687	163,632
Other support services	359,320	384,180	348,627	35,553
Total Support Services	<u>41,101,671</u>	<u>41,112,050</u>	<u>40,025,042</u>	<u>1,087,008</u>
Operation of noninstructional services:				
Student activities	1,361,219	1,361,742	1,589,198	(227,456)
Community services	58,365	58,365	69,636	(11,271)
Total Operation of Noninstructional Services	<u>1,419,584</u>	<u>1,420,107</u>	<u>1,658,834</u>	<u>(238,727)</u>
Debt service	12,216,255	12,216,255	11,924,798	291,457
TOTAL EXPENDITURES	<u>141,175,599</u>	<u>141,175,600</u>	<u>139,857,709</u>	<u>1,317,891</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>337,654</u>	<u>337,653</u>	<u>1,510,115</u>	<u>1,172,462</u>
OTHER FINANCING USES				
Budgetary reserve	(337,654)	(337,653)	-	337,653
Refund or prior year receipts	-	-	(15,449)	(15,449)
TOTAL OTHER FINANCING USES	<u>(337,654)</u>	<u>(337,653)</u>	<u>(15,449)</u>	<u>322,204</u>
NET CHANGE IN FUND BALANCE	-	-	1,494,666	1,494,666
FUND BALANCE, BEGINNING OF YEAR	<u>16,510,491</u>	<u>16,510,491</u>	<u>16,510,491</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,510,491</u>	<u>\$ 16,510,491</u>	<u>\$ 18,005,157</u>	<u>\$ 1,494,666</u>

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020 AND 2019

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 911,142	\$ 1,055,205	\$ 14,743,387	\$ 12,961,432
Investments	213,671	212,816	-	-
Accounts receivable	7,615	26,074	290,540	154,209
Due from other governments	77,385	165,749	-	-
Prepaid expenses	-	15,282	-	107,000
Inventories	55,323	40,456	-	-
Other asset	-	-	369,989	370,655
Furniture and equipment	2,639,223	2,586,334	-	-
Accumulated depreciation	(2,378,843)	(2,314,867)	-	-
TOTAL ASSETS	1,525,516	1,787,049	15,403,916	13,593,296
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	458,734	489,000	-	-
Deferred outflows related to OPEB	27,064	23,000	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	485,798	512,000	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,011,314	\$ 2,299,049	\$ 15,403,916	\$ 13,593,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 408	\$ 22,072	\$ 1,232,245	\$ 1,035,953
Due to other funds	82,392	-	-	-
Unearned revenues	120,097	63,521	-	-
Long-term liabilities:				
Portion due or payable within one year:				
Accumulated compensated absences	25,661	31,418	-	-
Portion due or payable after one year:				
Net pension liability	3,301,501	3,344,000	-	-
Net OPEB liability	269,862	265,000	-	-
TOTAL LIABILITIES	3,799,921	3,726,011	1,232,245	1,035,953
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	191,623	178,000	-	-
Deferred inflows related to OPEB	31,334	33,000	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	222,957	211,000	-	-
NET POSITION:				
Investment in capital assets	260,380	271,467	-	-
Unrestricted	(2,271,944)	(1,909,429)	14,171,671	12,557,343
TOTAL NET POSITION	(2,011,564)	(1,637,962)	14,171,671	12,557,343
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,011,314	\$ 2,299,049	\$ 15,403,916	\$ 13,593,296

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
OPERATING REVENUES				
Food service revenues	\$ 1,091,935	\$ 1,646,801	\$ -	\$ -
Charges for health insurance	-	-	14,039,204	14,059,554
Total Operating Revenues	<u>1,091,935</u>	<u>1,646,801</u>	<u>14,039,204</u>	<u>14,059,554</u>
OPERATING EXPENSES				
Salaries	934,296	921,566	-	-
Employee benefits	632,666	435,580	-	-
Purchased professional and technical services	18,043	6,333	-	-
Purchased property service	46,263	41,678	-	-
Other operating expenses	2,468	4,447	-	-
Other purchased service	11,613	10,280	-	-
Self insurance claims	-	-	12,430,196	12,568,439
Supplies	932,064	1,108,141	-	-
Depreciation	63,976	60,957	-	-
Total Operating Expenses	<u>2,641,389</u>	<u>2,588,982</u>	<u>12,430,196</u>	<u>12,568,439</u>
OPERATING (LOSS) INCOME	<u>(1,549,454)</u>	<u>(942,181)</u>	<u>1,609,008</u>	<u>1,491,115</u>
NONOPERATING REVENUES				
Earnings on investments	14,626	20,817	5,320	8,130
State sources	243,823	63,410	-	-
Federal sources	917,403	953,155	-	-
Total Nonoperating Revenues	<u>1,175,852</u>	<u>1,037,382</u>	<u>5,320</u>	<u>8,130</u>
CHANGE IN NET POSITION	(373,602)	95,201	1,614,328	1,499,245
NET POSITION, BEGINNING OF YEAR	<u>(1,637,962)</u>	<u>(1,733,163)</u>	<u>12,557,343</u>	<u>11,058,098</u>
NET POSITION, END OF YEAR	<u>\$ (2,011,564)</u>	<u>\$ (1,637,962)</u>	<u>\$14,171,671</u>	<u>\$12,557,343</u>

