

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2019



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Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, 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 Tredyffrin/Easttown School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Tredyffrin/Easttown School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

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 Tredyffrin/Easttown School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 29, budgetary comparison information on pages 76 and 77, schedule of the school district's proportionate share of the PSERS net pension liability on page 78, schedule of the school district's PSERS pension contributions on page 79, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 80, schedule of the school district's PSERS other postemployment plan contributions on page 81, and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

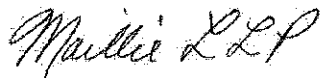
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tredyffrin/Easttown School District's basic financial statements. The schedule of expenditures of federal and state awards, as required by the audit requirements of Title 2 U.S. Code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

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

The schedule of expenditures of federal and state 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 and state 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 9, 2019, on our consideration of the Tredyffrin/Easttown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tredyffrin/Easttown School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania
December 9, 2019

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2019

The discussion and analysis of Tredyffrin/Easttown School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

During the fiscal year 2018-2019, the Tredyffrin/Easttown School District revenue increased 3.93% or \$5,419,895 while spending was in line with prior year spending, decreasing \$295,493 or 0.21%. Overall, the District ended the 2018-2019 fiscal year with a total contribution to the General Fund balance of \$514,566.

Drivers for revenue increases include property tax increases, growth in investment income as a result of higher market interest rates and increased state subsidies. The Board of School Directors balanced the budget with a 0.5429 property tax mill increase to the taxpayers and a fund balance contribution of \$1,495,509. The 2018-2019 property tax rate was 22.9810 mills representing a 2.42% increase in the property tax rate. Interest revenue was collected at \$1,645,389 over budget due to conservative budgeting.

Expenditures included several categories that worked to net out the variances producing the minimal decrease from the spending of the prior year. Pension rates continued to increase resulting in higher pension expenses. The District's pension contribution rate increased from 32.57% in 2017-2018 to 33.43% in 2018-2019 resulting in \$638,015 or 3.32% in increased pension expenses. The District's pension rate is set by the Public School Employees' Retirement System and participation in the system is mandatory for all Pennsylvania Public School Districts. Medical, prescription and vision benefit expenditures, which are self-insured, decreased \$1,497,523 from the prior year. These costs are tied to anticipated employee claims. The District works with an employee benefits consulting firm to project the District's insurance premiums which form the basis for the medical benefits budget. Additional increases in wage rates and inflationary cost were offset by larger than anticipated expenditure reductions as a result of staffing vacancies, contracted services initiatives and effective procurement management.

An approved budgeted transfer to the capital fund was increased to \$4,000,000 to fund planned future construction needs. At fiscal year end, the General Fund ended the fiscal year with a contribution to the fund balance of approximately \$514,566 which is 0.36% of the annual spending.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Government-Wide Financial Statements

The first two statements are government-wide financial statements--the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- ***Governmental Activities*** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- ***Business-Type Activities*** - The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The Governmental Funds statements tell how the District's general services were financed in the short term as well as what remains for future spending. Proprietary Fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary Fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

- ***Governmental Funds*** - Most of the District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental Fund information helps the reader determine whether there are more or fewer financial resources that can be spent 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 financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- ***Proprietary Funds*** - These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides--whether to outside customers or to other units in the District--these services are generally reported in the Proprietary Fund. The Food Service Fund is the District's Proprietary Fund and is the same as the business-type activities we report in the government-wide statements.
- ***Fiduciary Funds*** - The District is the trustee, or fiduciary, for scholarship funds and student activity funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

The District's total net position was \$(124,825,449) at June 30, 2019. The following table presents comparative condensed financial information for the net position of the District as of June 30, 2019:

Schedules of Net Position
June 30, 2018 and 2019

| | Governmental Activities | |
|---|-------------------------|-------------------------|
| | 2018 | 2019 |
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current assets | \$ 65,503,472 | \$ 98,031,066 |
| Capital assets | 96,209,059 | 94,989,811 |
| Deferred outflows of resources | 35,490,010 | 30,050,169 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | 197,202,541 | 223,071,046 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current liabilities | 23,161,742 | 27,989,094 |
| Long-term liabilities | 288,730,615 | 310,859,164 |
| Deferred inflows of resources | 4,921,392 | 6,417,312 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 316,813,749 | 345,265,570 |
| NET POSITION | | |
| Net investment in capital assets | 42,016,537 | 39,455,882 |
| Restricted for capital projects | 12,939,421 | 17,181,439 |
| Unrestricted | (174,567,166) | (178,831,845) |
| TOTAL NET POSITION | \$ (119,611,208) | \$ (122,194,524) |

The unrestricted net assets consists mainly of amounts set-aside to fund the subsequent year's budget, capital projects, vested employee services, future retirement plan rate stabilization and athletic expenditures.

| Business-Type Activities | | Totals | |
|--------------------------|-----------------------|-------------------------|-------------------------|
| 2018 | 2019 | 2018 | 2019 |
| \$ 776,211 | \$ 864,456 | \$ 66,279,683 | \$ 98,895,522 |
| 404,196 | 371,088 | 96,613,255 | 95,360,899 |
| 629,090 | 532,835 | 36,119,100 | 30,583,004 |
| <u>1,809,497</u> | <u>1,768,379</u> | <u>199,012,038</u> | <u>224,839,425</u> |
| 230,734 | 166,026 | 23,392,476 | 28,155,120 |
| 4,167,279 | 4,118,382 | 292,897,894 | 314,977,546 |
| 88,810 | 114,896 | 5,010,202 | 6,532,208 |
| <u>4,486,823</u> | <u>4,399,304</u> | <u>321,300,572</u> | <u>349,664,874</u> |
| 404,196 | 371,088 | 42,420,733 | 39,826,970 |
| - | - | 12,939,421 | 17,181,439 |
| <u>(3,081,522)</u> | <u>(3,002,013)</u> | <u>(177,648,688)</u> | <u>(181,833,858)</u> |
| \$ <u>(2,677,326)</u> | \$ <u>(2,630,925)</u> | \$ <u>(122,288,534)</u> | \$ <u>(124,825,449)</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes, transfer taxes and investment earnings.

The following table presents comparative condensed financial information for the Statement of Activities in a different format so that you can see our total revenues as of June 30, 2019.

Changes in Net Position
Years Ended June 30, 2018 and 2019

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2018 | 2019 |
| REVENUES | | |
| Program services | | |
| Charges for services | \$ 630,634 | \$ 718,246 |
| Operating grants and contributions | 18,500,489 | 18,183,668 |
| Capital grants and contributions | 318,221 | 318,161 |
| General revenues | | |
| Property taxes | 107,196,781 | 111,217,624 |
| PURTA and transfer taxes | 3,145,898 | 3,437,061 |
| Grants, subsidies and contributions not restricted | 5,649,862 | 5,778,461 |
| Investment earnings | 1,246,492 | 2,772,536 |
| Other revenues and expenses | 402,627 | 409,375 |
| TOTAL REVENUES | 137,091,004 | 142,835,132 |
| EXPENSES | | |
| Instruction | 92,405,658 | 94,570,298 |
| Instructional student support | 11,291,068 | 11,580,269 |
| Administrative and financial support | 14,159,271 | 14,721,330 |
| Operation and maintenance of plant services | 12,794,344 | 12,097,562 |
| Pupil transportation | 7,953,992 | 7,707,623 |
| Student activities | 2,206,544 | 2,163,484 |
| Capital outlay | - | 3,147 |
| Interest on long-term debt | 1,672,776 | 2,574,736 |
| Food services | - | - |
| TOTAL EXPENSES | 142,483,653 | 145,418,449 |
| CHANGE IN NET POSITION | \$ (5,392,649) | \$ (2,583,317) |

| Business-Type Activities | | Totals | |
|--------------------------|------------------|-----------------------|-----------------------|
| 2018 | 2019 | 2018 | 2019 |
| \$ 2,433,130 | \$ 2,392,678 | \$ 3,063,764 | \$ 3,110,924 |
| 544,157 | 542,716 | 19,044,646 | 18,726,384 |
| - | - | 318,221 | 318,161 |
| - | - | 107,196,781 | 111,217,624 |
| - | - | 3,145,898 | 3,437,061 |
| - | - | 5,649,862 | 5,778,461 |
| 12,717 | 25,204 | 1,259,209 | 2,797,740 |
| - | - | 402,627 | 409,375 |
| <u>2,990,004</u> | <u>2,960,598</u> | <u>140,081,008</u> | <u>145,795,730</u> |
| - | - | 92,405,658 | 94,570,298 |
| - | - | 11,291,068 | 11,580,269 |
| - | - | 14,159,271 | 14,721,330 |
| - | - | 12,794,344 | 12,097,562 |
| - | - | 7,953,992 | 7,707,623 |
| - | - | 2,206,544 | 2,163,484 |
| - | - | - | 3,147 |
| - | - | 1,672,776 | 2,574,736 |
| <u>2,974,064</u> | <u>2,914,197</u> | <u>2,974,064</u> | <u>2,914,197</u> |
| <u>2,974,064</u> | <u>2,914,197</u> | <u>145,457,717</u> | <u>148,332,646</u> |
| \$ <u>15,940</u> | \$ <u>46,401</u> | \$ <u>(5,376,709)</u> | \$ <u>(2,536,916)</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Expenses

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. The net amounts are calculated by subtracting restricted operating grants and contributions and charges for services from the gross costs of services. Unrestricted grants, subsidies and contributions are deducted to reflect the amount needed to be funded by local revenue sources.

Expense Analysis
Years Ended June 30, 2018 and 2019

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2019 | 2018 | 2019 |
| EXPENSES, GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | \$ 92,405,658 | \$ 94,570,298 | \$ 80,682,561 | \$ 82,675,377 |
| Instructional student support | 11,291,068 | 11,580,269 | 9,192,999 | 10,082,857 |
| Administrative and financial support services | 14,159,271 | 14,721,330 | 13,004,920 | 13,484,939 |
| Operation and maintenance of plant services | 12,794,344 | 12,097,562 | 11,163,790 | 10,397,073 |
| Pupil transportation | 7,953,992 | 7,707,623 | 5,648,297 | 5,360,232 |
| Student activities | 2,206,544 | 2,163,484 | 1,987,187 | 1,938,174 |
| Capital outlay | - | 3,147 | - | 3,147 |
| Interest on long-term debt | 1,672,776 | 2,574,736 | 1,354,555 | 2,256,575 |
| TOTAL EXPENSES | \$ 142,483,653 | \$ 145,418,449 | 123,034,309 | 126,198,374 |
| GRANTS, SUBSIDIES AND CONTRIBUTIONS NOT RESTRICTED | | | (5,649,862) | (5,778,461) |
| AMOUNT NEEDED TO BE FUNDED BY LOCAL REVENUE SOURCES | | | \$ 117,384,447 | \$ 120,419,913 |

The following table reflects condensed financial activities of the food service program, the only business-type activity of the District.

Business-Type Activities
Years Ended June 30, 2018 and 2019

| | Total Cost of Services | |
|------------------------------------|------------------------|---------------------|
| | 2018 | 2019 |
| EXPENSES, BUSINESS-TYPE ACTIVITIES | | |
| Food services | \$ 2,974,064 | \$ 2,914,197 |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

THE DISTRICT FUNDS

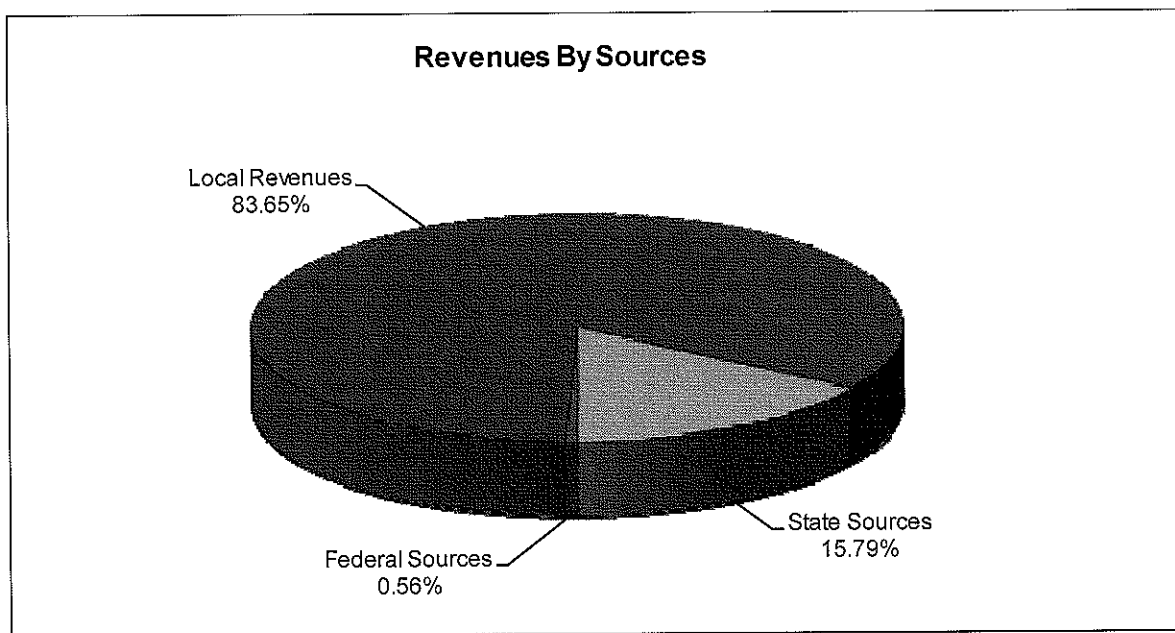
General Fund

At June 30, 2019, the District reported a General fund balance of \$30,857,469, all of which was committed or assigned for specific purposes. This represents an increase from 2017-2018 in General Fund fund balance in the amount of \$514,566. The School Board of the Tredyffrin/Easttown School District consciously maintains a fund balance to support the District's AAA bond rating and respond to unforeseen contingencies and emergencies. This Board policy was established during a healthy and stable economic period within the District. The District will continue to monitor student needs and the long-term capital plan to determine proper levels of fund balance in both the general and capital funds.

