



**Tredyffrin/Easttown
School District
Wayne, Pennsylvania
Chester County**

Financial Statements
Year Ended June 30, 2021



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TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania**

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 Tredyffrin/Easttown School District, Wayne, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin/Easttown School District, Wayne, Pennsylvania as of June 30, 2021, 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

Change in Accounting Principle

As described in Note 14 to the financial statements, Tredyffrin/Easttown School District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Tredyffrin/Easttown School District's 2020 financial statements, and our report dated November 16, 2020 expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions – PSERS on pages 3 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The supplemental data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021, 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 Tredyffrin/Easttown School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
November 3, 2021**

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Management's discussion and analysis ("**MD&A**") of the financial performance of the Tredyffrin/Easttown School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

Tredyffrin/Easttown School District is comprised of five elementary schools, grades K-4; two middle schools, grades 5-8; and one high school, grades 9-12. Approximately 7,000 students attend the District's eight schools. The Tredyffrin/Easttown School District serves the townships of Tredyffrin and Easttown, encompassing 38 square miles in eastern Chester County. During 2020-2021, there were 806 employees in the District, consisting of 537 instructional staff, 30 administrators, including general administration, principals and supervisors, and 239 non-instructional staff including administrative assistants, maintenance staff, custodial staff and classroom assistants.

DISTRICT MISSION

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 the District. The updated Strategic Plan was approved by the School Board in May 2014 and will carry through 2021. 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." The District is in the process of updating the District Strategic Plan to provide direction for the next six years.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$177,243,777. During the 2020-2021 fiscal year, the District had an increase in total net position of \$1,795,721. The net position of governmental activities increased by \$2,359,547 and the net position of business-type activities decreased by \$563,826.
- The General Fund reported an increase in fund balance of \$383,930, bringing the cumulative balance to \$32,287,683 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$10,870,680 committed to balance the subsequent year's budget, \$4,006,072 committed to capital projects, \$8,353,572 committed to vested employee services, \$3,966,927 committed to PSERS contingency, \$4,900,000 committed to healthcare contingency, \$190,432 assigned to athletic fund expenditures, and no unassigned amounts. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund unassigned fund balance of 8% of the following year's expenditure budget.
- During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$31,340,497 due primarily to costs paid that were associated with planned capital projects which included the Conestoga High School expansion and renovation project, elementary school air conditioning and other planned capital projects. The remaining Capital Projects Fund fund balance of \$3,003,787 as of June 30, 2021, was restricted for the Conestoga High School expansion and renovation project and other future infrastructure and capital project expenditures.
- Total General Fund revenues and other financing sources were \$2,932,848 or 1.96% more than budgeted amounts, and total General Fund expenditures and other financing uses were \$5,374,508 or 3.41% less than budgeted amounts resulting in a net positive variance of \$8,307,356.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 25 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 50 through 55 of this report.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$177,243,777. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 69,283,024	\$ 98,032,103	\$ (378,421)	\$ 656,754	\$ 68,904,603	\$ 98,688,857
Noncurrent assets	<u>73,553,468</u>	<u>43,142,494</u>	<u>108,989</u>	<u>140,247</u>	<u>73,662,457</u>	<u>43,282,741</u>
Total assets	<u>142,836,492</u>	<u>141,174,597</u>	<u>(269,432)</u>	<u>797,001</u>	<u>142,567,060</u>	<u>141,971,598</u>
DEFERRED OUTFLOWS						
Deferred amounts on						
debt refunding	804,624	503,329	-	-	804,624	503,329
Deferred charges – OPEB	2,848,115	1,188,314	75,892	39,723	2,924,007	1,228,037
Deferred charges –						
pensions	<u>33,286,747</u>	<u>24,144,710</u>	<u>462,736</u>	<u>381,462</u>	<u>33,749,483</u>	<u>24,526,172</u>
Total deferred outflows	<u>36,939,486</u>	<u>25,836,353</u>	<u>538,628</u>	<u>421,185</u>	<u>37,478,114</u>	<u>26,257,538</u>
LIABILITIES						
Current liabilities	33,493,014	31,680,927	176,951	222,358	33,669,965	31,903,285
Noncurrent liabilities	<u>311,787,847</u>	<u>299,907,964</u>	<u>3,521,233</u>	<u>3,785,001</u>	<u>315,309,080</u>	<u>303,692,965</u>
Total liabilities	<u>345,280,861</u>	<u>331,588,891</u>	<u>3,698,184</u>	<u>4,007,359</u>	<u>348,979,045</u>	<u>335,596,250</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	1,465,846	1,544,747	39,060	51,637	1,504,906	1,596,384
Deferred credits –						
pensions	<u>6,711,697</u>	<u>9,919,285</u>	<u>93,303</u>	<u>156,715</u>	<u>6,805,000</u>	<u>10,076,000</u>
Total deferred inflows	<u>8,177,543</u>	<u>11,464,032</u>	<u>132,363</u>	<u>208,352</u>	<u>8,309,906</u>	<u>11,672,384</u>
NET POSITION (DEFICIT)						
Net investment in capital						
assets	968,848	(20,559,749)	108,989	140,247	1,077,837	(20,419,502)
Restricted	4,332,941	22,678,263	-	-	4,332,941	22,678,263
Unrestricted (deficit)	<u>(178,984,215)</u>	<u>(178,160,487)</u>	<u>(3,670,340)</u>	<u>(3,137,772)</u>	<u>(182,654,555)</u>	<u>(181,298,259)</u>
Total net position (deficit)	<u>\$(173,682,426)</u>	<u>\$(176,041,973)</u>	<u>\$(3,561,351)</u>	<u>\$(2,997,525)</u>	<u>\$(177,243,777)</u>	<u>\$(179,039,498)</u>

The District's total assets as of June 30, 2021 were \$142,567,060 of which \$60,192,179 or 42.22% consisted of cash and investments and \$73,662,457 or 51.67% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$348,979,045 of which \$72,060,090 or 20.65% consisted of general obligation debt used to acquire and construct capital assets, \$214,485,154 or 61.46% consisted of the actuarially determined net pension liability and \$20,350,848 or 5.83% consisted of the actuarially determined OPEB liability.

The District had a deficit in unrestricted net position of \$182,654,555 at June 30, 2021. The District's unrestricted net position decreased by \$1,356,296 during 2020-2021 primarily due to the results of current year operations net of the change in the District's actuarially determined net pension liability and related pension items.

A portion of the District's net position reflects its restricted net position which totaled \$4,332,941 as of June 30, 2021. All of the District's restricted net position related to amounts restricted for capital expenditures. The District's restricted net position decreased by \$18,345,322 due to capital expenditures primarily for the Conestoga High School expansion project.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2021, the District's net investment in capital assets increased by \$21,497,339 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funds other than debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES						
Program revenues						
Charges for services	\$ 227,411	\$ 706,166	\$ 17,408	\$1,722,115	\$ 244,819	\$ 2,428,281
Operating grants and contributions	21,287,762	18,925,853	846,584	582,015	22,134,346	19,507,868
General revenues						
Property taxes levied for general purposes	120,558,093	118,720,616	-	-	120,558,093	118,720,616
Other taxes levied for general purposes	4,009,972	4,963,721	-	-	4,009,972	4,963,721
Grants and entitlements not restricted to specific programs	5,859,893	5,859,689	-	-	5,859,893	5,859,689
Investment earnings	304,591	2,676,229	563	15,803	305,154	2,692,032
Gain (loss) on sale of capital assets	-	(409)	-	-	-	(409)
Total revenues	<u>152,247,722</u>	<u>151,851,865</u>	<u>864,555</u>	<u>2,319,933</u>	<u>153,112,277</u>	<u>154,171,798</u>
EXPENSES						
Instruction	98,738,936	97,205,484	-	-	98,738,936	97,205,484
Instructional student support services	12,648,401	11,676,998	-	-	12,648,401	11,676,998
Administrative and financial support services	14,620,219	14,678,425	-	-	14,620,219	14,678,425
Operation and maintenance of plant services	13,927,664	12,835,506	-	-	13,927,664	12,835,506
Pupil transportation	6,474,614	7,511,791	-	-	6,474,614	7,511,791
Student activities	1,702,301	1,996,331	-	-	1,702,301	1,996,331
Interest and amortization expense related to non-current liabilities	1,776,040	2,692,964	-	-	1,776,040	2,692,964
Food service	-	-	1,428,381	2,484,039	1,428,381	2,484,039
Total expenses	<u>149,888,175</u>	<u>148,597,499</u>	<u>1,428,381</u>	<u>2,484,039</u>	<u>151,316,556</u>	<u>151,081,538</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 2,359,547</u>	<u>\$ 3,254,366</u>	<u>\$ (563,826)</u>	<u>\$ (164,106)</u>	<u>\$ 1,795,721</u>	<u>\$ 3,090,260</u>