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,166,970	\$ 1,639,349	\$13,902,873	\$14,059,554
Payments to suppliers	(804,276)	(1,489,778)	107,666	(125,908)
Payments to employees	(1,572,197)	(901,033)	-	-
Cash payments for health insurance costs	-	-	(12,233,904)	(13,067,790)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,209,503)	(751,462)	1,776,635	865,856
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	252,695	813,744	-	-
Federal sources	851,863	62,993	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,104,558	876,737	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(52,889)	(40,265)	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(52,889)	(40,265)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	14,626	20,817	5,320	8,130
Purchase of investments	(855)	(849)	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,771	19,968	5,320	8,130
NET CHANGE IN CASH AND CASH EQUIVALENTS	(144,063)	104,978	1,781,955	873,986
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,055,205	950,227	12,961,432	12,087,446
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 911,142	\$ 1,055,205	\$14,743,387	\$12,961,432
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,549,454)	\$ (942,181)	\$ 1,609,008	\$ 1,491,115
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:				
Depreciation	63,976	60,957	-	-
Donated commodities	145,032	135,068	-	-
Decrease (Increase) in:				
Accounts receivable	18,459	(7,452)	(136,331)	(125,908)
Inventories	(14,867)	(4,091)	-	-
Prepaid expenses	15,282	(15,282)	107,000	(53,500)
Other assets	-	-	666	(1,652)
Deferred outflows related to pension	30,266	-	-	-
Deferred outflows related to OPEB	(4,064)	-	-	-
Increase (Decrease) in:				
Accounts payable	(21,664)	986	196,292	(444,199)
Due to other funds	82,392	-	-	-
Unearned revenues	56,576	-	-	-
Compensated absences	(5,757)	25,533	-	-
Net pension liability	(42,499)	6,000	-	-
Net OPEB liability	4,862	(11,000)	-	-
Deferred inflows related to pension	13,623	-	-	-
Deferred inflows related to OPEB	(1,666)	-	-	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (1,209,503)	\$ (751,462)	\$ 1,776,635	\$ 865,856
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity:				
USDA donated commodities	\$ 145,032	\$ 135,068	\$ -	\$ -

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020 AND 2019**

	Private-Purpose Trust		Agency	
	2020	2019	2020	2019
ASSETS				
Cash	\$ 2,585	\$ 609	\$ 207,155	\$ 244,608
Investments	23,525	28,603	-	-
TOTAL ASSETS	<u>\$ 26,110</u>	<u>\$ 29,212</u>	<u>\$ 207,155</u>	<u>\$ 244,608</u>
 LIABILITIES AND NET POSITION:				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 207,155	\$ 244,608
NET POSITION	<u>26,110</u>	<u>29,212</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,110</u>	<u>\$ 29,212</u>	<u>\$ 207,155</u>	<u>\$ 244,608</u>

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Private- Purpose Trust	
	2020	2019
ADDITIONS		
Contributions	\$ -	\$ 10,664
Interest income	149	77
TOTAL ADDITIONS	149	10,741
DEDUCTIONS		
Scholarships awarded	3,251	5,749
TOTAL DEDUCTIONS	3,251	5,749
CHANGE IN NET POSITION	(3,102)	4,992
NET POSITION, BEGINNING OF YEAR	29,212	24,220
NET POSITION, END OF YEAR	<u>\$ 26,110</u>	<u>\$ 29,212</u>

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennridge School District ("the District"), located in Bucks County, Pennsylvania, encompasses an area of approximately 94 square miles in Upper Bucks County and operates under and pursuant to the Pennsylvania School Code and is classified as a school district of the second class under the Code. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

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

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The District reports the following major governmental funds:

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

The **Capital Projects Fund** is used to account for all financial resources restricted, committed, or assigned to expenditures for capital outlays, including fixed asset acquisitions, construction, and improvements.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

"building-wide costs" to the enterprise fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately in the enterprise fund. Similarly, the enterprise fund does not recognize a cost for the building space it occupies.