General Fund Revenue - Revenues, totaling \$143,209,982, increased \$5,419,895 or 3.93% over the 2017-2018 revenues. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year:

General Fund Revenue
Year Ended June 30, 2019

| | Amount Received | % of Total | Increase (Decrease) From 2018 | % Increase (Decrease) |
|-----------------|-----------------------|----------------|-------------------------------------|--------------------------|
| Local revenues | \$ 119,802,282 | 83.65% | \$ 5,611,696 | 4.91% |
| State sources | 22,611,660 | 15.79% | 484,667 | 2.19% |
| Federal sources | 796,040 | 0.56% | (676,468) | -45.94% |
| | <u>\$ 143,209,982</u> | <u>100.00%</u> | <u>\$ 5,419,895</u> | |



TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

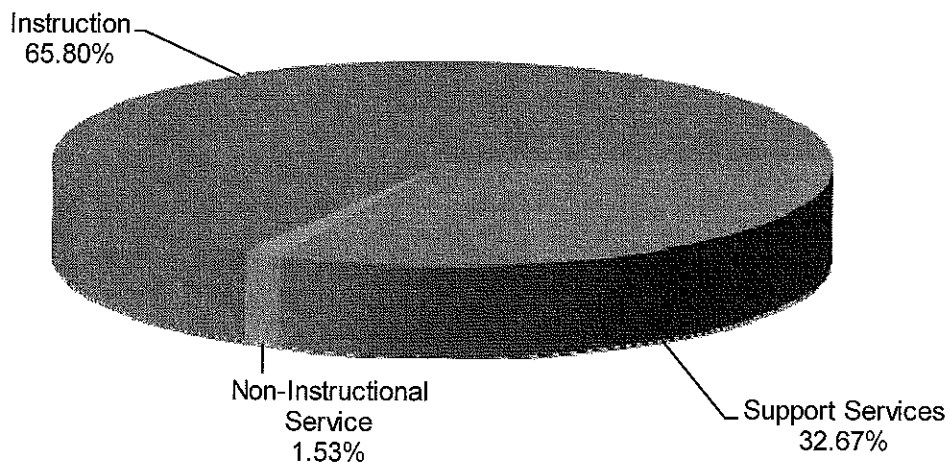
The District balanced its 2018-2019 budget through a fund balance contribution of \$1,495,509 and by increasing the 2017-2018 tax rate of 22.4381 mills to 22.9810 mills or a 2.42% tax increase for 2018-2019. As a result of the increase in millage, actual revenue collected from current and interim real estate taxes increased by \$3,726,854 or 3.48%. Investment earnings increased by \$1,181,961 or 114.48% due to market investment rate increases and an effective investment strategy. Delinquent tax collections increased by \$272,382 and transfer tax revenue increased by \$276,295. Total state source revenues increased by \$484,667 largely due to the increase in Pennsylvania School Employees' Retirement System subsidy increase of \$204,461 for 2018-2019. This subsidy increases proportionally with subsidy expenditure increases. Federal revenues decreased by \$676,468 largely due to a \$650,000 decrease in the drawdown of Medical Access revenue.

General Fund Expenditures - Expenditures, totaling \$131,818,553, were in line with prior year spending, increasing by \$271,191 over 2017-2018. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the costs incurred in the prior year and the 2018-2019 budget, are as follows:

General Fund Expenditures
Year Ended June 30, 2019

| | Actual Expenditures 2019 | % of Total | Increase (Decrease) From 2018 | Percentage Increase (Decrease) From 2018 | Variance Final Budget Positive (Negative) |
|---|--------------------------------|----------------|-------------------------------------|---|--|
| Instruction | \$ 86,730,836 | 65.80% | \$ (51,833) | -0.06% | \$ 1,368,430 |
| Support services | 43,061,525 | 32.67% | 341,495 | 0.80% | 2,603,862 |
| Non-instructional services | 2,026,192 | 1.53% | (18,471) | -0.90% | (1,638,119) |
| TOTAL EXPENDITURES BY FUNCTION | \$ 131,818,553 | 100.00% | \$ 271,191 | 0.21% | \$ 2,334,173 |

Expenditures By Function



TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

The change in expenditures in 2018-2019 was the result of offsetting increases and decreases in spending. Pension rates increased resulting in higher pension expenses. The District's pension contribution rate increased from 32.57% in 2017-2018 to 33.43% in 2018-2019 resulting in \$638,015 or 3.32% in increased pension expenses. The District's pension rate is set by the Public School Employees' Retirement System and participation in the system is mandatory for all Pennsylvania Public School Districts. Medical, prescription and vision benefit expenditures, which are self-insured, decreased \$1,497,523 from the prior year. The District works with an employee benefits consulting firm to project the District's insurance premiums which form the basis for the medical benefits budget. Additional increases in wage rates and inflationary cost were offset by expenditure reductions as a result of vacancies, outsourcing initiatives and effective procurement management. In 2018-19, the District contracted substitute services to reduce net costs. Additional procurement savings were achieved in utilities, repairs and supplies.

Capital Projects and Reserve Funds

At June 30, 2019, the District reported a Capital Projects fund balance of \$23,796,492, which is an increase of \$24,262,239 from the prior year due the bond borrowing during the fiscal year. Expenditures in the Capital Projects Fund totaled \$6,786,633 for facilities and equipment acquisition, construction and improvement services. Revenue in the Capital Projects fund totaled \$31,048,872 and included \$30,745,692 in bond proceeds. The District reported a Capital Reserve Fund balance of \$17,181,439 restricted for capital projects. 2018-2019 Capital Reserve balances include a \$4,000,000 transfer from the General Fund to fund future known capital projects.

GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditure needs of the District. All adjustments are confirmed at the time the annual audit is accepted. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The School District's formally adopted budget filed with the State includes estimated amounts for revenues and expenditures. In the Budgetary Comparison Schedule, which is required supplementary information to the financial statements, the formally adopted budget reflects revenues in the amount of \$140,843,130 with actual revenues received in the amount of \$143,209,982, a positive variance in the amount of \$2,366,852. The biggest driver of this difference was interest earnings on investments. Earnings on investments exceeded budget as a result of higher than expected market rates, conservative budgeting and effective investment strategies. Other local revenue differences include current real estate tax collected \$721,000 under budget, interim real estate taxes collected \$352,000 over budget and delinquent taxes collected \$191,000 over budget. State subsidies had a positive variance of \$566,741. Special education funding subsidy revenue was \$341,000 higher than budget and included an additional allocation of \$150,000 contingency funds for extraordinary special education expenses. State subsidies are budgeted and approved by the Board in advance of the State Government's final budget authorization. In recent years, the District has been informed well into the fiscal year of additional subsidy dollars that were not available during the budget development process. Additionally, Transportation subsidy was collected at \$123,000 over budget. Federal revenues were in line with budget.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

The School District budgeted \$146,038,640 for expenditures in the 2018-19 fiscal year. At fiscal year end, total expenditures were under budget by \$3,343,224; however, the authorized budget included \$3,700,000 in contingency funds that were not part of the anticipated spending. Salaries accounted for \$896,892 of the positive variance and were the result of retirements and vacancies across the District as well as lower than anticipated overtime and substitute staffing. Benefit costs were in line with budget with health insurance spending \$240,318 over budget and pension expenditures \$253,149 under budget. An unexpected positive variance of \$217,000 resulted in special education contracted services and tuition. Contracted substitute services spending was under the budget by \$218,000. Vocational tuition costs were budgeted \$204,000 higher than spending. Effective procurement management of supplies and utility contracts coupled with lower than anticipated facility repairs resulted in \$781,000 in lower than anticipated maintenance expenses. Differences in other departmental budgets accounted for \$963,000 of under spending. Lastly, the deferment of an IT project resulted in \$350,000 lower spending than anticipated.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS

At June 30, 2019, the District had \$95,360,899 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$1,252,356 or 1.30% from last year.

The following schedule depicts the change in capital assets for the period July 1, 2018 through June 30, 2019. During this period, the District had the following significant additions in capital assets:

Schedule of Capital Assets
June 30, 2019

| | <u>Beginning Balance</u> | <u>Increase (Decrease)</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES | | | |
| Capital assets | | | |
| Land | \$ 3,788,586 | \$ - | \$ 3,788,586 |
| Land improvements | 6,656,692 | - | 6,656,692 |
| Buildings and building improvements | 184,255,062 | 5,922,823 | 190,177,885 |
| Furniture and equipment | 26,173,966 | 306,002 | 26,479,968 |
| TOTAL CAPITAL ASSETS | <u>220,874,306</u> | <u>6,228,825</u> | <u>227,103,131</u> |
| Accumulated depreciation | | | |
| Land improvements | (7,418,236) | 816,889 | (6,601,347) |
| Buildings and building improvements | (90,144,485) | (6,666,042) | (96,810,527) |
| Furniture and equipment | (27,102,526) | (1,598,920) | (28,701,446) |
| TOTAL ACCUMULATED DEPRECIATION | <u>(124,665,247)</u> | <u>(7,448,073)</u> | <u>(132,113,320)</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net | <u>\$ 96,209,059</u> | <u>\$ (1,219,248)</u> | <u>\$ 94,989,811</u> |
| BUSINESS-TYPE ACTIVITIES | | | |
| Capital assets | | | |
| Furniture and equipment | \$ 1,254,660 | \$ 46,052 | \$ 1,300,712 |
| Accumulated depreciation | <u>(850,464)</u> | <u>(79,160)</u> | <u>(929,624)</u> |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net | <u>\$ 404,196</u> | <u>\$ (33,108)</u> | <u>\$ 371,088</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

DEBT ADMINISTRATION

As of July 1, 2018, the District had total outstanding bond principal of \$50,450,000. During the year, the District made payments against principal in the amount of \$4,790,000. Additionally, The District issued General Obligation Bonds in 2019 in the amount of \$26,915,000 to finance capital projects. The ending outstanding debt as of June 30, 2019, is \$72,575,000. Based on a projection of future debt margins, the retirement of principal on current issues and estimated future borrowings, the District is well below its debt limit. Based on the projections of long-term capital project needs, the District is evaluating borrowing options in the coming fiscal year.