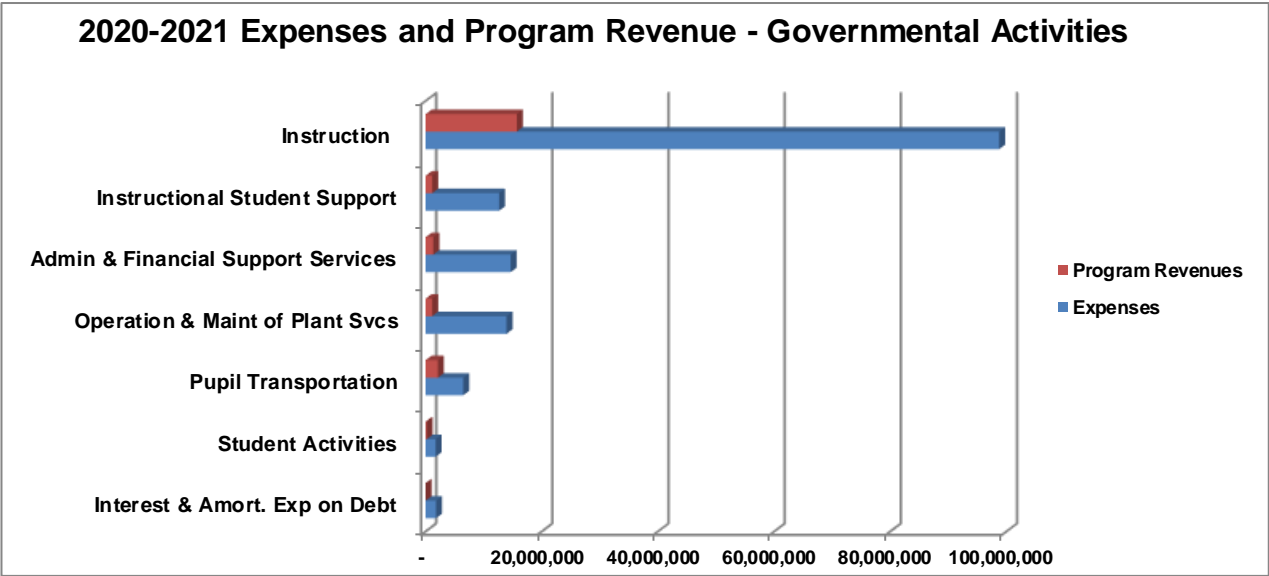
Overall, the District's financial position improved but challenges such as increased medical costs, pension contributions and unfunded state mandates have a potential to impact future fiscal years. In addition, during the 2020-2021 school year, the District and its operations were disrupted by COVID-19 and its financial impact on future fiscal years is not entirely known.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

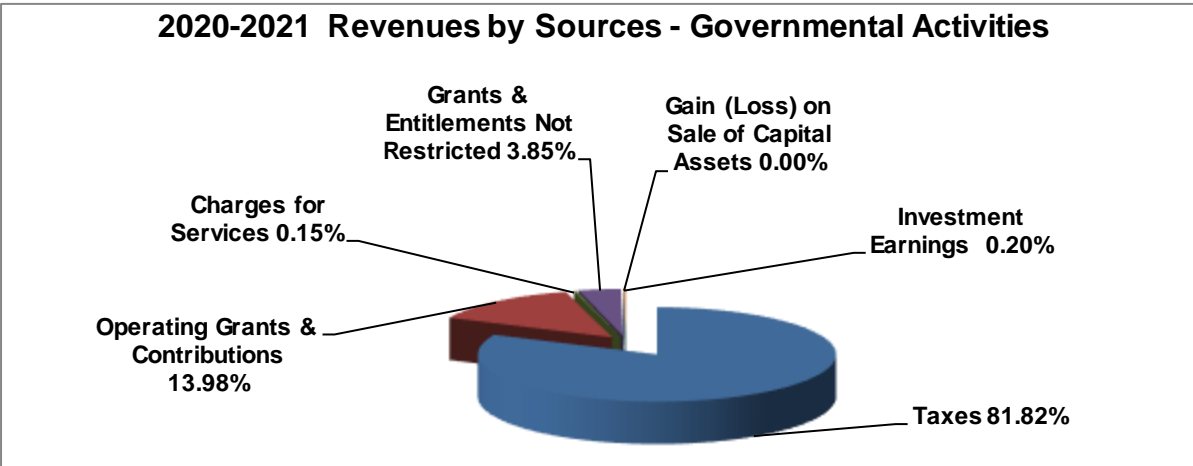
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENTAL FUNDS

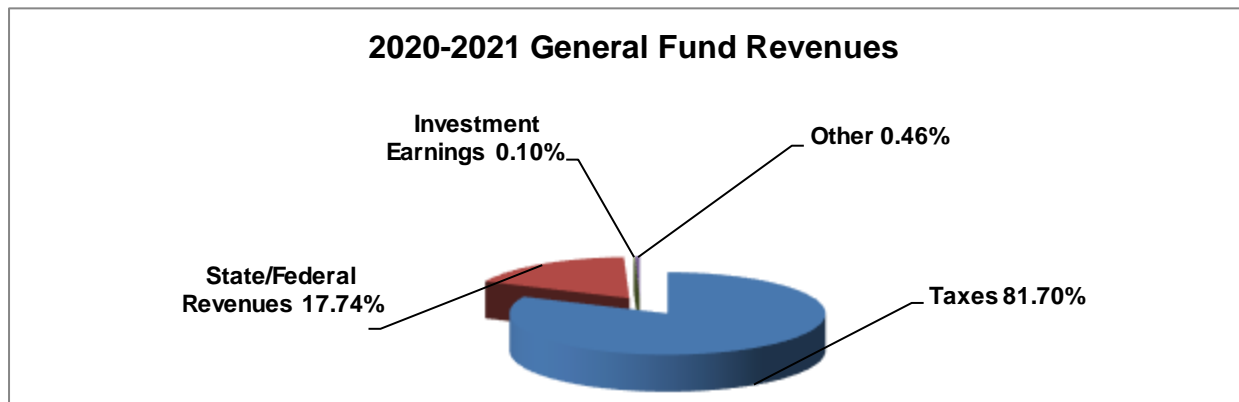
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$35,291,470 which is a decrease of \$30,956,567 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$32,287,683	\$31,903,753	\$ 383,930
Capital Projects Fund	3,003,787	34,344,284	(31,340,497)
Debt Service Fund	-	-	-
	<u>\$35,291,470</u>	<u>\$66,248,037</u>	<u>\$(30,956,567)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$32,287,683 representing an increase of \$383,930 from the prior year. The increase in the District's General fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 81.70% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$124,565,586	\$121,871,398	\$ 2,694,188	2.21
State/Federal revenues	27,048,590	24,580,652	2,467,938	10.04
Investment earnings	148,279	2,009,003	(1,860,724)	(92.62)
Other	701,732	911,055	(209,323)	(22.98)
	<u>\$152,464,187</u>	<u>\$149,372,108</u>	<u>\$ 3,092,079</u>	<u>2.07</u>

Net tax revenues increased by \$2,694,188 or 2.21% due to several factors. The District balanced its budget deficit, in part, by increasing the 2020-2021 tax rate by 2.60% to 24.5003 mills. Delinquent real estate collections were up \$263,490 which reflects greater delinquency rates in the 2020-2021 current year tax collections. These increases were offset by decreases in realty transfer taxes. Realty transfer tax decreased in 2020-2021 by \$933,868 or 19.34%. This decrease was driven by four large commercial transfers in the prior year that were one-time in nature.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