The District's proprietary funds consist of the food service fund and the internal service fund. The food service fund is a major enterprise fund used to account for operations where the intent of the governmental entity is to recover the costs of providing goods and services to the District's student population and staff primarily through user charges. This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is used to account for the operation of the District's self-insurance program for employee medical and prescription drug claims on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets as agency funds and trust funds. The agency fund accounts for funds held on behalf of students of the District. It is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The trust fund accounts for monies contributed for scholarships and memorials.

Cash and Cash Equivalents

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

Investments

Investments consist of external investment pools and treasury bonds backed by the federal government. The investments are recorded at amortized cost. External investment pools and treasury bonds are nonparticipating interest earning investment contracts which are exempt from measurement at fair value.

Property Taxes

Based upon the assessment provided by the County, the tax collectors bill and collect property taxes on behalf of the District. The District's tax rate for the year ended June 30, 2020

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

was 135.25 mills (\$135.25 for \$1,000 of assessed valuation) as levied by the Board of School Directors. Taxes are levied on July 1 and are payable in the following periods:

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

Taxes receivable are presented net of allowances for estimated uncollectibles of \$211,765. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Buildings and building improvements	50 years
Furniture, equipment, and vehicles	5 - 15 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term liabilities in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report 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 as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category on the government-wide statements. The deferred loss on refunding is reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, and this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow from lease rental obligation is the result of the debt obligation issued by the District for capital improvements to

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

the Upper Bucks County Technical School. The amount is deferred in accordance with the debt payment schedules. Also, certain changes to the net pension liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report 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 District has two items that qualify for reporting in this category on the government-wide statements. Certain changes to the net pension liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources on the entity-wide statement of net position. The governmental funds report unavailable revenues from one source: property taxes. These amounts are reflected as deferred inflows of resources on the general fund balance sheet and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable 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 constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Business Administrator may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required. The Pennsylvania Department of Education ("PDE") issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board for consideration a draft operating budget projection or other information to review for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

If the School Board adopts the resolution, management submits to the School Board prior to May 31 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 for the general fund. A public hearing is conducted to obtain taxpayer comments.

If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year. In either case, prior to June 30, the budget is legally enacted through adoption of a resolution.

Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Unused appropriations lapse at the end of each fiscal year.

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2020:

Special programs	\$	912,453
Nonpublic school programs	\$	34,109
Adult education	\$	1,500
Instructional staff services	\$	18,843
Administrative services	\$	289,771
Pupil health	\$	15,392
Student activities	\$	227,456
Community services	\$	11,271

The excess of expenditures over appropriations were offset by other expenditure category appropriations which did not exceed their budgeted amounts.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but adheres to the requirements of Act 72 of the Commonwealth of Pennsylvania. At June 30, 2020, the carrying amount of the District's deposits was \$50,999,050, and the bank balance

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

was \$51,718,572. Of the bank balance, \$252,585 was covered by federal depository insurance, and \$7,487,809 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name. Of the remaining \$43,978,178 in cash deposits of the District, \$38,221,346 is held with the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and \$5,756,832 is held with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated AAm by a nationally recognized rating organization, and is subject to an independent annual audit.

Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (a) 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; (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; (c) 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; (d) shares of an investment company registered under the Investment Company Act of 1940; or (e) deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF") to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The District's investments at June 30, 2020 were as follows:

<u>Investments Measured at Amortized Costs</u>		<u>Less than One Year</u>	<u>One to Five Years</u>
PLGIT	\$ 3,519,624	\$ -	\$ -
Certificates of deposit	10,477,196	10,469,526	7,670
Total at Amortized Cost	<u>\$ 13,996,820</u>	<u>\$ 10,469,526</u>	<u>\$ 7,670</u>
Total Investments	<u>\$ 13,996,820</u>		

The District is invested in the Pennsylvania Local Government Investment Trust ("PLGIT"), a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PLGIT is administered by PFM Asset Management, LLC, and the pool is audited annually by Ernst & Young LLP, an independent certified public accountant.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for managing custodial credit risk is to adhere to the Pennsylvania Statutes authorizing the types of allowed investments.

Interest Rate Risk

The District's investment policy follows the Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy follows the Pennsylvania School Code in limiting its investment choices to those with certain credit ratings. All certificates of deposit and money market funds are fully covered by FDIC insurance.