Schedule of Debt Service
June 30, 2019

| | Principal Outstanding July 1, 2018 | Additions | Maturities/ Refinancing | Bonds Payable June 30, 2019 |
|---------------------------|--|----------------------|----------------------------|-----------------------------------|
| GENERAL OBLIGATION | | | | |
| BONDS | | | | |
| Series of 2010 | \$ 10,445,000 | \$ - | \$ (15,000) | \$ 10,430,000 |
| Series of 2014 | 4,765,000 | - | (4,765,000) | - |
| Series of 2015 | 22,430,000 | - | (5,000) | 22,425,000 |
| Series of 2016 | 12,810,000 | - | (5,000) | 12,805,000 |
| Series of 2019 | - | 26,915,000 | - | 26,915,000 |
| | <u>\$ 50,450,000</u> | <u>\$ 26,915,000</u> | <u>\$ (4,790,000)</u> | <u>\$ 72,575,000</u> |

Other obligations include accrued vacation pay and severance for specific employees of the District in the amount of \$8,059,067, and other post-employment benefits of \$18,480,151 as of June 30, 2019. More detailed information about our long-term liabilities is included in the notes to the financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Debt Continuing Disclosure Agreement

The District provides the following schedules for the benefit of the District's Bondholders and to assist the District's underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

**Tredyffrin/Easttown School District
Fifteen Year Real Property Assessment Data**

| <u>Year</u> | <u>Market Valuation</u> | <u>Assessed Valuation (1)</u> | <u>Ratio of Assessed to Market</u> |
|-------------|-----------------------------|-----------------------------------|--|
| 2005 | \$ 5,321,698,000 | \$ 4,713,587,625 | 88.57% |
| 2006 | 6,122,967,100 | 4,743,166,975 | 77.47% |
| 2007 | 5,971,983,400 | 4,689,191,415 | 78.52% |
| 2008 | 6,846,243,200 | 4,845,600,750 | 70.78% |
| 2009 | 7,201,906,585 | 4,887,833,410 | 67.87% |
| 2010 | 7,789,032,880 | 4,885,999,675 | 62.73% |
| 2011 | 7,742,482,863 | 4,863,256,104 | 62.81% |
| 2012 | 7,960,932,335 | 4,841,444,931 | 60.82% |
| 2013 | 7,941,134,120 | 4,830,354,601 | 60.83% |
| 2014 | 8,113,681,613 | 4,838,730,747 | 59.64% |
| 2015 | 8,152,508,719 | 4,858,055,707 | 59.59% |
| 2016 | 8,525,707,090 | 4,895,728,797 | 57.42% |
| 2017 | 8,563,911,215 | 4,914,911,117 | 57.39% |
| 2018 | 8,941,758,580 | 4,998,138,729 | 55.90% |
| 2019 | 9,008,691,868 | 5,035,552,159 | 55.90% (2) |

Source: Pennsylvania State Tax Equalization Board

(1) Assessed valuation on June 30 each year

(2) Based on prior year

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Fifteen Year Real Property Tax Collection Data

| <u>Year</u> | <u>Total Flat Billing</u> | <u>Current Year Collection (July - June)</u> | <u>Current Year Collections as a % of Total Flat Billing</u> | <u>Total Current + Delinquent Collections</u> | <u>Total Collections as a % of Total Flat Billing</u> |
|-------------|-------------------------------|--|--|---|---|
| 2005-06 | \$ 71,472,798 | \$ 69,424,149 | 97.13% | \$ 70,204,503 | 98.23% |
| 2006-07 | 74,863,528 | 72,938,884 | 97.43% | 73,705,143 | 98.45% |
| 2007-08 | 78,211,518 | 76,241,073 | 97.48% | 77,115,962 | 98.60% |
| 2008-09 | 82,542,136 | 80,011,307 | 96.93% | 81,416,323 | 98.64% |
| 2009-10 | 85,988,845 | 82,189,980 | 95.58% | 83,424,676 | 97.02% |
| 2010-11 | 87,825,794 | 85,247,651 | 97.06% | 86,666,360 | 98.68% |
| 2011-12 | 90,699,903 | 87,168,403 | 96.11% | 88,959,773 | 98.08% |
| 2012-13 | 93,592,585 | 91,764,490 | 98.05% | 92,874,234 | 99.23% |
| 2013-14 | 94,819,099 | 92,080,156 | 97.11% | 93,442,210 | 98.55% |
| 2014-15 | 97,967,189 | 95,351,413 | 97.33% | 96,515,319 | 98.52% |
| 2015-16 | 102,391,806 | 99,930,553 | 97.60% | 100,928,708 | 98.57% |
| 2016-17 | 104,049,382 | 101,737,051 | 97.78% | 102,709,383 | 98.71% |
| 2017-18 | 108,702,840 | 105,894,005 | 97.42% | 106,821,779 | 98.27% |
| 2018-19 | 112,762,291 | 109,970,864 | 97.52% | 111,171,555 | 98.59% |
| 2019-20 | 118,141,231 | N/A | N/A | N/A | N/A |

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District Tax Rates

| <u>Year</u> | <u>Real Estate</u> | <u>Real Estate Transfer</u> | <u>Amusement</u> |
|-------------|--------------------|---------------------------------|------------------|
| 2005-06 | 15.13 | 0.50 | 5.00 |
| 2006-07 | 15.73 | 0.50 | 5.00 |
| 2007-08 | 16.26 | 0.50 | 5.00 |
| 2008-09 | 16.97 | 0.50 | 5.00 |
| 2009-10 | 17.47 | 0.50 | 5.00 |
| 2010-11 | 17.97 | 0.50 | 5.00 |
| 2011-12 | 18.6474 | 0.50 | 5.00 |
| 2012-13 | 19.2628 | 0.50 | 5.00 |
| 2013-14 | 19.5902 | 0.50 | 5.00 |
| 2014-15 | 20.2171 | 0.50 | 5.00 |
| 2015-16 | 20.9868 | 0.50 | 5.00 |
| 2016-17 | 21.7423 | 0.50 | 5.00 |
| 2017-18 | 22.4381 | 0.50 | 5.00 |
| 2018-19 | 22.9810 | 0.50 | 5.00 |
| 2019-20 | 23.8795 | 0.50 | 5.00 |

Source: School District Officials

**Tredyffrin/Easttown School District Net Debt Outstanding
Legal Debt Limit and Remaining Borrowing Capacity**

| <u>Fiscal Year-End</u> | <u>Debt Outstanding as of Fiscal Year-End</u> | <u>Legal Debt Limit</u> | <u>Remaining Borrowing Capacity</u> |
|----------------------------|---|-----------------------------|---|
| 2004-2005 | \$ 60,930,000 | \$ 185,778,679 | \$ 124,848,679 |
| 2005-2006 | 67,160,000 | 193,797,861 | 126,637,861 |
| 2006-2007 | 63,480,000 | 200,935,376 | 137,455,376 |
| 2007-2008 | 59,670,000 | 207,505,553 | 147,835,553 |
| 2008-2009 | 55,750,000 | 213,795,142 | 158,045,142 |
| 2009-2010 | 48,175,000 | 219,166,736 | 170,991,736 |
| 2010-2011 | 58,240,000 | 224,040,500 | 165,800,500 |
| 2011-2012 | 54,525,000 | 230,216,779 | 175,691,779 |
| 2012-2013 | 50,635,000 | 238,843,875 | 188,208,875 |
| 2013-2014 | 46,560,000 | 246,522,851 | 199,962,851 |
| 2014-2015 | 64,090,000 | 246,675,017 | 182,585,017 |
| 2015-2016 | 59,755,000 | 266,133,523 | 206,378,523 |
| 2016-2017 | 55,070,000 | 280,768,642 | 225,698,642 |
| 2017-2018 | 50,450,000 | 294,287,354 | 243,837,354 |
| 2018-2019 | 72,575,000 | 307,738,363 | 235,163,363 |

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District Enrollment Trends

| <u>Fiscal Year</u> | <u>Elementary (K-6)</u> | <u>Secondary (7-12)</u> | <u>Totals</u> |
|--------------------|-----------------------------|-----------------------------|---------------|
| 2004-2005 | 3,026 | 2,774 | 5,800 |
| 2005-2006 | 3,059 | 2,832 | 5,891 |
| 2006-2007 | 3,092 | 2,921 | 6,013 |
| 2007-2008 | 3,190 | 2,907 | 6,097 |
| 2008-2009 | 3,215 | 2,917 | 6,132 |
| 2009-2010 | 3,310 | 2,980 | 6,290 |
| 2010-2011 | 3,321 | 3,013 | 6,334 |
| 2011-2012 | 3,395 | 3,062 | 6,457 |
| 2012-2013 | 3,391 | 3,096 | 6,487 |
| 2013-2014 | 3,420 | 3,117 | 6,537 |
| 2014-2015 | 3,458 | 3,101 | 6,559 |
| 2015-2016 | 3,457 | 3,116 | 6,573 |
| 2016-2017 | 3,549 | 3,199 | 6,748 |
| 2017-2018 | 3,600 | 3,300 | 6,900 |
| 2018-2019 | 3,630 | 3,428 | 7,058 |

Source: School District Officials

Tredyffrin/Easttown School District Employee Head Count

| <u>Fiscal Year</u> | <u>Professional Staff</u> | <u>Support</u> | <u>Totals</u> |
|--------------------|-------------------------------|----------------|---------------|
| 2004-2005 | 514 | 401 | 915 |
| 2005-2006 | 525 | 403 | 928 |
| 2006-2007 | 534 | 384 | 918 |
| 2007-2008 | 531 | 400 | 931 |
| 2008-2009 | 544 | 418 | 962 |
| 2009-2010 | 510 | 390 | 900 |
| 2010-2011 | 483 | 387 | 870 |
| 2011-2012 | 481 | 373 | 854 |
| 2012-2013 | 482 | 371 | 853 |
| 2013-2014 | 491 | 359 | 850 |
| 2014-2015 | 505 | 368 | 873 |
| 2015-2016 | 517 | 303 | 820 |
| 2016-2017 | 540 | 288 | 828 |
| 2017-2018 | 544 | 263 | 807 |
| 2018-2019 | 544 | 254 | 798 |

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Lease Activity

In 2016, the School District continued its One: One laptop computer program for 11th graders. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing July 2016 to June 2020. Rental expense for the year ended June 30, 2019 was \$862,771.

The future minimum lease payments over the next five years is shown below:

| | <u>Total</u> |
|---------------|-------------------|
| June 30, 2020 | \$ 862,771 |
| June 30, 2021 | - |
| June 30, 2022 | - |
| June 30, 2023 | - |
| June 30, 2024 | <u>-</u> |
| Total | \$ <u>862,771</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Lease Activity

In 2017, the School District continued its One:One laptop computer program for 8th and 10th graders. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing August 2017 to July 2021. Rental expense for the year ended June 30, 2019 was \$1,393,836.

The future minimum lease payments over the next five years is shown below:

| | <u>Total</u> |
|---------------|---------------------|
| June 30, 2020 | \$ 1,393,836 |
| June 30, 2021 | 1,393,836 |
| June 30, 2022 | 116,153 |
| June 30, 2023 | - |
| June 30, 2024 | <u>-</u> |
| Total | <u>\$ 2,903,825</u> |

Source: School District Officials

Tredyffrin/Easttown School District
Lease Activity

In 2018, the School District continued its One:One laptop computer program for 7th and 9th graders. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing October 2018 to September 2022. Rental expense for the year ended June 30, 2019 was \$1,723,974.

The future minimum lease payments over the next five years is shown below:

| | |
|---------------|---------------------|
| June 30, 2020 | \$ 1,723,974 |
| June 30, 2021 | 1,723,974 |
| June 30, 2022 | 1,723,974 |
| June 30, 2023 | 430,994 |
| June 30, 2024 | <u>-</u> |
| Total | <u>\$ 5,602,916</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Lease Activity

In 2019, the School District started leasing eight Ricoh copiers. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing July 2018 to July 2023. Rental expense for the year ended June 30, 2019 was \$88,073.

The future minimum lease payments over the next five years is shown below:

| | |
|---------------|-------------------|
| June 30, 2020 | \$ 88,073 |
| June 30, 2021 | 88,073 |
| June 30, 2022 | 88,073 |
| June 30, 2023 | 88,073 |
| June 30, 2024 | <u>-</u> |
| Total | \$ <u>352,292</u> |

Source: School District Officials

Tredyffrin/Easttown School District
Lease Activity

In 2019, the School District started leasing four Relay 3000 Inserting systems. The lease agreement is with Pitney Bowes Global Financial Services. The lease is a five year contract, commencing July 2018 to July 2023. Rental expense for the year ended June 30, 2019 was \$6,356.

The future minimum lease payments over the next five years is shown below:

| | |
|---------------|------------------|
| June 30, 2020 | \$ 6,356 |
| June 30, 2021 | 6,356 |
| June 30, 2022 | 6,356 |
| June 30, 2023 | 6,356 |
| June 30, 2024 | <u>-</u> |
| Total | \$ <u>25,424</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Lease Activity

In 2019, the School District started leasing 700 computers. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing July 2018 to June 2022. Rental expense for the year ended June 30, 2019 was \$78,922.

The future minimum lease payments over the next five years is shown below:

| | |
|---------------|-------------------|
| June 30, 2020 | \$ 78,922 |
| June 30, 2021 | 78,922 |
| June 30, 2022 | 78,922 |
| June 30, 2023 | - |
| June 30, 2024 | - |
| | <hr/> |
| Total | \$ <u>236,766</u> |

Source: School District Officials

Tredyffrin/Easttown School District
Lease Activity

In 2019, the School District started leasing 450 computers. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing July 2018 to June 2022. Rental expense for the year ended June 30, 2019 was \$58,385.