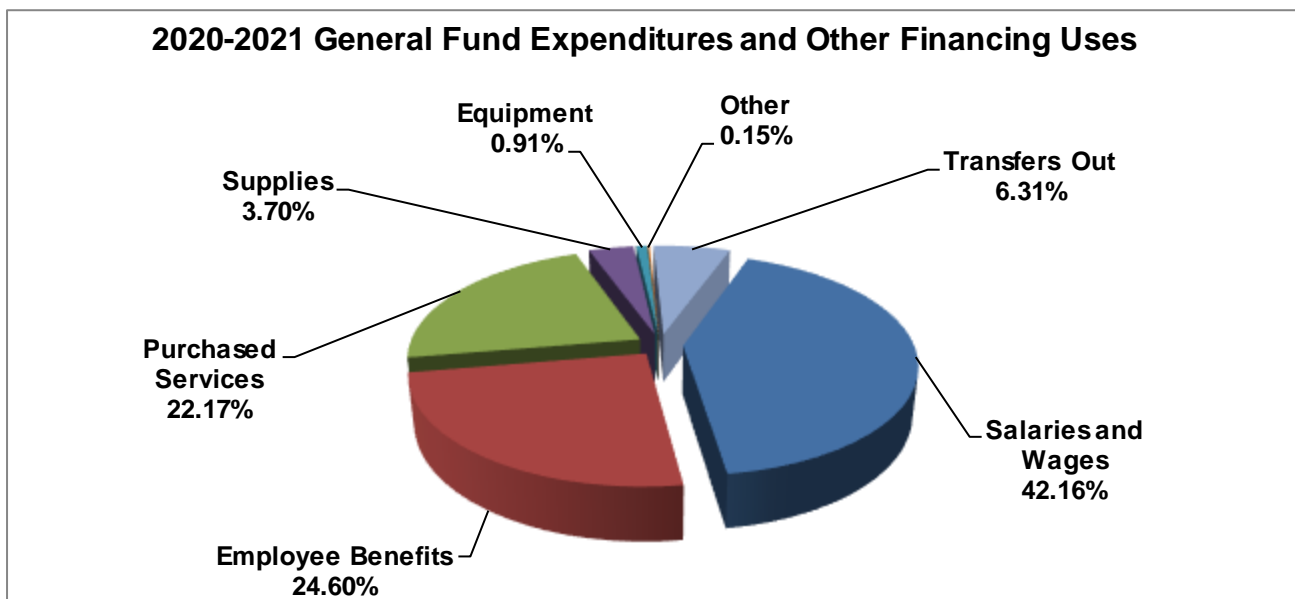
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$118,530,985	\$115,374,218	\$3,156,767	2.74
Interim tax	723,659	495,980	227,679	45.90
PURTA tax	113,064	102,231	10,833	10.60
Realty transfer tax	3,895,762	4,829,630	(933,868)	(19.34)
Amusement tax	1,146	31,859	(30,713)	(96.40)
Delinquent real estate tax	<u>1,300,970</u>	<u>1,037,480</u>	<u>263,490</u>	<u>25.40</u>
	<u>\$124,565,586</u>	<u>\$121,871,398</u>	<u>\$2,694,188</u>	<u>2.21</u>

State/Federal revenues increased \$2,467,938 as the result of offsetting increases and decreases. The District received an additional \$1,616,154 in COVID-19-related Federal grant funding. Additionally, the District received \$475,781 more in state retirement subsidy funding which is formulaically tied to the increase in the employer annual contribution rate of employee's salaries. Offsetting decreases were seen in special education, transportation, and rental subsidies from the State.

Investment earnings decreased commensurate with a decrease in interest rates.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 64,123,137	\$ 61,304,548	\$ 2,818,589	4.60
Employee benefits	37,403,371	36,478,192	925,179	2.54
Purchased services	33,711,491	32,737,078	974,413	2.98
Supplies	5,621,682	4,748,805	872,877	18.38
Equipment	1,383,687	965,347	418,340	43.34
Other	233,754	153,106	80,648	52.67
Transfers out	<u>9,603,135</u>	<u>11,938,748</u>	<u>(2,335,613)</u>	<u>(19.56)</u>
	<u>\$152,080,257</u>	<u>\$148,325,824</u>	<u>\$ 3,754,433</u>	<u>2.53</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Salaries and wages increased by \$2,818,589 or 4.60% in 2020-2021 as a result of additional staff added and contractually obligated pay increases for the various District union agreements in addition to salary increases for non-union employees. Employee benefits increased by \$925,179 or 2.54% due to an increase in the employer contribution pension rate from 34.29% in 2019-2020 to 34.51% in 2020-2021. The employer contribution for pension increased approximately \$972,000 as a result of the aforementioned increase in salaries and employer contribution rate. The District's employer pension contribution rate is set by the Public School Employees' Retirement System ("**PSEERS**") and participation in the system is mandatory for all Pennsylvania public school districts. Purchased service cost increases were driven by increases in technology and special education costs. Supply increases increased \$872,877 or 18.38% over the prior year. Increases were seen in the areas of technology, student services and educational materials which included a large textbook purchase.

The District decreased the transfer to the Capital Fund from \$5,200,000 in the prior year to \$3,000,000 in the current year. The District decreased the transfer amount to partially fund current capital projects and reduce the amount needed to borrow to fund future capital needs.

CAPITAL PROJECTS FUND

The Capital Project Funds account for construction and renovation activity associated with the District's buildings and major equipment purchases. A portion of the fund is funded by contributions from the General Fund and a portion of the fund is funded by bond proceeds. The District has been proactive in terms of preparing for future capital needs each year and has a capital infrastructure plan which prioritizes deferred maintenance needs and capital projects. During 2020-2021, the Capital Project Fund reported a decrease in fund balance of \$31,340,497. The drivers for this change were a General Fund contribution in the amount of \$3,000,000 and project expenditures in the amount of \$34.5 million for projects including the Conestoga High School expansion and renovation project (\$22.8 million), elementary school air conditioning (\$1.8 million) and other building renovations.

DEBT SERVICE FUND

The Debt Service Fund is used to account for debt service and capital financing transactions. During 2020-2021, the District reduced outstanding debt service by paying \$6,603,135 in principal maturities. The balance of the annual expenditures related to interest maturities.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues were \$2,932,848 or 1.96% more than budgeted amounts and total actual expenditures and other financing uses were \$5,374,508 or 3.41% less than budgeted amounts resulting in a net positive variance of \$8,307,356. Major budgetary highlights for 2020-2021 were as follows:

- Actual local revenues received were \$400,502 more than budgeted amounts. This was a result of total real estate tax collections of \$1,607,528 more than budgeted offset by investment earnings and rental income under budget by \$833,042 and \$146,619, respectively. The District historically budgets conservatively in these areas to account for non-recurring collections and economic impact on markets.
- Federal source revenues were more than budgeted amounts by \$1,949,679 which directly correlates with the additional pass-through funding received to respond to COVID-19.
- Salary expenditures were under budget by \$661,210 due to vacancies and COVID-19-related cancellation of programs. Employee benefits were \$228,376 under budget. The largest driver of the benefit savings was employee healthcare expenses of \$388,157 under budget due to favorable claims and workers compensation of \$340,270 under budget. This was offset by retirement benefits and prescription insurance being over budget by \$499,912 and \$76,481, respectively. Transportation costs were \$1.9 million lower than budget due to school closures and the implementation of remote learning during COVID-19.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- The budgetary reserve was under expended by \$4,500,000. Additionally, the transfer from the General Fund to the Capital Projects Fund was over expended by \$3,000,000. The additional transfer to the Capital Projects Fund was a strategic decision to fund future capital needs.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2020-2021, the net position of the business-type activities and Food Service Fund decreased by \$563,826 as a result of the COVID-19 shutdown and the mandate by the State to continue to pay salaries and wages and employee benefits. As of June 30, 2021, the business-type activities and Food Service Fund had a deficit in net position of \$3,561,351. The deficit in net position correlates to the Food Service Fund and business-type activities recording its proportionate share of the net pension and OPEB liabilities in PSERS.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$73,662,457 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$30,379,716 or 70.19%. The increase was the result of capital additions in excess of current year disposals and depreciation.

Current year capital additions were \$32,980,247 and depreciation expense was \$2,600,531.

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

• Conestoga High School expansion project - CIP	\$22,807,611
• Renovations and building improvements	\$ 3,382,343
• Land purchase	\$ 2,709,709
• Air conditioning projects at Devon/New Eagle - CIP	\$ 1,833,789

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$72,060,090 consisting of \$63,170,000 of bonds payable, \$4,770,000 of notes payable, and net deferred credits of \$4,120,090. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$3,811,503 or 5.02% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt is within the current debt limitation of the District which was \$322,242,469 as of June 30, 2021.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$214,485,154 as of June 30, 2021. The District's net pension liability increased by \$13,319,940 or 6.62% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$20,350,848 as of June 30, 2021. The District's OPEB liability increased by \$1,727,728 or 9.28% during the fiscal year.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Other noncurrent liabilities consist of the District's liabilities for compensated absences and accrued severance obligations, which totaled \$8,412,988 as of June 30, 2021. These liabilities increased by \$379,950 or 4.73% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Since 1990, the District has experienced an increase in student enrollment every year. More recently, over the past 20 years, student enrollment has increased by 37.50% to approximately 6,957 students for the 2020-2021 school year. While the District successfully accommodates its students each year, the increasing enrollment has resulted in the need for additional staff at all levels and facility reconfigurations and expansions to meet the needs of the growing student population. Over the next five years, the District demographer projects increases in district-wide enrollment of 9.00%.

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 put a strain on the instructional spaces within the school's current footprint. Through a facilities study, the District determined a need to expand and renovate 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. Also included in the high school project is expanded spaces in the nurse suite, library, cafeteria, student services suite and health and fitness room. The construction phase has commenced, and it is anticipated to be completed in 2021. The budget for the expansion and renovation project is \$39.6 million.