Concentration Risk

The District places no limit on the amount it may invest in any one issuer. More than five percent of the District's investments are with PLGIT.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction-in-progress	1,243,720	5,255,807	5,145,106	1,354,421
Total Capital Assets Not Being Depreciated	2,193,896	5,255,807	5,145,106	2,304,597
Capital assets being depreciated:				
Buildings and improvements	236,301,111	5,045,316	-	241,346,427
Furniture, equipment, and vehicles	36,898,207	49,591	-	36,947,798
Total Capital Assets Being Depreciated	273,199,318	5,094,907	-	278,294,225
Less accumulated depreciation	124,783,437	5,202,964	-	129,986,401
Total Capital Assets Being Depreciated, Net	148,415,881	(108,057)	-	148,307,824
Governmental Activities Assets, Net	<u>\$150,609,777</u>	<u>\$5,147,750</u>	<u>\$5,145,106</u>	<u>\$150,612,421</u>

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

<i>Business-type Activities</i>	Beginning Balance	Increases	Deletions	Ending Balance
Capital assets being depreciated:				
Furniture and equipment	\$ 2,586,334	\$ 52,889	\$ -	\$ 2,639,223
Less accumulated depreciation	2,314,867	63,976	-	2,378,843
Business-type Activities Assets, Net	<u>\$ 271,467</u>	<u>\$ (11,087)</u>	<u>\$ -</u>	<u>\$ 260,380</u>

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

Governmental Activities:	
Depreciation Expense, Unallocated	<u>\$ 5,202,964</u>
Business-type Activities:	
Food Service	<u>\$ 63,976</u>

NOTE 5 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

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

Receivable By	Amount	Payable From	Amount
General Fund	\$ 82,392	Food Service Fund	\$ 82,392

Interfund balances between the general fund and the food service and internal service funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are repaid shortly after year end.

NOTE 6 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities for the year for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<i>Governmental Activities:</i>					
Bonds and notes payable	\$ 73,981,786	\$ -	\$ 10,404,830	\$ 63,576,956	\$ 11,274,830
Lease rental obligations	10,709,315	-	356,984	10,352,331	364,850
Lease purchase obligation	186,813	-	186,813	-	-
Compensated absences	2,890,776	277,967	-	3,168,743	-
Net pension liability	205,718,000	-	2,614,501	203,103,499	-
Net OPEB liability	16,439,694	665,592	-	17,105,286	-
Totals	<u>\$ 309,926,384</u>	<u>\$ 943,559</u>	<u>\$ 13,563,128</u>	<u>\$ 297,306,815</u>	<u>\$ 11,639,680</u>

PENNRRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<i>Busines-type Activities:</i>					
Compensated absences	\$ 31,418	\$ -	\$ 5,757	\$ 25,661	\$ -
Net pension liability	3,344,000	-	42,499	3,301,501	-
Net OPEB liability	<u>265,000</u>	<u>4,862</u>	<u>-</u>	<u>269,862</u>	<u>-</u>
Totals	<u>\$ 3,640,418</u>	<u>\$ 4,862</u>	<u>\$ 48,256</u>	<u>\$ 3,597,024</u>	<u>\$ -</u>

Long-term liabilities of the governmental activities are anticipated to be liquidated by the general fund. Business-type activities long-term liabilities are anticipated to be liquidated by the food service fund.

The District's long-term debt consisted of the following:

General Obligation Notes

Series of 2000, maturing through February 1, 2021, bearing a variable interest rate of .10% as of June 30, 2020, interest payable monthly.	\$ 795,000
Series of 2003A, maturing through August 1, 2023, bearing a variable interest rate of .06% as of June 30, 2020, interest payable monthly.	400,000
Series of 2004A, maturing through August 1, 2020, bearing a variable interest rate of .06% as of June 30, 2020, interest payable monthly.	200,000
Series of 2004C, maturing through August 1, 2023, bearing a variable interest rate of .06% as of June 30, 2020, interest payable monthly.	10,000,000
Series A of 2014, maturing through February 15, 2025, bearing interest ranging from 1.60% to 5.00%, interest payable semi-annually on February 15 and August 15.	9,975,000
Series B of 2014, maturing through February 15, 2023, bearing interest ranging from 1.00% to 5.00%, interest payable semi-annually on February 15 and August 15.	6,800,000

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

General Obligation Bonds

Series of 2012, maturing through February 15, 2026, bearing interest ranging from 2.00% to 2.50%, interest payable semi-annually on February 15 and August 15.	6,930,000
Series A of 2012, maturing through August 15, 2028, bearing interest ranging from 1.00% to 2.50%, interest payable semi-annually on February 15 and August 15.	9,245,000
Series AA of 2012, maturing through September 15, 2026, bearing interest ranging from 1.75% to 2.00%, interest payable semi-annually on March 15 and September 15.	6,805,000
Series of 2013, maturing through February 15, 2029, bearing interest ranging from 2.00% to 3.00%, interest payable semi-annually on February 15 and August 15.	3,850,000
Series A of 2013, maturing through October 15, 2025, bearing interest ranging from 2.00% to 2.25%, interest payable semi-annually on April 15 and October 15.	3,605,000
Series of 2015, maturing through September 15, 2023, bearing interest ranging from 0.45% to 4.00%, interest payable semi-annually on March 15 and September 15.	<u>2,935,000</u>
TOTAL	<u>\$61,540,000</u>