The future minimum lease payments over the next five years is shown below:

| | |
|---------------|-------------------|
| June 30, 2020 | \$ 58,385 |
| June 30, 2021 | 58,385 |
| June 30, 2022 | 58,385 |
| June 30, 2023 | - |
| June 30, 2024 | - |
| | <hr/> |
| Total | \$ <u>175,155</u> |

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Tredyffrin/Easttown School District
Lease Activity

In 2019, the School District started leasing 49 computers. The lease agreement is with Dell Financial Services. The lease is a four year contract, commencing July 2018 to June 2022. Rental expense for the year ended June 30, 2019 was \$6,358.

The future minimum lease payments over the next five years is shown below:

| | | |
|---------------|----|---------------|
| June 30, 2020 | \$ | 6,358 |
| June 30, 2021 | | 6,358 |
| June 30, 2022 | | 6,358 |
| June 30, 2023 | | - |
| June 30, 2024 | | - |
| | | <hr/> |
| Total | \$ | <u>19,074</u> |

CAPITAL PLAN

In consultation with the District architect, the infrastructure report of District facility needs was updated and presented to the Board Facilities Committee and approved by the full Board in October 2018. Items from the priority list were consistent with the reduced budget allocation determined by the Facilities Committee through review of the capital sources and uses report and available funds. Annual capital expenditures will continue to be coordinated with the availability of capital funds presented to both the Board Finance and Facilities Committees.

The Facilities Committee recommended, and the Board approved, bidding a number of capital projects to be completed during the 2019 summer construction period: air conditioning installation at Hillside Elementary School, phase 1 of 3 of the closed circuit TV system, various renovations, replacements and upgrades of existing facilities at all schools and planning and design of the Conestoga High School Expansion Project.

STRATEGIC PLAN

In spring 2014, the Strategic Planning Committee, a committee of 24 community members, School Board members, parents, teachers, administrators and students, worked to update the strategies and action plans in the strategic plan to reflect the current needs of the students, staff, and community in TE. The updated Strategic Plan (presented below) was approved by the School Board in May 2014 and will carry through 2020. The mission statement of the Strategic Plan is "To inspire a passion for learning, personal integrity, the pursuit of excellence, and social responsibility in each student."

We will continue to develop and support a culture within the school community that promotes personal integrity and social responsibility.

- To develop a foundation of personal integrity within students at each developmental level.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- To identify and facilitate ways in which students can develop social responsibility within their schools, local, and global communities.

We will promote emotional, mental, social, and physical well-being by fostering a culture of acceptance and respect.

- To ensure a safe and welcoming school environment in which every student feels accepted, respected, and supported by peers, faculty, and administration.
- To empower students to overcome academic and personal challenges; and develop the intellectual courage to grow, excel, and innovate.
- To develop students' capacity for resilience, grit, and flexibility that will serve as a foundation for success as life-long learners.

We will create a framework for learning that develops a capacity for innovation, creativity, and an entrepreneurial spirit.

- To support academic inquiry by promoting students' abilities to ask deep, meaningful questions and to conduct independent, original research.
- To provide opportunities for students to become skilled with emerging literacies, including but not limited to media literacy, visual literacy, financial literacy, and coding literacy.
- To enhance and expand opportunities for students to develop skills and interests in science, technology, engineering, and mathematics.
- To provide students with learning experiences that are authentic and organized in both traditional and non-traditional ways.

We will harness the power of technology to advance learning while engaging and empowering students in a connected world.

- To leverage digital content, tools, and processes to support the development of information fluency skills.
- To educate thoughtful and ethical behavior with technology as digital citizens.
- To develop critical thinking, effective communication, and creativity using technology.
- To facilitate understanding in the selection of appropriate digital tools, the ability to troubleshoot systems and applications, and the transfer of technology skills.

We will provide professional learning opportunities that foster collaboration, reflective questioning, and the artistry of teaching.

- To enrich a community of collaboration and open professional exchange.
- To create a professional learning framework in which reflective questioning and dialogue among colleagues are encouraged.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

- To facilitate opportunities for professionals across the career spectrum to share their ideas and insights, to cultivate continuous improvement, and to strengthen the practice of all.

We will create opportunities to interact within and beyond the T/E Community by building partnerships and relationships that develop social skills, enhance experiences, and increase knowledge.

- To foster partnerships and relationships among students, families, alumni, staff, and school district support groups.
- To foster partnerships and relationships with local community groups, leaders, resources, businesses, and institutions.
- To foster partnerships and relationships with state-wide, national, and global universities, organizations, businesses, and governmental institutions.

We will anticipate, interpret, and influence legislation and regulations in a manner to achieve our mission.

- To anticipate, interpret, and communicate legislative and regulatory issues for all T/E stakeholders.
- To influence federal, state, county, and local decision makers in order to positively impact legislation, regulations, and actions affecting the T/E School District.

Last year, the Board approved an external facilitator to assist with the development of a successor plan. This will be a major focus of energy this year as we endeavor to work with students, parents, community members, teachers, support staff, administrators, and Board members to gather input and design a mission and strategies that will provide an educational vision for the District for the next six years and beyond. Some of the steps that will engage the community, began in September, include community forums, a survey, focus groups, and community action teams that will work to develop a plan devised by these same stakeholder groups. The entire process will take about a year and provides an excellent opportunity for members of our community to share their thoughts on what we do well and where we can grow, and to lend their insight on the skills our kids need the most when they enter the world of the 2020s and beyond

LOOKING AHEAD

The District is continuing to experience enrollment growth. Current year projections indicate a total student enrollment of approximately 7,184 in the 2019-20 school year, which is a 37.5% increase in enrollment since 1999. Over the next five years, the District demographer projects increases in district-wide enrollment of 9%.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2019

Residential housing permits for new construction peaked at 69 units in year 2005 and averaged 10 units per year for the period of 2009 through 2012. In 2013-17, the same permitting increased to between 22-92 units. The District's demographer projects future residential housing permits will increase over the next two years due to six approved, multi-family housing construction projects totaling 266 units. An additional 440 housing units of assisted living units are currently near permit approval. The projected school age children that will be generated by these projected housing unit totals 61, of which 55 will most likely attend TE public schools. To support growing enrollment, approximately 8.3 new full-time equivalent (FTE) teacher positions have been added to the 2019-2020 budget. Enrollment at Conestoga High School is projected to increase by 290 students over the next five years, from 2,267 in 2019 to 2,557 in 2023, which will eventually result in a shortage of instructional space within the school's current footprint. Over the course of the last year, the District has conducted a Conestoga High School facility study to examine the District's instructional needs, space utilization and possible options for expansion of the current building. As a result, the District determined there is a need to expand and renovate the Conestoga High School to include 8 additional regular classrooms, 2 additional special education classrooms, 4 additional science labs, 1 additional art room, 1 additional kitchen, a fabrication lab, a large flexible learning space, and additional smaller spaces for meetings, offices and small group instruction. The high school is also in need of expanded spaces in the nurse suite, library, cafeteria, student services suite, and health and fitness room. The construction phase of the expansion and renovation project is projected to begin in Spring of 2020 and with anticipated completion in Fall of 2021. The current estimated budget for the expansion and renovation project is \$39.6 million.

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 Arthur J. McDonnell, Business Manager/Board Secretary, at the Tredyffrin/Easttown School District, 940 West Valley Road, Suite 1700, Wayne, PA 19087, 610-240-1801.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Governmental Activities | Business-Type Activities | Totals |
|--|----------------------------|-----------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 45,654,792 | \$ 814,562 | \$ 46,469,354 |
| Investments | 45,220,000 | 52,986 | 45,272,986 |
| Taxes receivable, net | 1,494,457 | - | 1,494,457 |
| Interest receivable | 21,103 | - | 21,103 |
| Internal balances | 35,907 | (35,907) | - |
| Due from other governments | 5,442,349 | - | 5,442,349 |
| Other receivables | 162,458 | 3,892 | 166,350 |
| Inventories | - | 28,923 | 28,923 |
| Capital assets | | | |
| Land and land improvements | 10,445,278 | - | 10,445,278 |
| Buildings and building improvements | 190,177,885 | - | 190,177,885 |
| Furniture and equipment | 26,479,968 | 1,300,712 | 27,780,680 |
| Accumulated depreciation | (132,113,320) | (929,624) | (133,042,944) |
| TOTAL ASSETS | 193,020,877 | 1,235,544 | 194,256,421 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding, net of accumulated amortization | 669,907 | - | 669,907 |
| Deferred outflows of resources, pension activity | 28,352,000 | 514,000 | 28,866,000 |
| Deferred outflows of resources, OPEB activity | 1,028,262 | 18,835 | 1,047,097 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 30,050,169 | 532,835 | 30,583,004 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 4,622,891 | 38,869 | 4,661,760 |
| Accrued salaries and benefits | 20,319,789 | - | 20,319,789 |
| Accrued interest | 1,264,004 | - | 1,264,004 |
| Unearned revenue | 1,782,410 | 127,157 | 1,909,567 |
| Long-term liabilities | | | |
| Portion due or payable within one year | | | |
| Bonds payable | 3,575,000 | - | 3,575,000 |
| Compensated absences | 648,096 | - | 648,096 |
| Portion due or payable after one year | | | |
| Bonds payable | 76,425,328 | - | 76,425,328 |
| Compensated absences | 7,344,669 | 66,302 | 7,410,971 |
| Net pension liability | 204,716,000 | 3,722,000 | 208,438,000 |
| Net OPEB obligation | 18,150,071 | 330,080 | 18,480,151 |
| TOTAL LIABILITIES | 338,848,258 | 4,284,408 | 343,132,666 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources, pension activity | 5,151,000 | 92,000 | 5,243,000 |
| Deferred inflows of resources, OPEB activity | 1,266,312 | 22,896 | 1,289,208 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 6,417,312 | 114,896 | 6,532,208 |
| NET POSITION | | | |
| Net investment in capital assets | 39,455,882 | 371,088 | 39,826,970 |
| Restricted for capital projects | 17,181,439 | - | 17,181,439 |
| Unrestricted | (178,831,845) | (3,002,013) | (181,833,858) |
| TOTAL NET POSITION | \$ (122,194,524) | \$ (2,630,925) | \$ (124,825,449) |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | \$ 94,570,298 | \$ - | \$ 11,894,921 | \$ - |
| Instructional student support | 11,580,269 | - | 1,497,412 | - |
| Administrative and financial support services | 14,721,330 | - | 1,236,391 | - |
| Operation and maintenance of plant services | 12,097,562 | 675,455 | 1,025,034 | - |
| Pupil transportation | 7,707,623 | - | 2,347,391 | - |
| Student activities | 2,163,484 | 42,791 | 182,519 | - |
| Capital outlay | 3,147 | - | - | - |
| Debt service | 2,574,736 | - | - | 318,161 |
| TOTAL GOVERNMENTAL ACTIVITIES | 145,418,449 | 718,246 | 18,183,668 | 318,161 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Food service | 2,914,197 | 2,392,678 | 542,716 | - |
| TOTAL SCHOOL DISTRICT ACTIVITIES | \$ 148,332,646 | \$ 3,110,924 | \$ 18,726,384 | \$ 318,161 |
| GENERAL REVENUES | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | | | | |
| Public utility taxes and realty transfer taxes, levied for general purposes, net | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| LOSS ON SALE OF CAPITAL ASSETS | | | | |
| TOTAL GENERAL REVENUES AND LOSS ON SALE OF CAPITAL ASSETS | | | | |
| CHANGE IN NET POSITION | | | | |
| NET POSITION AT BEGINNING OF YEAR | | | | |
| NET POSITION AT END OF YEAR | | | | |