The District-commissioned update to the 2013 infrastructure report was recently delivered to the Facilities Committee for review. This report will provide the framework for future decisions on which deferred maintenance and capital improvement projects will be the focus of District capital resources. The updated format of the infrastructure report incorporates studies on traffic/circulation, exterior masonry, roofing, technology and HVAC. Two major capital projects identified in the report are a new elementary school and additional athletic fields. The District demographer has projected increasing enrollment at the elementary level that cannot be accommodated at our current five elementary schools. The District is in the process of obtaining a large tract of land adjacent to the Conestoga High School that has been designated for new athletic fields. The future funding of the District's capital plan will involve a combination of new bond issues, contributions from the general funds and current resources in the capital fund.

In March of 2020, the District was impacted by the COVID-19 pandemic. The District quickly shifted to remote learning for the remainder of the 2019-2020 school year. During the summer of 2020, the District developed plans for providing remote and hybrid learning opportunities for our students. While the District did not see significant revenue impacts in 2020-2021 due to the continuation of remote learning, the District did experience an impact to revenue in 2020-2021 of the following: significantly lower rental income from canceled facilities uses and reduced student fee collections from waivers. The District did however receive increased federal funding for COVID-19 related spending, along with transportation costs of \$1.9 million under budget, which allowed the District to not utilize fund balance. The District is tracking the COVID-19-related revenue and expenditure impacts and providing monthly reporting to the Finance Committee. The District's strong fund balance, increased grant writing efforts and conservative budgeting practices will provide the needed flexibility needed to weather the COVID-19 pandemic.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Manager/Board Secretary, at the Tredyffrin/Easttown School District, 940 West Valley Road, Suite 1700, Wayne, PA 19087 or (610) 240-1801.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 39,558,556	\$ 906,993	\$ 40,465,549	\$ 59,508,162
Investments	19,726,630	-	19,726,630	31,389,000
Taxes receivable, net	1,789,030	-	1,789,030	1,419,870
Interest receivable	5,991	-	5,991	277,440
Internal balances	1,508,642	(1,508,642)	-	-
Due from other governments	6,673,165	198,226	6,871,391	5,950,634
Other receivables	14,542	541	15,083	82,375
Prepaid expenses	6,468	-	6,468	-
Inventories	-	24,461	24,461	61,376
Total current assets	<u>69,283,024</u>	<u>(378,421)</u>	<u>68,904,603</u>	<u>98,688,857</u>
NONCURRENT ASSETS				
Capital assets, net	73,553,468	108,989	73,662,457	43,282,741
Total assets	<u>142,836,492</u>	<u>(269,432)</u>	<u>142,567,060</u>	<u>141,971,598</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pension	33,286,747	462,736	33,749,483	24,526,172
Deferred charges - OPEB	2,848,115	75,892	2,924,007	1,228,037
Deferred amounts on debt refunding	804,624	-	804,624	503,329
Total deferred outflows of resources	<u>36,939,486</u>	<u>538,628</u>	<u>37,478,114</u>	<u>26,257,538</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	8,048,028	2,525	8,050,553	7,532,845
Accrued salaries, payroll withholdings and benefits	24,657,531	38,809	24,696,340	23,014,176
Accrued interest payable	787,455	-	787,455	1,180,377
Unearned revenue	-	135,617	135,617	175,887
Total current liabilities	<u>33,493,014</u>	<u>176,951</u>	<u>33,669,965</u>	<u>31,903,285</u>
NONCURRENT LIABILITIES				
Due within one year	4,315,908	-	4,315,908	4,542,288
Due in more than one year	307,471,939	3,521,233	310,993,172	299,150,677
Total noncurrent liabilities	<u>311,787,847</u>	<u>3,521,233</u>	<u>315,309,080</u>	<u>303,692,965</u>
Total liabilities	<u>345,280,861</u>	<u>3,698,184</u>	<u>348,979,045</u>	<u>335,596,250</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pension	6,711,697	93,303	6,805,000	10,076,000
Deferred credits - OPEB	1,465,846	39,060	1,504,906	1,596,384
Total deferred inflows of resources	<u>8,177,543</u>	<u>132,363</u>	<u>8,309,906</u>	<u>11,672,384</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	968,848	108,989	1,077,837	(20,419,502)
Restricted	4,332,941	-	4,332,941	22,678,263
Unrestricted (deficit)	(178,984,215)	(3,670,340)	(182,654,555)	(181,298,259)
Total net position (deficit)	<u>\$ (173,682,426)</u>	<u>\$ (3,561,351)</u>	<u>\$ (177,243,777)</u>	<u>\$ (179,039,498)</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2021</u>	<u>2020</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 98,738,936	\$ 220,195	\$ 15,465,981	\$ -	\$ (83,052,760)	\$ -	\$ (83,052,760)	\$ (84,614,484)
Instructional student support	12,648,401	-	1,135,544	-	(11,512,857)	-	(11,512,857)	(10,784,577)
Administrative and financial support services	14,620,219	-	1,314,898	-	(13,305,321)	-	(13,305,321)	(13,542,389)
Operation and maintenance of plant services	13,927,664	7,216	1,117,761	-	(12,802,687)	-	(12,802,687)	(10,365,349)
Pupil transportation	6,474,614	-	2,086,926	-	(4,387,688)	-	(4,387,688)	(5,236,887)
Student activities	1,702,301	-	166,652	-	(1,535,649)	-	(1,535,649)	(1,807,999)
Interest and amortization expense related to noncurrent liabilities	1,776,040	-	-	-	(1,776,040)	-	(1,776,040)	(2,613,795)
Total governmental activities	<u>149,888,175</u>	<u>227,411</u>	<u>21,287,762</u>	<u>-</u>	<u>(128,373,002)</u>	<u>-</u>	<u>(128,373,002)</u>	<u>(128,965,480)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,428,381	17,408	846,584	-		(564,389)	(564,389)	(179,909)
Total primary government	<u>\$ 151,316,556</u>	<u>\$ 244,819</u>	<u>\$ 22,134,346</u>	<u>\$ -</u>	<u>(128,373,002)</u>	<u>(564,389)</u>	<u>(128,937,391)</u>	<u>(129,145,389)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					120,558,093	-	120,558,093	118,720,616
Other taxes levied for general purposes					4,009,972	-	4,009,972	4,963,721
Grants and entitlements not restricted to specific programs					5,859,893	-	5,859,893	5,859,689
Investment earnings					304,591	563	305,154	2,692,032
Gain (loss) on sale of capital assets					-	-	-	(409)
Total general revenues					<u>130,732,549</u>	<u>563</u>	<u>130,733,112</u>	<u>132,235,649</u>
CHANGE IN NET POSITION (DEFICIT)					2,359,547	(563,826)	1,795,721	3,090,260
NET POSITION (DEFICIT)								
Beginning of year, restated					(176,041,973)	(2,997,525)	(179,039,498)	(182,129,758)
End of year					<u>\$ (173,682,426)</u>	<u>\$ (3,561,351)</u>	<u>\$ (177,243,777)</u>	<u>\$ (179,039,498)</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2021	2020
ASSETS					
Cash	\$ 33,208,382	\$ 6,350,174	\$ -	\$ 39,558,556	\$ 58,619,821
Investments	19,726,630	-	-	19,726,630	31,389,000
Taxes receivable, net	1,789,030	-	-	1,789,030	1,419,870
Interest receivable	5,991	-	-	5,991	277,440
Due from other funds	1,530,537	-	-	1,530,537	741,934
Due from other governments	6,673,165	-	-	6,673,165	5,919,187
Other receivables	14,542	-	-	14,542	82,198
Prepaid expenses	6,468	-	-	6,468	-
Total assets	\$ 62,954,745	\$ 6,350,174	\$ -	\$ 69,304,919	\$ 98,449,450
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 4,723,536	\$ 3,324,492	\$ -	\$ 8,048,028	\$ 7,509,349
Due to other funds	-	21,895	-	21,895	417,347
Accrued salaries, payroll withholdings and benefits	24,657,531	-	-	24,657,531	22,991,201
Total liabilities	29,381,067	3,346,387	-	32,727,454	30,917,897
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	1,285,995	-	-	1,285,995	1,283,516
FUND BALANCES					
Restricted for					
Capital projects	-	3,003,787	-	3,003,787	34,344,284
Committed to					
Balance subsequent year's budget	10,870,680	-	-	10,870,680	7,923,426
Capital projects	4,006,072	-	-	4,006,072	4,006,072
Vested employee services	8,353,572	-	-	8,353,572	7,820,079
PSERS contingency	3,966,927	-	-	3,966,927	7,077,137
Healthcare contingency	4,900,000	-	-	4,900,000	4,900,000
Assigned to					
Athletic fund expenditures	190,432	-	-	190,432	177,039
Unassigned	-	-	-	-	-
Total fund balances	32,287,683	3,003,787	-	35,291,470	66,248,037
Total liabilities, deferred inflows of resources and fund balances	\$ 62,954,745	\$ 6,350,174	\$ -	\$ 69,304,919	\$ 98,449,450

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 35,291,470
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	73,553,468
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	27,957,319
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	804,624
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources on the governmental funds balance sheet.	1,285,995
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(311,787,847)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(787,455)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (173,682,426)</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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