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 61,540,000
Unamortized premium	<u>2,036,956</u>
Bonds and Notes payable, net	<u><u>\$ 63,576,956</u></u>
Amounts due in one year	\$ 11,274,830
Amounts due after one year	<u>52,302,126</u>
Bonds and Notes payable, net	<u><u>\$ 63,576,956</u></u>

Presented below is a summary of debt service requirements to maturity by years:

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 10,940,000	\$ 2,779,037	\$ 13,719,037
2022	10,715,000	2,233,551	12,948,551
2023	11,105,000	1,553,064	12,658,064
2024	11,530,000	823,853	12,353,853
2025	5,095,000	393,299	5,488,299
2026 - 2029	<u>12,155,000</u>	<u>595,394</u>	<u>12,750,394</u>
	<u>\$ 61,540,000</u>	<u>\$ 8,378,198</u>	<u>\$ 69,918,198</u>

NOTE 7 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), 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 comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least 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 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became 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 three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service.

Benefits are generally equal to two percent or two and one-half percent, depending upon the 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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the 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 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (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 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2020, the rate of the employer contribution was 34.29 percent of covered payroll, which was comprised of 33.36 percent for pension contributions, 0.09 percent for defined benefit contributions, and 0.84 percent for healthcare contributions. The District's contribution to PSERS for pension for the year ended June 30, 2020 was \$21,041,641.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the District reported a liability of \$206,405,000 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 District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.4412 percent, which was an increase of 0.0057 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$21,199,250. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 591,000
Changes in assumptions	1,973,000	-
Difference between expected and actual Experience	1,137,000	6,841,000
Changes in proportions	4,653,000	4,548,000
Difference between employer contributions and proportionate share of total contributions	-	125,250
Contributions subsequent to the date of Measurement	<u>21,041,641</u>	<u>-</u>
	<u>\$28,804,641</u>	<u>\$12,105,250</u>

An amount of \$21,041,641 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 688,250
2022	(3,937,750)
2023	(1,457,750)
2024	365,000
	<u>\$ (4,342,250)</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 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 percentage of pay
- Investment return – 7.25 percent, including inflation of 2.75 percent
- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth, and for merit or seniority increases of 2.25 percent
- 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.
- Experience rates were based on a study from July 1, 2010 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using the 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 PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity (hedged)	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return (HF)	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments (PE)	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. 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 which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, 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 percent) or one percentage point higher (8.25 percent) than the current rate.

	<u>1% Decrease 6.25%</u>	<u>Current Rate Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Proportionate share of the net pension liability	\$ 257,100,000	\$ 206,405,000	\$ 163,479,000

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Pension Plan Fiduciary Net Position

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

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The system provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit ("OPEB") plan 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, 2018, 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 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), 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

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$529,825 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$9,384,000 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 District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.4413 percent, which was an increase of 0.0058 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$458,571. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 16,000	\$ -
Change in the proportionate share of the net pension liability	282,000	289,000
Change in assumptions	311,000	279,000
Difference between expected and actual experience	53,000	-
Difference between employer contributions and proportionate share of total contributions	-	15,571
Contributions subsequent to the date of measurement	529,825	-
	<u>\$ 1,191,825</u>	<u>\$ 583,571</u>

Change in assumption: The discount rate used to measure the total OPEB liability decreased from 2.98 percent as of June 30, 2018 to 2.79 percent as of June 30, 2019.

An amount of \$529,825 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 571
2022	571
2023	2,571
2024	35,572
2025	(10,428)
Thereafter	49,572
	<u>\$ 78,429</u>

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:

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

- Actuarial cost method – entry age normal - level percent of pay
- Investment return – 2.79 percent - S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent 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.
- Experience rates based on study performed from July 1, 2010 to June 30, 2015
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 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 percent of eligible retirees are assumed to elect premium assistance.
- 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.

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.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
U.S. core fixed income	83.1%	1.0%
Non-U.S. developed fixed	3.7%	0.0%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79 percent. 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 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's 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's net OPEB liability for June 30, 2019, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System's net OPEB liability	\$ 9,382,000	\$ 9,384,000	\$ 9,385,000

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

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

	<u>1% Decrease 1.79%</u>	<u>Current Rate Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
Proportionate share of the net OPEB liability	\$ 10,690,000	\$ 9,384,000	\$ 8,301,000

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.