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|------------------|
| Governmental Activities | Business-Type Activities | Totals |
| \$ (82,675,377) | \$ - | \$ (82,675,377) |
| (10,082,857) | - | (10,082,857) |
| (13,484,939) | - | (13,484,939) |
| (10,397,073) | - | (10,397,073) |
| (5,360,232) | - | (5,360,232) |
| (1,938,174) | - | (1,938,174) |
| (3,147) | - | (3,147) |
| (2,256,575) | - | (2,256,575) |
| (126,198,374) | - | (126,198,374) |
| - | 21,197 | 21,197 |
| (126,198,374) | 21,197 | (126,177,177) |
| 111,217,624 | - | 111,217,624 |
| 3,437,061 | - | 3,437,061 |
| 5,778,461 | - | 5,778,461 |
| 2,772,536 | 25,204 | 2,797,740 |
| 455,844 | - | 455,844 |
| (46,469) | - | (46,469) |
| 123,615,057 | 25,204 | 123,640,261 |
| (2,583,317) | 46,401 | (2,536,916) |
| (119,611,207) | (2,677,326) | (122,288,533) |
| \$ (122,194,524) | \$ (2,630,925) | \$ (124,825,449) |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Debt Service Fund | Total Governmental Funds |
|---|----------------------|-----------------------------|----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 15,236,027 | \$ 29,754,413 | \$ 664,352 | \$ - | \$ 45,654,792 |
| Investments | 33,040,000 | - | 12,180,000 | - | 45,220,000 |
| Taxes receivable, net | 1,494,457 | - | - | - | 1,494,457 |
| Interest receivable | 13,432 | - | - | - | 13,432 |
| Due from other funds | 685,400 | - | 4,254,290 | - | 4,939,690 |
| Due from other governments | 5,442,349 | - | - | - | 5,442,349 |
| Other receivables | 79,661 | - | 82,797 | - | 162,458 |
| TOTAL ASSETS | \$ 55,991,326 | \$ 29,754,413 | \$ 17,181,439 | \$ - | \$ 102,927,178 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 3,568,753 | \$ 1,054,138 | \$ - | \$ - | \$ 4,622,891 |
| Due to other funds | - | 4,903,783 | - | - | 4,903,783 |
| Unearned revenue | 91,191 | - | - | - | 91,191 |
| Accrued salaries and benefits | 20,319,789 | - | - | - | 20,319,789 |
| TOTAL LIABILITIES | 23,979,733 | 5,957,921 | - | - | 29,937,654 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue, property taxes | 1,154,124 | - | - | - | 1,154,124 |
| FUND BALANCES | | | | | |
| Restricted for capital projects | | | | | |
| Capital project funds | - | 23,796,482 | 17,181,439 | - | 40,977,931 |
| Committed to | | | | | |
| Subsequent year's budget | 6,206,629 | - | - | - | 6,206,629 |
| Capital projects | 4,006,072 | - | - | - | 4,006,072 |
| Vested employee services | 7,344,669 | - | - | - | 7,344,669 |
| PSERS contingency | 8,251,384 | - | - | - | 8,251,384 |
| Healthcare contingency | 4,900,000 | - | - | - | 4,900,000 |
| Assigned to Athletic Fund expenditures | 148,715 | - | - | - | 148,715 |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | 30,857,469 | 23,796,482 | 17,181,439 | - | 71,835,400 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 55,991,326 | \$ 29,754,413 | \$ 17,181,439 | \$ - | \$ 102,927,178 |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

| | |
|---|-------------------------|
| TOTAL GOVERNMENTAL FUNDS BALANCES | \$ 71,835,400 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of: | |
| Land and land improvements | 10,445,278 |
| Buildings and building improvements | 190,177,885 |
| Furniture and equipment | 26,479,968 |
| Accumulated depreciation | (132,113,320) |
| Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | |
| Deferred charge on refunding | 669,907 |
| Deferred inflows and outflows of resources related to post-employment benefit activities are not financial resources and therefore are not reported in the governmental funds. | 22,962,950 |
| 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 | (1,264,004) |
| Bonds payable | (80,000,328) |
| Compensated absences | (7,992,765) |
| Net pension liability | (204,716,000) |
| Net OPEB obligation | (18,150,071) |
| Some of the School 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 deferred in the funds. | <u>(529,424)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (122,194,524)</u> |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Debt Service Fund | Total Governmental Funds |
|--|----------------------|-----------------------------|----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local sources | | | | | |
| Real estate taxes | \$ 112,102,022 | \$ - | \$ - | \$ - | \$ 112,102,022 |
| Realty transfer tax and public utility realty tax | 3,401,147 | - | - | - | 3,401,147 |
| Other taxes | 35,913 | - | - | - | 35,913 |
| Earnings from investments | 2,214,420 | 303,180 | 245,165 | - | 2,762,765 |
| Other local revenues | 2,048,780 | - | - | - | 2,048,780 |
| State sources | 22,611,660 | - | - | - | 22,611,660 |
| Federal sources | 796,040 | - | - | - | 796,040 |
| TOTAL REVENUES | 143,209,982 | 303,180 | 245,165 | - | 143,758,327 |
| EXPENDITURES | | | | | |
| Instruction | 86,730,836 | - | - | - | 86,730,836 |
| Support services | 43,061,525 | - | - | - | 43,061,525 |
| Operation of non-instructional services | 2,026,192 | - | - | - | 2,026,192 |
| Facilities acquisition, construction and improvement services | - | 5,922,823 | 3,147 | - | 5,925,970 |
| Debt service | 12,909 | 863,810 | - | 6,863,954 | 7,740,673 |
| TOTAL EXPENDITURES | 131,831,462 | 6,786,633 | 3,147 | 6,863,954 | 145,485,196 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 11,378,520 | (6,483,453) | 242,018 | (6,863,954) | (1,726,869) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bonds issued | - | 26,915,000 | - | - | 26,915,000 |
| Bond premiums | - | 3,830,692 | - | - | 3,830,692 |
| Transfers in | - | - | 4,000,000 | 6,863,954 | 10,863,954 |
| Transfers out | (10,863,954) | - | - | - | (10,863,954) |
| TOTAL OTHER FINANCING SOURCES (USES) | (10,863,954) | 30,745,692 | 4,000,000 | 6,863,954 | 30,745,692 |
| NET CHANGE IN FUND BALANCES | 514,566 | 24,262,239 | 4,242,018 | - | 29,018,823 |
| FUND BALANCES AT BEGINNING OF YEAR | 30,342,903 | (465,747) | 12,939,421 | - | 42,816,577 |
| FUND BALANCES AT END OF YEAR | \$ 30,857,469 | \$ 23,796,492 | \$ 17,181,439 | \$ - | \$ 71,835,400 |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 FORWARD

\$ 29,018,823

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$7,749,040) exceed capital outlays (\$6,576,261) in the period.

(1,172,779)

Certain capital assets were disposed of during the year generating cash proceeds which is reported in the Governmental Funds as revenue. However, the assets had an undepreciated balance at the time of disposal resulting in a reduction of the amount of gain. This is the amount of the net book value of the disposed assets.

(46,469)

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

(876,726)

Bond proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position.

Proceeds from bond issuance

(26,915,000)

Amortization of bond premium

(2,857,910)

Amortization of deferred refunding

(154,989)

Principal payments

4,790,000

In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used.

(821,558)

SUBTOTAL ADJUSTMENTS FORWARD

\$ (28,055,431)

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| | |
|---|-----------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED | \$ 29,018,823 |
| SUBTOTAL ADJUSTMENTS FORWARDED | (28,055,431) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds: | |
| Accrued interest | (441,856) |
| Pension plan expense | (2,783,000) |
| OPEB plan expense | <u>(321,853)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u>(2,583,317)</u> |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

| | Enterprise Fund Food Service Fund |
|--|--|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 814,562 |
| Investments | 52,986 |
| Other receivables | 3,892 |
| Inventories | 28,923 |
| TOTAL CURRENT ASSETS | 900,363 |
| CAPITAL ASSETS | |
| Furniture and equipment | 1,300,712 |
| Accumulated depreciation | (929,624) |
| TOTAL CAPITAL ASSETS | 371,088 |
| TOTAL ASSETS | 1,271,451 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources, pension activity | 514,000 |
| Deferred outflows of resources, OPEB activity | 18,835 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 532,835 |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued liabilities | 38,869 |
| Due to other funds | 35,907 |
| Unearned revenue | 127,157 |
| TOTAL CURRENT LIABILITIES | 201,933 |
| LONG-TERM LIABILITIES | |
| Net pension liability | 3,722,000 |
| Net OPEB liability | 330,080 |
| Compensated absences | 66,302 |
| TOTAL LONG-TERM LIABILITIES | 4,118,382 |
| TOTAL LIABILITIES | 4,320,315 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources, pension activity | 92,000 |
| Deferred inflows of resources, OPEB activity | 22,896 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 114,896 |
| NET POSITION | |
| Net investment in capital assets | 371,088 |
| Unrestricted | (3,002,013) |
| TOTAL NET POSITION | \$ (2,630,925) |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

| | Enterprise Fund Food Service Fund |
|-----------------------------------|--|
| OPERATING REVENUES | |
| Charges for services | \$ 2,392,678 |
| OPERATING EXPENSES | |
| Salaries | 971,723 |
| Employee benefits | 799,864 |
| Food costs and supplies | 1,017,151 |
| Depreciation | 79,160 |
| Repairs and maintenance | 42,328 |
| Dues and fees | 3,657 |
| Travel | 314 |
| TOTAL OPERATING EXPENSES | <u>2,914,197</u> |
| OPERATING LOSS | <u>(521,519)</u> |
| NONOPERATING REVENUES | |
| Interest and investment revenue | 25,204 |
| State sources | 226,062 |
| Federal sources | 316,654 |
| TOTAL NONOPERATING REVENUES | <u>567,920</u> |
| CHANGE IN NET POSITION | 46,401 |
| NET POSITION AT BEGINNING OF YEAR | <u>(2,677,326)</u> |
| NET POSITION AT END OF YEAR | <u>\$ (2,630,925)</u> |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

| | Enterprise Fund <u>Food Service Fund</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,373,796 |
| Payments to employees | (1,716,244) |
| Payments to suppliers | <u>(1,066,606)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(409,054)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Federal sources | 316,654 |
| State sources | <u>226,062</u> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>542,716</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | <u>(46,052)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments, net | (1,155) |
| Earnings on investments | <u>25,204</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>24,049</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 111,659 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>702,903</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 814,562</u> |
| SUPPLEMENTAL DISCLOSURES | |
| Noncash activities | |
| Donated foods | \$ 86,331 |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

| | Enterprise Fund <u>Food</u> <u>Service Fund</u> |
|---|--|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating loss | \$ (521,519) |
| Adjustments to reconcile operating loss to net cash used by operating activities | |
| Depreciation | 79,160 |
| Pension expense | 50,000 |
| OPEB expense | 5,343 |
| (Increase) decrease in | |
| Other receivables | (1,159) |
| Inventories | (11,999) |
| Due from other funds | 1,820 |
| Increase (decrease) in | |
| Accounts payable and accrued liabilities | 8,843 |
| Unearned revenue | (55,450) |
| Due to other funds | <u>35,907</u> |
| NET CASH USED BY OPERATING ACTIVITIES | \$ <u>(409,054)</u> |
| SUPPLEMENTAL DISCLOSURES | |
| Noncash activities | |
| Donated foods | \$ 86,331 |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

| | Private-Purpose Trust Funds <u>Memorial Funds</u> | <u>Agency Fund Student Activity Fund</u> |
|---------------------------------------|---|--|
| ASSETS | | |
| Cash and cash equivalents | \$ <u>71,668</u> | \$ <u>363,679</u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Other current liabilities | \$ - | \$ <u>363,679</u> |
| NET POSITION | | |
| Held in trust for scholarships | <u>71,668</u> | |
| TOTAL LIABILITIES AND NET POSITION | \$ <u>71,668</u> | |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

| | Private-Purpose Trust Funds Memorial Funds |
|-----------------------------------|---|
| ADDITIONS | |
| Investment earnings | \$ 1,086 |
| Gifts and contributions | 68,000 |
| TOTAL ADDITIONS | <u>69,086</u> |
| DEDUCTIONS | |
| Grants | <u>35,374</u> |
| CHANGE IN NET POSITION | 33,712 |
| NET POSITION AT BEGINNING OF YEAR | <u>37,956</u> |
| NET POSITION AT END OF YEAR | <u><u>\$ 71,668</u></u> |

See accompanying notes to the basic financial statements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Tredyffrin/Easttown School District. The School District is not a component unit of another reporting entity nor does it have any component units.

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

Basis of Presentation and Accounting

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

Capital Reserve Fund - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements.

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund

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

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, "Fair Value Measurement and Application" provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2017, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, No. 72, Fair Value Measurement and Application and No. 79 Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Short-Term Interfund Receivables/Payables

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

Inventories

Inventory in the Food Service Fund consists of supplies purchased and donated food received from the federal government. The donated food is valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

| | <u>Years</u> |
|-------------------------------------|--------------|
| Site improvements | 15-20 |
| Buildings and building improvements | 20-40 |
| Furniture and equipment | 3-10 |

Deferred Outflows/Inflows 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 three items that qualify for reporting in this category. The deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources for pension activities is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow related to pension activity is the result of differences between expected and actual experience, changes of assumptions, changes in the School District's proportionate share of the total plan from year to year, the difference between projected and actual earnings, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow of resources related to OPEB activities is the result of the difference between projected and actual earnings, changes in the School District's proportionate share of the total plan from year to year, the difference between expected and actual experience, changes in assumptions and actual contributions subsequent to the measurement date.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 three types of items that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. The deferred inflow related to pension activity is the result of differences between expected and actual experience, and changes in the School District's proportionate share of the total plan from year to year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow related to OPEB activity is the result of changes in assumptions, the difference between expected and actual experience and changes in the School District's proportionate share of the total plan from year to year.