Year ended June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2021	2020
REVENUES					
Local sources	\$ 125,415,597	\$ 156,312	\$ -	\$ 125,571,909	\$ 125,458,681
State sources	23,588,707	-	-	23,588,707	22,532,021
Federal sources	3,459,883	-	-	3,459,883	2,048,632
Total revenues	<u>152,464,187</u>	<u>156,312</u>	<u>-</u>	<u>152,620,499</u>	<u>150,039,334</u>
EXPENDITURES					
Current					
Instruction	96,277,935	-	-	96,277,935	91,354,287
Support services	44,544,156	321,375	-	44,865,531	43,255,277
Operation of noninstructional services	1,654,800	-	-	1,654,800	1,862,732
Facilities acquisition, construction and improvement services	-	34,496,809	-	34,496,809	12,379,533
Debt service	-	-	6,603,135	6,603,135	6,738,748
Total expenditures	<u>142,476,891</u>	<u>34,818,184</u>	<u>6,603,135</u>	<u>183,898,210</u>	<u>155,590,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,987,296</u>	<u>(34,661,872)</u>	<u>(6,603,135)</u>	<u>(31,277,711)</u>	<u>(5,551,243)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year receipts	(231)	-	-	(231)	(36,120)
Issuance of debt - refunding	-	32,050,000	-	32,050,000	-
Payment of debt - refunding	-	(31,728,625)	-	(31,728,625)	-
Transfers in	-	3,000,000	6,603,135	9,603,135	11,938,748
Transfers out	(9,603,135)	-	-	(9,603,135)	(11,938,748)
Total other financing sources (uses)	<u>(9,603,366)</u>	<u>3,321,375</u>	<u>6,603,135</u>	<u>321,144</u>	<u>(36,120)</u>
NET CHANGE IN FUND BALANCES	<u>383,930</u>	<u>(31,340,497)</u>	<u>-</u>	<u>(30,956,567)</u>	<u>(5,587,363)</u>
FUND BALANCES					
Beginning of year	<u>31,903,753</u>	<u>34,344,284</u>	<u>-</u>	<u>66,248,037</u>	<u>71,835,400</u>
End of year	<u>\$ 32,287,683</u>	<u>\$ 3,003,787</u>	<u>\$ -</u>	<u>\$ 35,291,470</u>	<u>\$ 66,248,037</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (30,956,567)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 32,980,247	
Depreciation expense	<u>(2,569,273)</u>	30,410,974

Because some taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources June 30, 2020	(1,283,516)	
Deferred inflows of resources June 30, 2021	<u>1,285,995</u>	2,479

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	33,110,000	
Issuance of bonds and notes payable	(32,050,000)	
Amortization of bond premiums, discounts, and deferred amounts on refunding	<u>3,052,798</u>	4,112,798

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

Current year change in accrued interest payable	392,922	
Change in net pension liability and related deferred inflows and outflows	(1,158,311)	
Current year change in compensated absences	(358,414)	
Current year change in accrued severance	(23,130)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(63,204)</u>	<u>(1,210,137)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,359,547</u>
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See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2021 with summarized comparative totals for 2020

	Major Fund	
	Food Service Fund	
	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 906,993	\$ 888,341
Due from other governments	198,226	31,447
Other receivables	541	177
Inventories	24,461	61,376
Total current assets	<u>1,130,221</u>	<u>981,341</u>
NONCURRENT ASSETS		
Capital assets, net	108,989	140,247
Total assets	<u>1,239,210</u>	<u>1,121,588</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges - pension	462,736	381,462
Deferred charges - OPEB	75,892	39,723
Total deferred outflows of resources	<u>538,628</u>	<u>421,185</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
LIABILITIES		
Accounts payable	2,525	23,496
Due to other funds	1,508,642	324,587
Accrued salaries, payroll withholdings and benefits	38,809	22,975
Unearned revenue	135,617	175,887
Total current liabilities	<u>1,685,593</u>	<u>546,945</u>
NONCURRENT LIABILITIES		
Net pension liability	2,940,783	3,128,779
Net OPEB liability	528,200	602,378
Compensated absences	52,250	53,844
Total noncurrent liabilities	<u>3,521,233</u>	<u>3,785,001</u>
Total liabilities	<u>5,206,826</u>	<u>4,331,946</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred credits - pension	93,303	156,715
Deferred credits - OPEB	39,060	51,637
Total deferred inflows of resources	<u>132,363</u>	<u>208,352</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	108,989	140,247
Unrestricted (deficit)	(3,670,340)	(3,137,772)
	<u>\$ (3,561,351)</u>	<u>\$ (2,997,525)</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) -
PROPRIETARY FUND**

Year ended June 30, 2021 with summarized comparative totals for 2020

	Major Fund	
	Food Service Fund	
	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 17,408	\$ 1,722,115
OPERATING EXPENSES		
Salaries	784,815	958,492
Employee benefits	183,248	630,952
Purchased property services	12,800	32,327
Other purchased services	30	234
Supplies	415,769	795,759
Dues and fees	461	2,188
Depreciation	31,258	64,087
Total operating expenses	1,428,381	2,484,039
Operating loss	(1,410,973)	(761,924)
NONOPERATING REVENUES		
Earnings on investments	563	15,803
State sources	202,207	228,455
Federal sources	644,377	353,560
Total nonoperating revenues	847,147	597,818
CHANGE IN NET POSITION (DEFICIT)	(563,826)	(164,106)
NET POSITION (DEFICIT)		
Beginning of year, restated	(2,997,525)	(2,833,419)
End of year	<u>\$(3,561,351)</u>	<u>\$(2,997,525)</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2021 with summarized comparative totals for 2020

	Major Fund	
	Food Service Fund	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 17,044	\$ 1,800,928
Cash payments to employees for services	(225,374)	(1,431,282)
Cash payments to suppliers for goods and services	(431,149)	(757,828)
Net cash used for operating activities	(639,479)	(388,182)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	196,858	223,267
Federal sources	460,710	205,645
Net cash provided by noncapital financing activities	657,568	428,912
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(35,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	563	15,803
Net increase in cash	18,652	20,793
CASH		
Beginning of year	888,341	867,548
End of year	\$ 906,993	\$ 888,341
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (1,410,973)	\$ (761,924)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	31,258	64,087
Donated commodities used	22,237	95,288
(Increase) decrease in		
Other receivables	(364)	3,715
Inventories	36,915	(32,453)
Deferred outflows of resources	(117,443)	111,650
Increase (decrease) in		
Accounts payable	(20,971)	9,845
Due to other funds	1,184,055	288,680
Accrued salaries, payroll withholdings and benefits	15,834	(2,243)
Unearned revenue	(40,270)	75,098
Compensated absences	(1,594)	(12,458)
Net OPEB liability	(74,178)	272,298
Net pension liability	(187,996)	(593,221)
Deferred inflows of resources	(75,989)	93,456
Net cash used for operating activities	\$ (639,479)	\$ (388,182)
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	\$ 22,237	\$ 95,288

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Private Purpose Trust	Custodial Funds	Totals	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 34,295	\$ 299,807	\$ 334,102	\$ 436,670
LIABILITIES				
Accounts payable	-	-	-	-
NET POSITION				
Restricted for student activities	-	299,807	299,807	368,889
Net position held in trust for scholarships	34,295	-	34,295	67,781
Total net position	\$ 34,295	\$ 299,807	\$ 334,102	\$ 436,670

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Private Purpose Trust	Custodial Funds	Totals	
			2021	2020
ADDITIONS				
Receipts from student groups	\$ -	\$ 193,028	\$ 193,028	\$ 792,931
Local contributions	7,264	-	7,264	36,713
Total additions	7,264	193,028	200,292	829,644
DEDUCTIONS				
Student activity disbursements	-	262,110	262,110	783,762
Scholarships awarded and fees paid	40,750	-	40,750	40,600
Total deductions	40,750	262,110	302,860	824,362
CHANGE IN NET POSITION	(33,486)	(69,082)	(102,568)	5,282
NET POSITION				
Beginning of year	67,781	368,889	436,670	431,388
End of year	<u>\$ 34,295</u>	<u>\$ 299,807</u>	<u>\$ 334,102</u>	<u>\$ 436,670</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tredyffrin/Easttown School District (the "***District***") operates five elementary schools, two middle schools and a high school to provide education and related services to the residents of eastern Chester County in the townships of Tredyffrin and Easttown. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("***GAAP***") as applied to governmental units. The Governmental Accounting Standards Board ("***GASB***") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position (deficit) is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

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

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of the students.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Property Taxes

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

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

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2020-2021 was 24.5003 mills (\$24.50 for \$1,000 of assessed valuation) for Chester County. The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

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

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20-40 years, land improvements – 15-20 years and furniture and equipment – 3-10 years.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2020, the District adopted the provisions of GASB Statement No. 84 "*Fiduciary Activities*"; GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93, "*Replacement of Interbank Offered Rates*"; GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund for the year ended June 30, 2021.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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June 30, 2021

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 *"Accounting and Financial Reporting for Derivative Instruments"*. The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, *"Leases"* will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

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GASB Statement No. 89, *"Accounting for Interest Cost Incurred Before the End of a Construction Period"*, will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"*, which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, *"Conduit Debt Obligations"* will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, *"Omnibus 2020"* will be effective for the District for the year ended June 30, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"* will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (**"SBITAs"**) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

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

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

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

(3) DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$40,799,651 and the bank balance was \$41,540,012. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$9,265,066 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2021, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Investments

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

As of June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$ 2,728,000	\$ 2,728,000	\$ -	\$ -	\$ -
PSDLAF/PLGIT collateralized					
Investment pools	15,000,000	15,000,000	-	-	-
U.S. Treasury bill	<u>1,998,630</u>	<u>1,998,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$19,726,630</u>	<u>\$19,726,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PSDLAF and PLGIT collateralized investment pools are fully collateralized by U.S. government agency and Treasury obligations and certificates of deposit. PSDLAF and PLGIT collateralized investment pools and the U.S. Treasury bill were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2021.