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2020, the District paid \$256,412 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2019. The total OPEB liability as of July 1, 2019 was determined by an actuarial valuation as of July 1, 2018 and rolled forward to the July 1, 2019 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 3.36 percent and 2.98 percent for the measurement dates of July 1, 2019 and July 1, 2018, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5 percent cost of living adjustment, one percent real wage growth, and for teachers and administrators, a merit increase which varies by age from age from 0.00 to 2.75 percent.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9 percent for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%
30	2.57%	4.02%
35	1.50%	2.85%
40	1.34%	1.60%
45	1.37%	1.65%
50	1.92%	2.06%
55	3.38%	3.11%
60	5.57%	6.40%

Mortality Rates

Separate rates are assumed preretirement and postretirement using the RP-2014 Mortality Tables for Males and Females.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>Age</u>	<u>Age 55 and 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

Percent of Eligible Retirees Electing Coverage in Plan

Fifty percent of all employees are assumed to elect coverage.

Percent Married at Retirement

Twenty-five percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

Age	Medical and Prescription Drug Combined	
	Male	Female
45 - 49	\$ 5,973	\$ 8,626
50 - 54	\$ 7,910	\$ 9,749
55 - 59	\$ 9,635	\$ 10,201
60 - 64	\$ 12,573	\$ 11,719
65+	\$ 16,098	\$ 15,000

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend

The healthcare cost trend was 6.0 percent in 2018 and 5.5 percent in 2019 through 2021. Rates gradually decrease from 5.4 percent in 2022 to 3.8 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets was equal to the market value of assets.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of January 2019. The plan consisted of 1056 participants in which 1009 were active and 47 were retired as of January 2019.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.36%	Current Rate Discount Rate 3.36%	1% Increase 4.36%
Total OPEB liability	\$ 8,546,532	\$ 7,991,148	\$ 7,466,416
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 8,546,532</u>	<u>\$ 7,991,148</u>	<u>\$ 7,466,416</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 7,101,657	\$ 7,991,148	\$ 9,039,382
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 7,101,657</u>	<u>\$ 7,991,148</u>	<u>\$ 9,039,382</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	<u>\$ 7,624,694</u>
Service cost	589,776
Interest	240,652
Effect of changes of assumptions	(207,562)
Benefit payments	<u>(256,412)</u>
Net change	<u>366,454</u>
Total OPEB liability - ending	<u>\$ 7,991,148</u>

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The amount of OPEB expense for the single employer plan recognized by the District was \$703,783 for the year ended June 30, 2020. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 210,855	\$ 507,220
Difference between expected and actual experience	-	1,010,810
Contributions subsequent to the date of measurement	<u>300,923</u>	<u>-</u>
	<u><u>\$ 511,778</u></u>	<u><u>\$ 1,518,030</u></u>

Change in assumptions: The discount rate changed from 3.36 percent to 3.13 percent.

An amount of \$300,923 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (126,645)
2022	(126,645)
2023	(126,645)
2024	(126,645)
2025	(126,645)
Thereafter	<u>(673,950)</u>
	<u><u>\$(1,307,175)</u></u>

NOTE 10 NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (cont'd)

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 10)	\$ 7,991,148	\$ 511,778	\$ 1,518,030
PSERS Plan (See Note 9)	9,384,000	1,191,825	583,571
Total	<u>\$ 17,375,148</u>	<u>\$ 1,703,603</u>	<u>\$ 2,101,601</u>

NOTE 11 JOINT VENTURES

The District is one of three member school districts of the Upper Bucks County Technology School ("UBCTS"). The UBCTS provides vocational-technical training and education to participating students of the member school districts. The UBCTS is controlled and governed by the UBCTS Joint Committee, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of the UBCTS. The District's share of annual operating costs for the UBCTS fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services in the year ended June 30, 2020 was \$773,218, which has been reported in the District's general fund. Complete financial statements for the UBCTS can be obtained from the Administrative Office at 3115 Ridge Road, Perkasie, PA 18944.

UBCTS has issued bonds for capital improvements to the facilities owned and operated by the UBCTS. The District's obligations on these bonds total \$10,352,331, and annual debt service requirements to maturity are as follows:

Future District rental payments are:

Year Ending June 30,

2021	\$ 769,739
2022	774,848
2023	771,302
2024	769,685
2025	772,880
2026 - 2030	3,279,919
2031 - 2035	3,139,875
2036 - 2040	3,139,746
2041 - 2044	2,506,476
Total	15,924,470
Less: interest requirements	<u>(5,572,139)</u>
Outstanding rental payments	<u>\$ 10,352,331</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 COMMITMENTS

Capital Improvement Commitments

As of June 30, 2020 anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2020</u>	<u>Commitment</u>
Capital projects	\$ 2,430,911	\$ 1,354,421	\$ 1,076,490