Unearned Revenue

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

Long-Term Obligations

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

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

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and long-term loans receivable.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for debt service.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the School District through formal action of the highest level of decision-making authority and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- ***Unassigned Fund Balance*** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The School Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

Accrued Severance Pay

School District administrative personnel are eligible to receive a lump-sum supplemental pension payment at retirement based on the Pennsylvania Public School Employees' Retirement System's (PSERS) eligibility guidelines and PSERS service. These benefits are accrued when incurred in the government-wide financial statements. A liability for this amount is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. Since the securities are not held in the name of participating governmental entities, custodial credit risk exists that the deposits may not be returned promptly in the event of bank failure. The School District's policy for custodial credit risk requires that all deposits be purchased in the name of the School District. As of June 30, 2019, the bank balance of the School District's deposits were \$48,010,047. Of the bank balance, \$250,515 was covered by federal depository insurance and \$774,142 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the School District's name, but was covered by collateralization requirements in accordance with Act 72.

The remaining bank balance of \$46,985,390 was held by the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF). These PLGIT and PSDLAF funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share. PLGIT and PSDLAF are rated by nationally recognized statistical rating agencies and are subject to independent annual audits.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE B - CASH AND INVESTMENTS (Continued)

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

Investments

As of June 30, 2019, the School District had the following investments and maturities:

| Investment Type | Amortized Cost | Fair Value | Total | Investment Maturities | |
|-------------------------|----------------------|----------------------|----------------------|-----------------------|-------------------|
| | | | | Less Than One Year | One to Five Years |
| State investment pools | \$ 21,452,986 | \$ - | \$ 21,452,986 | \$ 21,452,986 | \$ - |
| Certificates of deposit | - | 23,820,000 | 23,820,000 | 23,820,000 | - |
| | <u>\$ 21,452,986</u> | <u>\$ 23,820,000</u> | <u>\$ 45,272,986</u> | <u>\$ 45,272,986</u> | <u>\$ -</u> |

The School District invests in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Local Government Investment Trust ("PLGIT"), as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. Of the state investment pools investments totaling \$21,452,986, \$21,400,000 was invested in PLGIT/Term and \$52,986 in PLGIT/I-Class. PLGIT/Term is a fixed term investment portfolio of the Trust with maturity of up to one year, depending upon the termination date of any particular series within the PLGIT/TERM portfolio. This option requires a minimum initial investment of \$100,000, a minimum investment period of sixty (60) days, and has a premature withdrawal penalty. PLGIT/I-Class requires a minimum initial investment of \$50,000 and limits redemptions or exchanges to two per calendar month. There is no minimum investment period.

Certificates of deposit ("CDs") are bond-type investments issued by a bank when deposits are made in a certain amount of money for a determined amount of time. Interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty. The School District invests in CDs through the PLGIT-CD Purchase Program which enables the School District to purchase CDs directly, which are fully insured by the Federal Deposit Insurance Corporation. Investments in the PLGIT-CD Purchase Program are direct investments of the School District, not assets of PLGIT or under control of the Board of Trustees of PLGIT. Certificates of deposit held at June 30, 2019, consist of investments with original maturity dates greater than three months, but less than one year. The fair value is determined using the estimated cash flows based on terms such as the fixed rate of return as compared to the benchmark interest rates, which are market observable. The School District's investments are in fixed rate CDs that are FDIC-insured and are valued at the issuance price, which approximates fair value, and are classified as Level 2.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE B - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk - The School District's investment policy limits the aggregate amount of deposits at one institution to the lesser of two-tenths of one percent of the assets of that institution or \$10,000,000 for other than the PSDLAF and PLGIT balances.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

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

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

Taxpayers may also choose to pay in installments:

| | |
|-----------------------------------|---|
| 1st installment face period | July 1 to August 31 |
| 2nd installment face period | September 1 to September 30 |
| 3rd installment face period | October 1 to October 31 |
| Penalty period | After each installment face period to collection, 10% of installment payment |

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of taxes, interest and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

| | General Fund | Capital Reserve Fund | Food Service Fund |
|----------------------------|---------------------|----------------------------|-------------------------|
| Real estate taxes | \$ 1,494,457 | \$ - | \$ - |
| Interest | 13,432 | - | - |
| Other receivables | 79,661 | 82,797 | 3,892 |
| Due from other governments | <u>5,442,349</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 7,029,899</u> | <u>\$ 82,797</u> | <u>\$ 3,892</u> |

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from Other Funds

| | Interfund Receivables | Interfund Payables |
|-----------------------|--------------------------|-----------------------|
| General Fund | \$ 685,400 | \$ - |
| Capital Projects Fund | - | 4,903,783 |
| Capital Reserve Fund | 4,254,290 | - |
| Food Service Fund | <u>-</u> | <u>35,907</u> |
| | <u>\$ 4,939,690</u> | <u>\$ 4,939,690</u> |

Interfund Transfers

| Transfer In | Transfer Out | Amount |
|-------------------|--------------|----------------------|
| Debt Service Fund | General Fund | \$ 6,863,954 |
| Capital Reserve | General Fund | <u>4,000,000</u> |
| | | <u>\$ 10,863,954</u> |

Interfund transfers are made from the General Fund to the Debt Service Fund to provide funds for payment of debt service.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|-------------------------|----------------|-------------|--------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 3,788,586 | \$ - | \$ - | \$ 3,788,586 |
| Capital assets being depreciated | | | | |
| Land improvements | 6,656,692 | - | - | 6,656,692 |
| Buildings and building improvements | 184,255,062 | 5,922,823 | - | 190,177,885 |
| Furniture and equipment | 26,173,966 | 653,438 | (347,436) | 26,479,968 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 217,085,720 | 6,576,261 | (347,436) | 223,314,545 |
| Accumulated depreciation | | | | |
| Land improvements | (7,418,236) | (491,010) | 1,307,899 | (6,601,347) |
| Buildings and building improvements | (90,144,485) | (5,358,143) | (1,307,899) | (96,810,527) |
| Furniture and equipment | (27,102,526) | (1,899,887) | 300,967 | (28,701,446) |
| TOTAL ACCUMULATED DEPRECIATION | (124,665,247) | (7,749,040) | 300,967 | (132,113,320) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | 92,420,473 | (1,172,779) | (46,469) | 91,201,225 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net | 96,209,059 | (1,172,779) | (46,469) | 94,989,811 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets being depreciated | | | | |
| Machinery and equipment | 1,254,660 | 46,052 | - | 1,300,712 |
| Accumulated depreciation | (850,464) | (79,160) | - | (929,624) |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net | 404,196 | (33,108) | - | 371,088 |
| CAPITAL ASSETS, NET | \$ 96,613,255 | \$ (1,205,887) | \$ (46,469) | \$ 95,360,899 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---------------------|
| Instruction | \$ 5,098,529 |
| Instructional student support | 628,375 |
| Administrative and financial support services | 806,860 |
| Operation and maintenance of plant services | 668,930 |
| Pupil transportation | 427,235 |
| Student activities | 119,111 |
| | <u>\$ 7,749,040</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. At June 30, 2019, the outstanding balance of general obligation bonds was \$72,575,000

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

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|---------------------------------|----------------------|----------------------|-----------------------|
| 2020 | \$ 3,575,000 | \$ 3,370,678 | \$ 6,945,678 |
| 2021 | 3,730,000 | 3,182,646 | 6,912,646 |
| 2022 | 3,905,000 | 3,012,596 | 6,917,596 |
| 2023 | 4,000,000 | 2,834,346 | 6,834,346 |
| 2024 | 4,110,000 | 2,651,290 | 6,761,290 |
| 2025 to 2029 | 14,450,000 | 11,160,671 | 25,610,671 |
| 2030 to 2034 | 15,110,000 | 8,232,975 | 23,342,975 |
| 2035 to 2039 | 19,250,000 | 4,092,250 | 23,342,250 |
| 2040 | 4,445,000 | 222,250 | 4,667,250 |
| | <u>\$ 72,575,000</u> | <u>\$ 38,759,702</u> | <u>\$ 111,334,702</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

| | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---|--------------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES | | |
| GENERAL OBLIGATION BONDS | | |
| Series of 2010 | 2.00% to 5.00% | 2/15/2025 |
| Series of 2014 | 2.00% to 3.65% | 2/15/2019 |
| Series of 2015 | 2.00% to 5.00% | 2/15/2035 |
| Series of 2016 | 2.00% to 4.00% | 2/15/2025 |
| Series of 2019 | 2.45% to 5.00% | 2/15/2040 |
| TOTAL GENERAL OBLIGATION BONDS | | |
| Deferred amounts | | |
| Issuance premium | | |
| TOTAL GENERAL OBLIGATION BONDS | | |
| COMPENSATED ABSENCES | | |
| ACCRUED SEVERANCE | | |
| TOTAL COMPENSATED ABSENCES AND ACCRUED SEVERANCE | | |
| NET PENSION LIABILITY | | |
| NET OPEB LIABILITY | | |
| TOTAL GOVERNMENTAL ACTIVITIES | | |
| BUSINESS-TYPE ACTIVITIES | | |
| COMPENSATED ABSENCES | | |
| NET PENSION LIABILITY | | |
| NET OPEB LIABILITY | | |
| TOTAL BUSINESS-TYPE ACTIVITIES | | |

| <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------------|----------------------|-----------------------|---------------------------|--------------------------------|
| \$ 10,445,000 | \$ - | \$ (15,000) | \$ 10,430,000 | \$ 3,510,000 |
| 4,765,000 | - | (4,765,000) | - | - |
| 22,430,000 | - | (5,000) | 22,425,000 | 55,000 |
| 12,810,000 | - | (5,000) | 12,805,000 | 5,000 |
| - | 26,915,000 | - | 26,915,000 | 5,000 |
| 50,450,000 | 26,915,000 | (4,790,000) | 72,575,000 | 3,575,000 |
| 4,567,418 | 3,830,692 | (972,782) | 7,425,328 | - |
| <u>55,017,418</u> | <u>30,745,692</u> | <u>(5,762,782)</u> | <u>80,000,328</u> | <u>3,575,000</u> |
| 5,310,114 | 824,584 | - | 6,134,698 | 613,470 |
| 1,861,093 | - | (3,026) | 1,858,067 | 34,626 |
| 7,171,207 | 824,584 | (3,026) | 7,992,765 | 648,096 |
| 208,675,000 | - | (3,959,000) | 204,716,000 | - |
| 17,866,990 | 283,081 | - | 18,150,071 | - |
| <u>\$ 288,730,615</u> | <u>\$ 31,853,357</u> | <u>\$ (9,724,808)</u> | <u>\$ 310,859,164</u> | <u>\$ 4,223,096</u> |
| \$ 48,201 | \$ 18,101 | \$ - | \$ 66,302 | \$ - |
| 3,794,000 | - | (72,000) | 3,722,000 | - |
| 325,078 | 5,002 | - | 330,080 | - |
| <u>\$ 4,167,279</u> | <u>\$ 23,103</u> | <u>\$ (72,000)</u> | <u>\$ 4,118,382</u> | <u>\$ -</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I - DEFEASED DEBT

In the current and prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements.

As of June 30, 2019, the District has defeased debt outstanding of \$13,035,000.

NOTE J - UNEARNED REVENUE

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as unearned revenue until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue.

At June 30, 2019, unearned revenue consisted of delinquent taxes receivable, tax appeals held in escrow and prepaid real estate taxes.

Food Service Fund

Unearned revenue in the Food Service Fund represents the carryover of student deposits.