Interest Rate Risk

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

Credit Risk

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

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,951,235	\$ 2,709,709	\$ -	\$ 4,660,944
Construction in progress	<u>6,714,652</u>	<u>25,163,771</u>	<u>3,211,867</u>	<u>28,666,556</u>
Total capital assets not being depreciated	<u>8,665,887</u>	<u>27,873,480</u>	<u>3,211,867</u>	<u>33,327,500</u>
Capital assets being depreciated				
Buildings and improvements	89,438,300	6,594,210	-	96,032,510
Land improvements	4,485,224	266,270	-	4,751,494
Furniture and equipment	<u>5,379,258</u>	<u>1,458,154</u>	<u>-</u>	<u>6,837,412</u>
Total capital assets being depreciated	<u>99,302,782</u>	<u>8,318,634</u>	<u>-</u>	<u>107,621,416</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Less accumulated depreciation for				
Buildings and improvements	(57,815,244)	(1,932,712)	-	(59,747,956)
Land improvements	(3,889,426)	(116,269)	-	(4,005,695)
Furniture and equipment	(3,121,505)	(520,292)	-	(3,641,797)
Total accumulated depreciation	(64,826,175)	(2,569,273)	-	(67,395,448)
Total capital assets being depreciated, net				
	<u>34,476,607</u>	<u>5,749,361</u>	<u>-</u>	<u>40,225,968</u>
Governmental activities, net	\$ 43,142,494	\$33,622,841	\$3,211,867	\$ 73,553,468
Business-type activities				
Machinery and equipment	\$ 903,373	\$ -	\$ -	\$ 903,373
Less accumulated depreciation	(763,126)	(31,258)	-	(794,384)
Business-type activities, net	\$ 140,247	\$ (31,258)	\$ -	\$ 108,989

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

Governmental activities	
Instruction	\$1,730,060
Instructional student support	221,183
Administrative and financial support services	256,118
Operation and maintenance of plant services	217,719
Pupil transportation	114,341
Student activities	<u>29,852</u>
Total depreciation expense – governmental activities	<u>\$2,569,273</u>
Business-type activities	
Food service	<u>\$ 31,258</u>

As of June 30, 2021, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2021 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2021</u>	<u>Remaining Commitments</u>
Conestoga Valley High School expansion project	\$28,789,120	\$24,018,214	\$ 4,770,906
Other capital projects	<u>9,354,136</u>	<u>3,143,875</u>	<u>6,210,261</u>
	<u>\$38,143,256</u>	<u>\$27,162,089</u>	<u>\$10,981,167</u>

As of June 30, 2021, there were \$1,504,467 of fees related to the high school and other projects that were not part of any formal contractual commitments.

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$1,508,642	Food Service Fund	\$1,508,642
General Fund	<u>21,895</u>	Capital Projects Fund	<u>21,895</u>
	<u>\$1,530,537</u>		<u>\$1,530,537</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$3,000,000	General Fund	\$3,000,000
Debt Service Fund	<u>6,603,135</u>	General Fund	<u>6,603,135</u>
	<u>\$9,603,135</u>		<u>\$9,603,135</u>

Transfers from the General Fund represent transfers to subsidize costs associated with the acquisition of capital assets and debt service requirements.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 69,000,000	\$24,935,000	\$30,765,000	\$ 63,170,000	\$1,530,000
Notes payable	-	7,115,000	2,345,000	4,770,000	2,345,000
Bond premiums	6,883,184	-	2,763,094	4,120,090	433,742
Bond discounts	<u>(11,591)</u>	<u>-</u>	<u>(11,591)</u>	<u>-</u>	<u>-</u>
Total general obligation debt	<u>75,871,593</u>	<u>32,050,000</u>	<u>35,861,503</u>	<u>72,060,090</u>	<u>4,308,742</u>
Other noncurrent liabilities					
Compensated absences	5,282,985	358,414	-	5,641,399	7,166
Accrued severance	2,696,209	23,130	-	2,719,339	-
OPEB liability	9,171,136	1,513,266	-	10,684,402	-
Net OPEB liability – PSERS	8,849,606	288,640	-	9,138,246	-
Net pension liability - PSERS	<u>198,036,435</u>	<u>13,507,936</u>	<u>-</u>	<u>211,544,371</u>	<u>-</u>
Total other noncurrent liabilities	<u>224,036,371</u>	<u>15,691,386</u>	<u>-</u>	<u>239,727,757</u>	<u>7,166</u>
Total governmental activities	<u>299,907,964</u>	<u>47,741,386</u>	<u>35,861,503</u>	<u>311,787,847</u>	<u>4,315,908</u>
Business-type activities					
Compensated absences	53,844	-	1,594	52,250	-
OPEB liability	306,563	-	21,863	284,700	-
Net OPEB liability – PSERS	295,815	-	52,315	243,500	-
Net pension liability - PSERS	<u>3,128,779</u>	<u>-</u>	<u>187,996</u>	<u>2,940,783</u>	<u>-</u>
Total business-type activities	<u>3,785,001</u>	<u>-</u>	<u>263,768</u>	<u>3,521,233</u>	<u>-</u>
Total noncurrent liabilities	<u>\$303,692,965</u>	<u>\$47,741,386</u>	<u>\$36,125,271</u>	<u>\$315,309,080</u>	<u>\$4,315,908</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(7) GENERAL OBLIGATION DEBT

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

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2016	2.00% - 4.00%	\$13,040,000	02/15/2025	\$11,330,000
Series of 2019	2.45% - 5.00%	\$26,915,000	02/15/2040	26,905,000
Series of 2021	0.30% - 2.54%	\$24,935,000	02/15/2035	<u>24,935,000</u>
Total general obligation bonds				<u>63,170,000</u>
General obligation notes				
Series of 2020	1.30%	\$ 7,115,000	02/15/2023	<u>4,770,000</u>
Total general obligation debt				<u>\$67,940,000</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 3,875,000	\$ 2,064,560	\$ 5,939,560
2023	4,060,000	2,249,642	6,309,642
2024	4,145,000	2,156,097	6,301,097
2025	4,310,000	1,993,468	6,303,468
2026	2,955,000	1,823,818	4,778,818
2027-2031	14,945,000	8,434,970	23,379,970
2032-2036	17,100,000	6,238,412	23,338,412
2037-2040	<u>16,550,000</u>	<u>2,119,250</u>	<u>18,669,250</u>
	<u>\$67,940,000</u>	<u>\$27,080,217</u>	<u>\$95,020,217</u>

Series of 2020 General Obligation Notes

On July 7, 2020, the District issued \$7,115,000 of general obligation notes, Series of 2020, the proceeds from which were used to currently refund all the District's outstanding general obligation bonds, Series of 2010, and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$357,454.

Series of 2021 General Obligation Bonds

On March 31, 2021, the District issued \$24,935,000 of general obligation bonds, Series of 2021, the proceeds from which were used to advance refund all the District's outstanding general obligation bonds, Series of 2015, and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by \$2,076,014.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

In-Substance Defeasance

The District has advance refunded its general obligation bonds, Series 2015 (the "**Series of 2015 Bonds**") by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. At June 30, 2021, the \$22,315,000 of the Series of 2015 Bonds is considered defeased. The District has authorized to call the remaining defeased bonds for redemption on August 15, 2023.

(8) ACCRUED SEVERANCE

Upon retirement under the provisions of PSERS and so long as the employee provides the District 90 days calendar notice, the District will pay a professional employee for unused sick time. The reimbursement will be at one-third of the employee's full-time per diem rate per unused sick time, up to a maximum of 135 days.

Upon retirement under the provisions of PSERS and so long as the employee provides the District 90 days calendar notice, the District will pay a support staff employee for unused sick time. The reimbursement will be at 50% of the employee's per diem rate per unused sick time, up to a maximum of 135 days.