NOTE 13 FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Prepays	\$ 8,433	\$ -	\$ 8,433
Inventory	474,653	-	474,653
Restricted:			
Capital projects	-	16,024,765	16,024,527
Committed:			
Future retirement rate increase	6,041,781	-	6,041,781
Financial software	15,986	-	15,986
Assigned:			
Shortfall	1,494,666		
Unassigned	<u>9,969,638</u>	<u>-</u>	<u>11,464,304</u>
Total Fund Balances	<u>\$ 18,005,157</u>	<u>\$ 16,024,765</u>	<u>\$ 34,029,922</u>

NOTE 14 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which was ongoing at June 30, 2020, economic and operational uncertainties have arisen which may impact the District in fiscal year 2021. There exist uncertainties surrounding the District' operations in the 2020 - 2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 UNCERTAINTIES (cont'd)

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2019 - 2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amount of \$175,116,933 (governmental activities) and \$2,271,944 (business-type activities and the food service fund), respectively, includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and net OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 17 SUBSEQUENT EVENTS

In October 2020, the District issued Series A&B 2020 Bonds in the amount of \$40,285,000 for the purpose of refunding other bond issues.

The District has evaluated all subsequent events through December 3, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)

	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
District's proportion of the net pension liability	0.4412%	0.4355%	0.4545%	0.4400%	0.4413%	0.4488%
District's proportion of the net pension liability - dollar value	\$ 206,405,000	\$ 209,062,000	\$ 224,470,000	\$ 218,050,000	\$ 191,150,000	\$ 177,638,000
District's covered employee payroll	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620	\$ 56,982,668	\$ 56,783,151	\$ 57,268,932
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	351.95%	345.52%	380.67%	382.66%	345.17%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note: The above information is presented as of the plan's measurement date.

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)

	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 21,041,641	\$ 19,735,000	\$ 18,572,000	\$ 16,914,000	\$ 14,543,000	\$ 11,433,000
Contributions in relation to the contractually required contribution	21,041,641	19,735,000	18,572,000	16,914,000	14,543,000	11,433,000
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620	\$ 56,982,668	\$ 56,783,151
Contributions as a percentage of covered-employee payroll	33.36%	33.65%	30.69%	29.20%	25.52%	20.13%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE		
	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
District's proportion of the net OPEB liability	0.4413%	0.4355%	0.4545%
District's proportion of the net OPEB liability - dollar value	\$ 9,384,000	\$ 9,080,000	\$ 9,260,000
District's covered employee payroll	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.00%	15.01%	15.70%
Plan fiduciary net position as a percentage of the total pension liability	5.56%	5.56%	5.73%

Note: The above information is presented as of the plan's measurement date.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 529,825	\$ 502,000	\$ 486,000
Contributions in relation to the contractually required contribution	<u>529,825</u>	<u>502,000</u>	<u>486,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645
Contributions as a percentage of covered- employee payroll	0.84%	0.86%	0.80%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
SINGLE EMPLOYER OPEB PLAN**

	MEASUREMENT DATE		
	July 1, 2019	July 1, 2018	July 1, 2017
TOTAL OPEB LIABILITY			
Service cost	\$ 589,776	\$ 659,173	\$ 616,331
Interest on total OPEB liability	240,652	283,824	204,214
Difference between expected and actual experience	-	(1,212,972)	-
Effect of assumption changes or inputs	(207,562)	(380,345)	281,139
Benefit payments	(256,412)	(291,654)	(261,951)
NET CHANGE IN TOTAL OPEB LIABILITY	366,454	(941,974)	839,733
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	7,624,694	8,566,668	7,726,935
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 7,991,148</u>	<u>\$ 7,624,694</u>	<u>\$ 8,566,668</u>
Covered employee payroll	\$ 57,200,232	\$ 57,200,232	\$ 60,499,337
District's net OPEB liability as a percentage of covered payroll	13.97%	13.33%	14.16%
Expected average remaining service years of all participants	14	14	14

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT



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

December 3, 2020

Board of School Directors
Pennridge School District
Perkasie, 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 the Pennridge School District ("the District"), Perkasie, Pennsylvania, 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, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

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

Board of Directors
Pennridge School District

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



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

December 3, 2020

Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennridge School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Board of School Directors
Pennridge School District

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

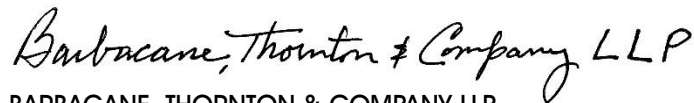
Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program, and to test and report on internal control over compliance in accordance with 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 the District's internal control over compliance.