NOTE K - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

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 become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019, was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$19,249,000 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$208,438,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.4342%, which was an increase of 0.0040% from its proportion measured as of June 30, 2018.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

For the year ended June 30, 2019, the School District recognized pension expense of \$22,082,000. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| GOVERNMENTAL ACTIVITIES | | |
| Difference between expected and actual experience | \$ 1,648,000 | \$ 3,169,000 |
| Changes in assumptions | 3,815,000 | - |
| Net difference between projected and actual investment earnings | 1,004,000 | - |
| Changes in proportions | 2,575,000 | 1,982,000 |
| Difference between employer contributions and proportionate share of total contributions | 405,000 | - |
| Contributions subsequent to the measurement date | 18,905,000 | - |
| | <u>\$ 28,352,000</u> | <u>\$ 5,151,000</u> |
| BUSINESS-TYPE ACTIVITIES | | |
| Difference between expected and actual experience | \$ 30,000 | \$ 57,000 |
| Changes in assumptions | 69,000 | - |
| Net difference between projected and actual investment earnings | 18,000 | - |
| Changes in proportions | 46,000 | 35,000 |
| Difference between employer contributions and proportionate share of total contributions | 7,000 | - |
| Contributions subsequent to the measurement date | 344,000 | - |
| | <u>\$ 514,000</u> | <u>\$ 92,000</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

\$19,249,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2020 | \$ 5,136,000 | \$ 93,000 |
| 2021 | 2,312,000 | 42,000 |
| 2022 | (2,387,000) | (43,000) |
| 2023 | <u>(765,000)</u> | <u>(14,000)</u> |
| | <u>\$ 4,296,000</u> | <u>\$ 78,000</u> |

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| Global public equity | 20.0% | 5.2% |
| Fixed income | 36.0% | 2.2% |
| Commodities | 8.0% | 3.2% |
| Absolute return | 10.0% | 3.5% |
| Risk parity | 10.0% | 3.9% |
| Infrastructure/MLPs | 8.0% | 5.2% |
| Real estate | 10.0% | 4.2% |
| Alternative investments | 15.0% | 6.7% |
| Cash | 3.0% | 0.4% |
| Financing (LIBOR) | -20.0% | 0.9% |
| | <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, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE K - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of the net pension liability | \$ 258,374,000 | \$ 208,438,000 | \$ 166,215,000 |

Pension Plan Fiduciary Net Position - Detailed information about PSERS's 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 L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 \$490,000 for the year ended June 30, 2019.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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

At June 30, 2019, the District reported a liability of \$9,053,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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 0.4342% percent, which was an increase of 0.0040% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$407,000.00 . At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| GOVERNMENTAL ACTIVITIES | | |
| Difference between expected and actual experience | \$ 55,000 | \$ - |
| Changes in assumptions | 140,000 | 337,000 |
| Net difference between projected and actual investment earnings | 15,000 | - |
| Changes in proportions | 72,000 | 112,000 |
| Contributions subsequent to the measurement date | 481,000 | - |
| | <u>\$ 763,000</u> | <u>\$ 449,000</u> |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| BUSINESS-TYPE ACTIVITIES | | |
| Difference between expected and actual experience | \$ 1,000 | \$ - |
| Changes in assumptions | 3,000 | 6,000 |
| Changes in proportions | 1,000 | 2,000 |
| Contributions subsequent to the measurement date | 9,000 | - |
| | <u>\$ 14,000</u> | <u>\$ 8,000</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

\$490,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2019 | \$ (43,000) | \$ (1,000) |
| 2020 | (43,000) | (1,000) |
| 2021 | (43,000) | (1,000) |
| 2022 | (43,000) | (1,000) |
| 2023 | (45,000) | (1,000) |
| Thereafter | 49,000 | 3,000 |
| | <u>\$ (168,000)</u> | <u>\$ (2,000)</u> |

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 5.9% | 0.03% |
| US Core Fixed Income | 92.8% | 1.2% |
| Non-US Developed Fixed | 1.3% | 0.4% |
| | <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, 2018.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|---------------------------|------------------------|-------------------------|------------------------|
| System net OPEB liability | \$ <u>9,051,000</u> | \$ <u>9,053,000</u> | \$ <u>9,054,000</u> |

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rates

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

| | <u>1% Decrease 1.98%</u> | <u>Current Discount Rate 2.98%</u> | <u>1% Increase 3.98%</u> |
|---|----------------------------------|--|----------------------------------|
| District's proportionate share of the net OPEB liability | \$ <u>10,295,000</u> | \$ <u>9,053,000</u> | \$ <u>8,021,000</u> |

OPEB Plan Fiduciary Net Position

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN

Plan Description

The School District provides post-retirement health care benefits to administrative personnel. Administrative personnel who retire under the normal PSERS guidelines with at least ten years of administrative service (if an administrator retires from an administrative position) are covered for ten years. Supervisory and confidential employees who retire under the normal PSERS guidelines with at least 20 years of service, the final ten years of which must be in supervisory and confidential positions, are covered for ten years. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Plan Membership

At June 30, 2019, plan membership consisted of the following:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 59 |
| Inactive plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>678</u> |
| | <u>737</u> |

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2019 benefit payments paid as they came due were \$270,097.

Benefits Provided

The plan provides the following benefits:

Supervisory and confidential employees who retire under the normal PSERS guidelines with at least 20 years of service, the final ten years of which must be in supervisory and confidential positions, are covered for ten years. The School District contributes an allowance of \$5,200 annually for the purpose of purchasing School District approved hospitalization, major medical, dental, vision, prescription and drug and long-term care for the retiree and their dependents. In addition, the School District provides retirees with group term life insurance to age 70 for administrative personnel and supervisory and confidential employees in a principal amount of \$150,000 and \$75,000, respectively.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate – 2.98%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2018.

Salary - 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% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

Health Care Cost Trend Rate - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

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% for both men and women and decrease with age and service.

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

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

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.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Percent of Eligible Retirees Electing Coverage in Plan – 95% of administrators, supervisors and confidentials only eligible for Act 110/43, 70% of teachers and 25% of the non-professional union staff are assumed to elect coverage.

Percent Married at Retirement - 35% 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.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - 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.

Changes in Assumptions - In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

| | Governmental Activities OPEB Liability | Business-Type Activities OPEB Liability |
|--------------------------|---|--|
| Balance at June 30, 2017 | \$ 9,258,323 | \$ 168,745 |
| Changes for the year | | |
| Service cost | 439,312 | 8,007 |
| Interest cost | 297,871 | 5,429 |
| Changes for experience | (285,320) | (5,200) |
| Changes in assumptions | (117,667) | (2,145) |
| Benefit payments | (334,114) | (6,090) |
| Net changes | 82 | 1 |
| Balance at June 30, 2018 | \$ 9,258,405 | \$ 168,746 |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

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

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current discount rate:

| | 1% Decrease 1.98% | Current Discount Rate 2.98% | 1% Increase 3.98% |
|----------------------|----------------------|--------------------------------------|----------------------|
| Total OPEB liability | \$ <u>10,657,767</u> | \$ <u>9,427,151</u> | \$ <u>8,391,018</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease | Current Rates | 1% Increase |
|----------------------|---------------------|---------------------|----------------------|
| Total OPEB liability | \$ <u>8,805,393</u> | \$ <u>9,427,151</u> | \$ <u>10,173,373</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the School recognized OPEB expense of \$410,196. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Governmental Activities | | Business-Type Activities | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | \$ - | \$ 552,372 | \$ - | \$ 10,067 |
| Difference between expected and actual experience | - | 264,940 | - | 4,829 |
| Contributions subsequent to the measurement date | 265,262 | - | 4,835 | - |
| | \$ <u>265,262</u> | \$ <u>817,312</u> | \$ <u>4,835</u> | \$ <u>14,896</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

\$270,097 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2020 | \$ (69,067) | \$ (1,259) |
| 2021 | (69,067) | (1,259) |
| 2022 | (69,067) | (1,259) |
| 2023 | (69,067) | (1,259) |
| 2024 | (69,067) | (1,259) |
| Thereafter | <u>(471,976)</u> | <u>(8,602)</u> |
| | <u>\$ (817,311)</u> | <u>\$ (14,897)</u> |

NOTE N - ACCUMULATED COMPENSATED ABSENCES AND ACCRUED SEVERANCE PAY

School District employees are credited with vacation and personal days at rates which vary with length of service or job classification. Vacation must be taken in the year subsequent to when it was earned. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date, including a provision for employer social security tax that will be taken in the subsequent year. Vacation compensation payable in the future years, which was \$211,537 at June 30, 2019, is recorded in compensated absences on the statement of net position.

Sick pay is granted as appropriate with budgetary provisions being made annually for the estimated cost of substitute personnel. Any bargaining unit employee who retires under the Pennsylvania School Employees' Retirement System (PSERS) is paid at rates up to one-half of their average per diem rate for each unused sick leave day up to a maximum of 115 days. Compensation payable in future years, which was \$5,470,593 at June 30, 2019, is recorded in compensated absences on the statement of net position. The liability includes a provision for employer social security tax.

Personal compensation payable in the future years, which was \$518,872 at June 30, 2019, is recorded in compensated absences on the statement of net position.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE N - ACCUMULATED COMPENSATED ABSENCES AND ACCRUED SEVERANCE PAY
(Continued)

Administrative personnel retiring from an administrative position who have completed at least five years of credited Tredyffrin/Easttown School District service in an administrative capacity and who retire under normal PSERS guidelines are eligible to receive a lump-sum supplemental pension payment at retirement. The payment is based on the number of consecutive years of PSERS service without taking a sabbatical. Administrative personnel receive a percentage of their final year's base salary as follows:

| | |
|------------------------|------|
| 5 to 10 years | 45% |
| 11 to 15 years | 60% |
| 16 to 20 years | 75% |
| 21 to 25 years | 90% |
| 25 or more years | 100% |

Severance payable in future years, which was \$1,858,067 at June 30, 2019, is recorded in compensated absences on the statement of net position.

NOTE O - COMMITMENTS AND CONTINGENCIES

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

The School District has various commitments under long-term construction contracts of approximately \$6,937,516 as of June 30, 2019.

NOTE P - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | Variance With |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Local sources | \$ 118,068,471 | \$ 118,068,471 | \$ 119,802,282 | \$ 1,733,811 |
| State sources | 22,044,919 | 22,044,919 | 22,611,660 | 566,741 |
| Federal sources | 729,740 | 729,740 | 796,040 | 66,300 |
| TOTAL REVENUES | 140,843,130 | 140,843,130 | 143,209,982 | 2,366,852 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular programs | 61,730,378 | 62,305,278 | 61,953,511 | 351,767 |
| Special programs | 24,812,279 | 24,811,245 | 24,049,048 | 762,197 |
| Vocational programs | 880,000 | 880,000 | 675,627 | 204,373 |
| Other instructional programs | 102,743 | 102,743 | 52,650 | 50,093 |
| Support services | | | | |
| Pupil personnel | 5,234,840 | 5,235,787 | 5,276,562 | (40,775) |
| Instructional staff | 4,260,009 | 4,263,564 | 3,961,583 | 301,981 |
| Administrative | 7,727,669 | 7,724,669 | 8,195,675 | (471,006) |
| Pupil health | 1,310,593 | 1,585,225 | 1,451,113 | 134,112 |
| Business | 1,567,251 | 1,592,251 | 1,347,527 | 244,724 |
| Operation and maintenance of plant services | 12,694,250 | 12,694,250 | 11,379,130 | 1,315,120 |
| Student transportation | 7,385,537 | 7,385,537 | 7,267,679 | 117,858 |
| Central support services | 5,236,850 | 4,361,850 | 3,597,437 | 764,413 |
| Other support services | 822,254 | 822,254 | 584,819 | 237,435 |
| Operation of non-instructional services | | | | |
| Student activities | 388,073 | 388,073 | 2,026,192 | (1,638,119) |
| TOTAL EXPENDITURES | 134,152,726 | 134,152,726 | 131,818,553 | 2,334,173 |
| EXCESS OF REVENUES OVER EXPENDITURES | 6,690,404 | 6,690,404 | 11,391,429 | 4,701,025 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Budgetary reserve | (2,500,000) | (2,500,000) | - | 2,500,000 |
| Debt service | (6,746,084) | (6,746,084) | (6,876,863) | (130,779) |
| Transfers out | (2,639,830) | (2,639,830) | (4,000,000) | (1,360,170) |
| TOTAL OTHER FINANCING SOURCES (USES) | (11,885,914) | (11,885,914) | (10,876,863) | 1,009,051 |
| NET CHANGE IN FUND BALANCE | (5,195,510) | (5,195,510) | 514,566 | 5,710,076 |
| FUND BALANCE AT BEGINNING OF YEAR | 30,342,903 | 30,342,903 | 30,342,903 | - |
| FUND BALANCE AT END OF YEAR | \$ 25,147,393 | \$ 25,147,393 | \$ 30,857,469 | \$ 5,710,076 |

See accompanying note to the budgetary comparison schedule.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019