Upon retirement under the provisions of PSERS, the District will pay supervisors and confidential positions with at least 10 years of service for unused sick time. The reimbursement will be at 50% of the employee's per diem rate per unused sick time, up to a maximum of 135 days. Additionally, administrators with 20 to 15 years of continuous service with the District are eligible for a \$5,200 to \$2,600 annual credit toward their health insurance for 10 years from the date of retirement.

Upon retirement, administrators with 10 years of administrative service with the District are eligible to receive a severance payment equal to between 60% to 100% of the employee's final base salary, based upon years of service. Administrators with 5 to 10 years of administrative service with the District are eligible to receive a severance payment equal to 45% of the employee's final base salary. Additionally, administrators with 10 years of continuous service with the District are eligible for a \$5,200 annual credit toward their health insurance for 10 years from the date of retirement.

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits include a single-employer defined benefit plan that provides 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 management and can be amended by the 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 any financial report and is not included in the report of any public employee retirement system or any other entity.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active participants	693
Vested former participants	-
Retired participants	<u>57</u>
Total	<u>750</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$10,969,102, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$10,684,402 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$284,700 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

Balance as of July 1, 2019	\$ 9,477,699
Changes for the year	
Service cost	450,166
Interest on total OPEB liability	328,365
Changes of benefit terms	(558,806)
Differences between expected and actual experience	(118,753)
Change of assumptions	1,676,729
Benefit payments	<u>(286,298)</u>
Net changes	<u>1,491,403</u>
Balance as of June 30, 2020	<u>\$10,969,102</u>

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

For the year ended June 30, 2021, the District recognized negative OPEB expense of \$230,260. At June 30, 2021, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 338,538
Changes in assumptions	1,556,963	828,368
Payments subsequent to measurement date	<u>240,867</u>	<u>-</u>
	<u>\$1,797,830</u>	<u>\$1,166,906</u>

\$240,867 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 OPEB liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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June 30, 2021

Year ended June 30,

2022	\$ 10,535
2023	10,535
2024	10,535
2025	10,535
2026	10,535
Thereafter	<u>337,382</u>
	<u>\$390,057</u>

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

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$10,186,100</u>	<u>\$10,969,102</u>	<u>\$11,905,820</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$12,307,511</u>	<u>\$10,969,102</u>	<u>\$9,831,857</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 1.86% - 20 Year High-Grade Municipal Rate Index
- Salary growth – 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023, gradually decreasing from 5.40% in 2024 to 4.00% in 2075 and later.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$518,177 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$9,381,746 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.4342 percent, which was an increase of 0.0042 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the OPEB liability of \$9,138,246 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$243,500 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized OPEB expense of \$468,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 86,000	\$ -
Changes in assumptions	382,000	206,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportions	124,000	132,000
Contributions subsequent to the measurement date	<u>518,177</u>	<u>-</u>
	<u>\$1,126,177</u>	<u>\$338,000</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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June 30, 2021

\$518,177 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, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Measurement Date
Year ended June 30,**

2021	\$ 22,000
2022	20,000
2023	18,000
2024	107,000
2025	61,000
Thereafter	<u>42,000</u>
	<u>\$270,000</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.66% - Standard & Poor's 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and 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.)

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	(1.0%)
US Core Fixed Income	46.50%	(0.1%)
Non-US Developed Fixed	<u>3.20%</u>	(0.1%)
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what 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>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$9,380,544</u>	<u>\$9,381,746</u>	<u>\$9,382,706</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	<u>\$10,696,639</u>	<u>\$9,381,746</u>	<u>\$8,292,903</u>

OPEB Plan Fiduciary Net Position

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

(10) PENSION PLAN

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

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 employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Contributions

Member Contributions

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

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

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

Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$21,289,483 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$214,485,154 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4356 percent, which was an increase of 0.0056 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$211,544,371 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$2,940,783 of the net pension liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$22,106,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 561,000	\$5,141,000
Net difference between projected and actual investment earnings	9,426,000	-
Changes in proportions	2,473,000	1,664,000
Contributions subsequent to the measurement date	<u>21,289,483</u>	<u>-</u>
	<u>\$33,749,483</u>	<u>\$6,805,000</u>

\$21,289,483 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date
Year ended June 30,

2021	\$(1,158,000)
2022	554,000
2023	3,458,000
2024	<u>2,801,000</u>
	<u>\$ 5,655,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS' total pension liability at June 30, 2019 to June 30, 2020 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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0 %	5.2%
Private equity	15.0 %	7.2%
Fixed income	36.0 %	1.1%
Commodities	8.0 %	1.8%
Absolute return	10.0 %	2.5%
Infrastructure/MLPs	6.0 %	5.7%
Real estate	10.0 %	5.5%
Risk parity	8.0 %	3.3%
Cash	6.0 %	(1.0)%
Financing (LIBOR)	(14.0)%	(0.7)%
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

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

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

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$265,363,456</u>	<u>\$214,485,154</u>	<u>\$171,384,124</u>

Pension Plan Fiduciary Net Position

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

(11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

Technical College High School Pennock's Bridge

The District and other Chester County school districts participate in the Technical College High School Pickering Campus ("**TCHS Pickering**"). The TCHS Pickering provides vocational-technical training and education to students of the participating school districts. The TCHS Pickering is controlled by a joint

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Board comprised of representative school board members of the participating school districts. District oversight of the TCHS Pickering operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Pickering fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$632,281.

The TCHS Pickering prepares financial statements that are available to the public from their administrative offices.

Chester County Intermediate Unit

The District and the other Chester County school districts are participating members of the Chester County Intermediate Unit (the "**CCIU**"). The CCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the CCIU but the participating districts have no ongoing fiduciary interest or responsibility to the CCIU. The CCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(13) RISK MANAGEMENT

Health Insurance

The District administers a self-insurance program to provide health and prescription insurance for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a liability for claims incurred through June 30, 2021 and are typically satisfied shortly after year end.

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Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium ("**SDIC**"), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to SDIC.

Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages during the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(14) PRIOR PERIOD RESTATEMENTS

As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2019 was an increase in Custodial Fund net position of \$359,720. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

During 2020-2021, the District made a prior period adjustment to restate capital assets reported in previously issued financial statements based on a third-party valuation. This prior period adjustment and its effect on net position at July 1, 2019 is summarized in the following table:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at June 30, 2019, as previously stated	\$(122,194,524)	\$(2,630,925)	\$(124,825,449)
Prior period adjustment to Restate capital assets based upon valuation report	<u>(57,101,815)</u>	<u>(202,494)</u>	<u>(57,304,309)</u>
Net position at July 1, 2019, as restated	<u>\$(179,296,339)</u>	<u>\$(2,833,419)</u>	<u>\$(182,129,758)</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2021, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

In October 2021, the District issued \$26,900,000 of general obligation notes, Series A of 2021, the proceeds from which will be used to finance the District's capital program and to pay for the costs of issuance.

REQUIRED SUPPLEMENTARY INFORMATION

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local sources	\$ 125,015,095	\$ 125,015,095	\$ 125,415,597	\$ 400,502
State sources	23,006,040	23,006,040	23,588,707	582,667
Federal sources	1,510,204	1,510,204	3,459,883	1,949,679
Total revenues	149,531,339	149,531,339	152,464,187	2,932,848
EXPENDITURES				
Instruction				
Regular programs	66,815,467	66,811,741	67,644,295	(832,554)
Special programs	28,405,571	28,408,282	27,913,434	494,848
Vocational programs	700,000	700,000	632,281	67,719
Other instructional programs	95,636	95,635	87,925	7,710
Total instruction	96,016,674	96,015,658	96,277,935	(262,277)
Support services				
Pupil support services	5,519,169	5,518,170	5,813,510	(295,340)
Instructional staff services	4,045,797	3,835,962	4,698,682	(862,720)
Administrative services	8,698,610	9,026,009	8,424,188	601,821
Pupil health	1,515,508	1,515,207	1,748,709	(233,502)
Business services	1,384,128	1,504,591	1,368,378	136,213
Operation and maintenance of plant services	12,860,463	12,621,561	12,068,886	552,675
Student transportation services	8,268,812	8,268,812	6,338,294	1,930,518
Support services - central	4,459,860	4,459,860	3,533,018	926,842
Other support services	465,500	465,500	550,491	(84,991)
Total support services	47,217,847	47,215,672	44,544,156	2,671,516
Operation of noninstructional services				
Student activities	392,074	395,265	1,654,800	(1,259,535)
Debt service	6,602,876	6,602,876	-	6,602,876
Total expenditures	150,229,471	150,229,471	142,476,891	7,752,580
Excess (deficiency) of revenues over (under) expenditures	(698,132)	(698,132)	9,987,296	10,685,428
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(231)	(231)
Transfers out	(2,725,294)	(2,725,294)	(9,603,135)	(6,877,841)
Budgetary reserve	(4,500,000)	(4,500,000)	-	4,500,000
Total other financing sources (uses)	(7,225,294)	(7,225,294)	(9,603,366)	(2,378,072)
NET CHANGE IN FUND BALANCE	\$ (7,923,426)	\$ (7,923,426)	383,930	\$ 8,307,356
FUND BALANCE				
Beginning of year			31,903,753	
End of year			\$ 32,287,683	