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

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

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


BARBACANE, THORNTON & COMPANY LLP

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PROJECT TITLE		SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2019	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2020
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Passed through Pennsylvania Department of Education											
Total Title I Cluster											
Title I - Grants to Local Education Agencies		I	84.010	13-190328	07/01/18-09/30/19	\$ 585,163	\$ 161,623	\$ 148,732	\$ 12,891	\$ 12,891	\$ -
Title I - Grants to Local Education Agencies		I	84.010	13-200328	07/01/19-09/30/20	582,199	492,658	-	537,428	537,428	44,770
Total CFDA # 84.010							654,281	148,732	550,319	550,319	44,770
Total Title II Cluster											
Title II - Improving Teacher Quality		I	84.367	20-190328	07/01/18-09/30/19	149,052	40,683	30,622	10,061	10,061	-
Title II - Improving Teacher Quality		I	84.367	20-200328	07/01/19-09/30/20	150,804	104,964	-	104,964	104,964	-
Total CFDA # 84.367							145,647	30,622	115,025	115,025	-
Title III - Language Instruction LEP/Immigrant Students		I	84.365	10-190328	07/01/18-09/30/19	24,609	14,765	(1,915)	16,680	16,680	-
Title III - Language Instruction LEP/Immigrant Students		I	84.365	10-200328	07/01/19-9/30/20	23,459	23,459	-	23,459	23,459	-
Total CFDA # 84.365							38,224	(1,915)	40,139	40,139	-
Title IV - Student Support and Academic Enrichment		I	84.424	144-190328	07/01/18-09/30/19	37,364	27,400	16,991	10,409	10,409	-
Title IV - Student Support and Academic Enrichment		I	84.424	144-200328	07/01/19-09/30/20	43,796	16,845	-	16,845	16,845	-
Total CFDA # 84.424							44,245	16,991	27,254	27,254	-
Passed through Berks County Intermediate Unit											
IDEA		I	84.027	N/A	07/01/19-06/30/20	1,250,856	1,250,856	-	1,250,856	1,250,856	-
Total CFDA # 84.027							1,250,856	-	1,250,856	1,250,856	-
IDEA - Section 619		I	84.173	H173A190090	07/01/19-06/30/20	5,010	5,010	-	5,010	5,010	-
Total CFDA # 84.173							5,010	-	5,010	5,010	-
Total IDEA Cluster							1,255,866	-	1,255,866	1,255,866	-
TOTAL U.S. DEPARTMENT OF EDUCATION							2,138,263	194,430	1,988,603	1,988,603	44,770
<u>U.S. Department of Health and Human Services</u>											
Passed Through Pennsylvania Department of Public Welfare											
Medical Assistance Program		I	93.778	N/A	07/01/18-06/30/19	N/A	19,796	19,796	-	-	-
Medical Assistance Program		I	93.778	N/A	07/01/19-06/30/20	N/A	14,969	-	43,296	43,296	28,327
Total CFDA# 93.778							34,765	19,796	43,296	43,296	28,327
Total U.S. Department of Health and Human Services							34,765	19,796	43,296	43,296	28,327

Continued on next page.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PROJECT TITLE		SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2019	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2020
U.S. DEPARTMENT OF AGRICULTURE											
Passed through Pennsylvania Department of Agriculture		I	10.555	N/A	07/01/19-06/30/20	N/A	144,398	(634)	145,032	145,032	-
National School Lunch Program											
Passed through Pennsylvania Department of Education											
National School Lunch Program		I	10.555	N/A	07/01/18-06/30/19	N/A	126,404	126,404	-	-	-
National School Lunch Program		I	10.555	N/A	07/01/19-06/30/20	N/A	559,591	-	608,211	608,211	48,620
Total CFDA # 10.555		I					830,393	125,770	753,243	753,243	48,620
Breakfast Program		I	10.553	N/A	07/01/18-06/30/19	N/A	27,415	27,415	-	-	-
Breakfast Program		I	10.553	N/A	07/01/19-06/30/20	N/A	138,453	-	164,160	164,160	25,707
Total CFDA # 10.553							165,868	27,415	164,160	164,160	25,707
Total Child Nutrition Cluster							996,261	153,185	917,403	917,403	74,327
TOTAL U.S. DEPARTMENT OF AGRICULTURE							996,261	153,185	917,403	917,403	74,327
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS							\$ 3,169,289	\$ 367,411	\$ 2,949,302	\$ 2,949,302	\$ 147,424

Source Code:

I - Indirect Funding

PENNRIDGE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, includes surplus food consumed by the District during the 2019 - 2020 fiscal year.

NOTE D INDIRECT COST RATE

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

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2020 was \$491,177.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.553 and 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.