NOTE A - BUDGETARY INFORMATION

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

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

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

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST FIVE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET) | <u>0.4342%</u> | <u>0.4302%</u> | <u>0.4376%</u> | <u>0.4355%</u> | <u>0.4259%</u> |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) | <u>\$ 208,438,000</u> | <u>\$ 212,469,000</u> | <u>\$ 216,861,000</u> | <u>\$ 188,638,000</u> | <u>\$ 168,575,000</u> |
| SCHOOL DISTRICT'S COVERED- EMPLOYEE PAYROLL | <u>\$ 58,475,423</u> | <u>\$ 57,275,359</u> | <u>\$ 56,680,014</u> | <u>\$ 56,037,504</u> | <u>\$ 54,346,695</u> |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL | <u>356.45%</u> | <u>370.96%</u> | <u>382.61%</u> | <u>336.63%</u> | <u>310.18%</u> |
| THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY | <u>54.00%</u> | <u>51.84%</u> | <u>50.14%</u> | <u>45.64%</u> | <u>57.24%</u> |

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2018, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| CONTRACTUALLY REQUIRED CONTRIBUTION | \$ 19,249,000 | \$ 18,553,000 | \$ 16,737,000 | \$ 14,153,000 | \$ 11,482,000 |
| CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION | <u>19,249,000</u> | <u>18,553,000</u> | <u>16,737,000</u> | <u>14,153,000</u> | <u>11,482,000</u> |
| CONTRIBUTION (EXCESS) DEFICIENCY | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL | \$ <u>59,046,012</u> | \$ <u>58,475,423</u> | \$ <u>57,275,359</u> | \$ <u>56,680,014</u> | \$ <u>56,037,504</u> |
| CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL | <u>32.60%</u> | <u>31.73%</u> | <u>29.22%</u> | <u>24.97%</u> | <u>20.49%</u> |

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE
PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY
LAST TWO FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET) | <u>0.4342%</u> | <u>0.4302%</u> |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) | \$ <u>9,053,000</u> | \$ <u>8,765,000</u> |
| SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL | \$ <u>58,433,735</u> | \$ <u>57,275,359</u> |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL | <u>15.49%</u> | <u>15.30%</u> |
| THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY | <u>5.56%</u> | <u>5.73%</u> |

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2019).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| CONTRACTUALLY REQUIRED CONTRIBUTION | \$ 490,000 | \$ 485,000 |
| CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION | <u>490,000</u> | <u>485,000</u> |
| CONTRIBUTION (EXCESS) DEFICIENCY | \$ <u>-</u> | \$ <u>-</u> |
| SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL | \$ <u>59,036,145</u> | \$ <u>58,433,735</u> |
| CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL | <u>0.83%</u> | <u>0.83%</u> |

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| TOTAL OPEB LIABILITY | | |
| Service cost | \$ 447,319 | \$ 463,308 |
| Interest | 303,300 | 245,302 |
| Differences between expected and actual experience | (290,520) | - |
| Changes of assumptions | (119,812) | (533,219) |
| Benefit payments | <u>(340,204)</u> | <u>(297,865)</u> |
| NET CHANGE IN TOTAL OPEB LIABILITY | 83 | (122,474) |
| TOTAL OPEB LIABILITY, BEGINNING | <u>9,427,068</u> | <u>9,549,542</u> |
| TOTAL OPEB LIABILITY, ENDING | <u>\$ 9,427,151</u> | <u>\$ 9,427,068</u> |
| COVERED-EMPLOYEE PAYROLL | <u>\$ 54,617,864</u> | <u>\$ 50,507,324</u> |
| TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL | <u>17.26%</u> | <u>18.66%</u> |

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: In the 2018 actuarial valuation, the discount rate changed from to 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Tredyffrin/Easttown School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Tredyffrin/Easttown School District's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tredyffrin/Easttown School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tredyffrin/Easttown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tredyffrin/Easttown School District's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

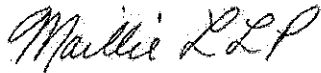
To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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



Oaks, Pennsylvania
December 9, 2019

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance***

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Tredyffrin/Easttown School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Tredyffrin/Easttown School District's major federal programs for the year ended June 30, 2019. Tredyffrin/Easttown School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

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

To the Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Tredyffrin/Easttown School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

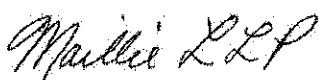
Management of the Tredyffrin/Easttown School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Tredyffrin/Easttown School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

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

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

Purpose of this Report

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.



Oaks, Pennsylvania
December 9, 2019

SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2019

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Source Code</u> | <u>Federal CFDA Number</u> | <u>Federal Pass-Through Grantor's Number</u> | <u>Grant Period Beginning/Ending Dates</u> |
|--|--------------------|----------------------------|--|--|
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Passed through the Pennsylvania Department of Education | | | | |
| Title I Improving Basic Programs | I | 84.010 | 013-18-0430A | July 1, 2017 to September 30, 2018 |
| Title I Improving Basic Programs | I | 84.010 | 013-19-0430A | July 1, 2018 to September 30, 2019 |
| TOTAL TITLE I | | | | |
| Title II Improving Teacher Quality | I | 84.367 | 020-18-0430A | July 1, 2017 to September 30, 2018 |
| Title II Improving Teacher Quality | I | 84.367 | 020-19-0430A | July 1, 2018 to September 30, 2019 |
| TOTAL TITLE II | | | | |
| Title IV Student Support and Academic Enrichment | I | 84.424 | 114-19-0430A | July 1, 2018 to September 30, 2019 |
| Passed through Leader Services | | | | |
| Medical Assistance | I | 93.778 | N/A | October 1, 2017 to September 30, 2018 |
| Passed through Chester County Intermediate Unit | | | | |
| IDEA | I | 84.027 | 62-1700024 | July 1, 2017 to June 30, 2018 |
| IDEA | I | 84.027 | 62-1700024 | July 1, 2018 to June 30, 2019 |
| TOTAL IDEA | | | | |
| IDEA 619 | I | 84.173 | 131-170024B | July 1, 2018 to June 30, 2019 |
| TOTAL SPECIAL EDUCATION CLUSTER | | | | |
| TOTAL FORWARD | | | | |

| <u>Program or Award Amount</u> | <u>Total Received for the Year</u> | <u>Accrued or (Deferred) Revenue at July 1, 2018</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued or (Deferred) Revenue at June 30, 2019</u> | <u>Passed Through to Sub-Recipients</u> |
|--|--|--|-------------------------------|---------------------|---|---|
| \$ 327,974 | \$ 50,458 | \$ (50,458) | \$ - | \$ - | \$ - | \$ - |
| 278,822 | <u>238,990</u> | <u>-</u> | <u>278,822</u> | <u>278,822</u> | <u>39,832</u> | <u>-</u> |
| | <u>289,448</u> | <u>(50,458)</u> | <u>278,822</u> | <u>278,822</u> | <u>39,832</u> | <u>-</u> |
| 116,540 | 26,698 | (26,698) | - | - | - | - |
| 110,353 | <u>86,800</u> | <u>-</u> | <u>110,353</u> | <u>110,353</u> | <u>23,553</u> | <u>-</u> |
| | <u>113,498</u> | <u>(26,698)</u> | <u>110,353</u> | <u>110,353</u> | <u>23,553</u> | <u>-</u> |
| 23,734 | <u>23,734</u> | <u>-</u> | <u>23,734</u> | <u>23,734</u> | <u>-</u> | <u>-</u> |
| 5,494 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 869,072 | 289,691 | (289,691) | - | - | - | - |
| 872,590 | 523,554 | - | 872,590 | 872,590 | 349,036 | - |
| | <u>813,245</u> | <u>(289,691)</u> | <u>872,590</u> | <u>872,590</u> | <u>349,036</u> | <u>-</u> |
| 2,100 | <u>2,100</u> | <u>-</u> | <u>2,100</u> | <u>2,100</u> | <u>-</u> | <u>-</u> |
| | <u>815,345</u> | <u>(289,691)</u> | <u>874,690</u> | <u>874,690</u> | <u>349,036</u> | <u>-</u> |
| | <u>\$ 1,242,025</u> | <u>\$ (366,847)</u> | <u>\$ 1,287,599</u> | <u>\$ 1,287,599</u> | <u>\$ 412,421</u> | <u>\$ -</u> |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2019

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Source Code</u> | <u>Federal CFDA Number</u> | <u>Federal Pass-Through Grantor's Number</u> | <u>Grant Period Beginning/Ending Dates</u> |
|--|--------------------|----------------------------|--|--|
| U.S. DEPARTMENT OF EDUCATION | | | | |
| TOTAL FORWARDED | | | | |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed through the Pennsylvania Department of Agriculture | | | | |
| National School Lunch Program (U.S.D.A Commodities) | I | 10.555 | N/A | July 1, 2018 to June 30, 2019 |
| Passed through the Pennsylvania Department of Education | | | | |
| National School Lunch Program | I | 10.555 | N/A | July 1, 2017 to June 30, 2018 |
| National School Lunch Program | I | 10.555 | N/A | July 1, 2018 to June 30, 2019 |
| TOTAL NATIONAL SCHOOL LUNCH PROGRAM | | | | |
| National School Breakfast Program | I | 10.553 | N/A | July 1, 2017 to June 30, 2018 |
| National School Breakfast Program | I | 10.553 | N/A | July 1, 2018 to June 30, 2019 |
| TOTAL NATIONAL SCHOOL BREAKFAST PROGRAM | | | | |
| TOTAL CHILD NUTRITION CLUSTER | | | | |
| National School Lunch Program | S | N/A | N/A | July 1, 2017 to June 30, 2018 |
| National School Lunch Program | S | N/A | N/A | July 1, 2018 to June 30, 2019 |
| National School Breakfast Program | S | N/A | N/A | July 1, 2017 to June 30, 2018 |
| National School Breakfast Program | S | N/A | N/A | July 1, 2018 to June 30, 2019 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | |
| TOTAL FEDERAL AND CERTAIN STATE AWARDS | | | | |
| LESS STATE SHARE | | | | |
| TOTAL FEDERAL AWARDS | | | | |

Footnotes:

- (A) Total amount of commodities received from Department of Agriculture
 (B) Beginning inventory at July 1, 2018
 (C) Total amount of commodities used
 (D) Ending inventory at June 30, 2019

Source Codes:

- I = Indirect funding
 S = State funding

See accompanying notes to the schedule of expenditures of federal and certain state awards.

| <u>Program or Award Amount</u> | <u>Total Received for the Year</u> | <u>Accrued or (Deferred) Revenue at July 1, 2018</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued or (Deferred) Revenue at June 30, 2019</u> | <u>Passed Through to Sub-Recipients</u> |
|--|--|--|-------------------------------|---------------------|---|---|
| | \$ 1,242,025 | \$ (366,847) | \$ 1,287,599 | \$ 1,287,599 | \$ 412,421 | \$ - |
| N/A | 86,331 (A) | (7,324) (B) | 78,348 | 78,348 (C) | (15,307) (D) | - |
| N/A | (28,218) | (28,218) | - | - | - | - |
| N/A | 222,744 | - | 203,546 | 203,546 | (19,198) | - |
| | 280,857 | (35,542) | 281,894 | 281,894 | (34,505) | - |
| N/A | (4,411) | (4,411) | - | - | - | - |
| N/A | 30,116 | - | 26,777 | 26,777 | (3,339) | - |
| | 25,705 | (4,411) | 26,777 | 26,777 | (3,339) | - |
| | 306,562 | (39,953) | 308,671 | 308,671 | (37,844) | - |
| N/A | (4,490) | (4,490) | - | - | - | - |
| N/A | 33,886 | - | 30,763 | 30,763 | (3,123) | - |
| N/A | (844) | (844) | - | - | - | - |
| N/A | 4,169 | - | 3,460 | 3,460 | (709) | - |
| | 339,283 | (45,287) | 342,894 | 342,894 | (41,676) | - |
| | 1,581,308 | (412,134) | 1,630,493 | 1,630,493 | 370,745 | - |
| | (32,721) | 5,334 | (34,223) | (34,223) | 3,832 | - |
| | \$ 1,548,587 | \$ (406,800) | \$ 1,596,270 | \$ 1,596,270 | \$ 374,577 | \$ - |

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2019

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal and certain state awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and certain state awards is presented using the modified accrual basis of accounting, which is described in Note A of the School District's basic financial statements.

NOTE C - DONATED FOOD

Nonmonetary assistance is reported in the schedule of expenditures of federal and state awards at the fair market value of the food received and disbursed. At June 30, 2019, the School District had donated food of \$15,307 in inventory.

NOTE D - PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

NOTE E - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Tredyffrin/Easttown School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Tredyffrin/Easttown School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs of the Tredyffrin/Easttown School District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of the Uniform Guidance.
7. The programs tested as major programs include:

| <u>Program</u> | <u>CFDA</u> |
|---------------------------|----------------|
| Special Education Cluster | 84.027, 84.173 |

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Tredyffrin/Easttown School District was determined to be a low-risk auditee.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.