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.4356%	0.4300%	0.4342%	0.4302%	0.4376%	0.4355%	0.4259%
District's proportionate share of the net pension liability	\$ 214,485,154	\$ 201,165,214	\$ 208,438,000	\$ 212,469,000	\$ 216,861,000	\$ 188,638,000	\$ 168,575,000
District's covered-employee payroll	\$ 60,948,835	\$ 59,296,675	\$ 58,475,423	\$ 57,275,359	\$ 56,680,014	\$ 56,037,504	\$ 54,346,695
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	351.91%	339.25%	356.45%	370.96%	382.61%	336.63%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.00%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 20,350,827	\$ 19,256,415	\$ 19,249,000	\$ 18,553,000	\$ 16,737,000	\$ 14,153,000	\$ 11,482,000
Contributions in relation to the contractually required contribution	<u>20,350,827</u>	<u>19,256,415</u>	<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 deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 60,948,835	\$ 59,296,675	\$ 59,046,012	\$ 58,475,423	\$ 57,275,359	\$ 56,680,014	\$ 56,037,504
Contributions as a percentage of covered-employee payroll	33.39%	32.47%	32.60%	31.73%	29.22%	24.97%	20.49%

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In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 450,166	\$ 456,400	\$ 447,319	\$ 463,308
Interest on total OPEB liability	328,365	290,170	303,300	245,302
Change of benefit terms	(558,806)	-	-	-
Difference between expected and actual experience	(118,753)	-	(290,520)	-
Change of assumptions	1,676,729	(425,925)	(119,812)	(533,219)
Benefit payments	<u>(286,298)</u>	<u>(270,097)</u>	<u>(340,204)</u>	<u>(297,865)</u>
Net change in total OPEB liability	1,491,403	50,548	83	(122,474)
Total OPEB liability, beginning	<u>9,477,699</u>	<u>9,427,151</u>	<u>9,427,068</u>	<u>9,549,542</u>
Total OPEB liability, ending	<u>\$ 10,969,102</u>	<u>\$ 9,477,699</u>	<u>\$ 9,427,151</u>	<u>\$ 9,427,068</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 58,220,568	\$ 54,617,864	\$ 54,617,864	\$ 50,507,324
Net OPEB liability as a % of covered payroll	18.84%	17.35%	17.26%	18.66%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS****Year ended June 30**

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.4342%	0.4300%	0.4342%	0.4302%
District's proportionate share of the net OPEB liability	\$ 9,381,746	\$ 9,145,421	\$ 9,053,000	\$ 8,765,000
District's covered-employee payroll	\$ 60,948,835	\$ 59,296,675	\$ 58,433,735	\$ 57,275,359
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.39%	15.42%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS****Year ended June 30**

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 511,153	\$ 492,655	\$ 490,000	\$ 485,000
Contributions in relation to the contractually required contribution	<u>511,153</u>	<u>492,655</u>	<u>490,000</u>	<u>485,000</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 60,948,835	\$ 59,296,675	\$ 59,036,145	\$ 58,433,735
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Title I - Improving Basic Programs	I	84.010	013-210430	07/01/20 - 09/30/21	\$ 201,448	\$ 172,670	\$ -	\$ 201,448	\$ 201,448	\$ 28,778	\$ -
Title II - Improving Teacher Quality	I	84.367	020-200430	07/01/19 - 09/30/20	93,259	-	(1,158)	1,158	1,158	-	-
Title II - Improving Teacher Quality	I	84.367	020-210430	07/01/20 - 09/30/21	94,129	74,137	-	90,832	90,832	16,695	-
Total CFDA #84.367						74,137	(1,158)	91,990	91,990	16,695	-
Title III - Language Instruction for English Learners	I	84.365	010-210430	07/01/20 - 09/30/21	35,247	30,212	-	27,624	27,624	(2,588)	-
Title IV - Student Support and Academic Achievement	I	84.424	144-200430	07/01/19 - 09/30/20	20,868	7,453	1,421	6,032	6,032	-	-
Title IV - Student Support and Academic Achievement	I	84.424	144-210430	07/01/20 - 09/30/21	17,973	17,973	-	16,289	16,289	(1,684)	-
Total CFDA #84.424						25,426	1,421	22,321	22,321	(1,684)	-
COVID-19 ESSER	I	84.425	200-200430	03/13/20-09/30/21	194,657	194,657	194,657	-	-	-	-
COVID-19 ESSER II	I	84.425	200-210430	03/13/21-09/30/23	743,885	-	-	683,612	683,612	683,612	-
COVID-19 SECIM	I	84.425	252-200430	03/13/20 - 09/30/21	69,748	69,748	-	69,748	69,748	-	-
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 School Health and Safety	I	84.425	2020-ES-01-35102	03/13/20 - 09/30/22	223,652	-	-	223,652	223,652	223,652	-
Total CFDA #84.425						264,405	194,657	977,012	977,012	907,264	-
<u>Passed Through the Montgomery County I.U.</u>											
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/20 - 06/30/21	405	405	-	405	405	-	-
<u>Passed Through the Chester County I.U.</u>											
I.D.E.A. - Part B, Section 619	I	84.173	131-2000024	07/01/19 - 06/30/20	2,700	2,700	2,700	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-2100024	07/01/20 - 06/30/21	2,600	-	-	2,600	2,600	2,600	-
Total CFDA #84.173						3,105	2,700	3,005	3,005	2,600	-

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
I.D.E.A. - Part B, Section 611	I	84.027	062-2000024	07/01/19 - 09/30/20	935,541	935,541	935,541	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-2100024	07/01/20 - 09/30/21	979,926	-	-	979,926	979,926	979,926	-
Total CFDA #84.027						935,541	935,541	979,926	979,926	979,926	-
Total U.S. Department of Education						1,505,496	1,133,161	2,303,326	2,303,326	1,930,991	-
<u>U.S. Department of Treasury</u>											
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33784	03/01/20 - 10/30/20	375,684	375,684	80,056	295,628	295,628	-	-
<u>Passed-Through the Chester County I.U.</u>											
COVID-19 Relief Fund	I	21.019	19947	03/13/20 - 12/30/20	343,514	343,514	-	343,514	343,514	-	-
Total CFDA #21.019						719,198	80,056	639,142	639,142	-	-
Total U.S. Department of Treasury						719,198	80,056	639,142	639,142	-	-
<u>U.S. Department of Health and Human Services</u>											
Medical Assistance Program	D	93.778	N/A	07/01/20 - 06/30/21	N/A	9,855	-	9,855	9,855	-	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	1,358	1,358	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	16,420	-	23,126	23,126	6,706	-
Total State Matching Share						17,778	1,358	23,126	23,126	6,706	-
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	10,407	10,407	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	87,760	-	102,525	102,525	14,765	-
Total CFDA #10.553						98,167	10,407	102,525	102,525	14,765	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	19,683	19,683	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	342,860	-	519,615	519,615	176,755	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	22,237	-	22,237	22,237	-	-
Total CFDA #10.555						384,780	19,683	541,852	541,852	176,755	-
Total U.S. Department of Agriculture						500,725	31,448	667,503	667,503	198,226	-
Total Federal Awards and Certain State Grants						\$ 2,735,274	\$ 1,244,665	\$ 3,619,826	\$ 3,619,826	\$ 2,129,217	\$ -

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
Total Federal Awards						\$ 2,717,496	\$ 1,243,307	\$ 3,596,700	\$ 3,596,700	\$2,122,511	\$ -
Total State Awards						<u>17,778</u>	<u>1,358</u>	<u>23,126</u>	<u>23,126</u>	<u>6,706</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 2,735,274</u>	<u>\$ 1,244,665</u>	<u>\$ 3,619,826</u>	<u>\$ 3,619,826</u>	<u>\$2,129,217</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 938,646</u>	<u>\$ 938,241</u>	<u>\$ 982,931</u>	<u>\$ 982,931</u>	<u>\$ 982,526</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						<u>\$ 482,947</u>	<u>\$ 30,090</u>	<u>\$ 644,377</u>	<u>\$ 644,377</u>	<u>\$ 191,520</u>	<u>\$ -</u>

Source Codes

D - Direct Funding

I - Indirect Funding

S - State Share

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2021

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$507,560.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2021.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tredyffrin/Easttown School District, Wayne, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Tredyffrin/Easttown School District's basic financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Tredyffrin/Easttown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

BBD, LLP

**Philadelphia, Pennsylvania
November 3, 2021**



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

**Board of School Directors
Tredyffrin/Easttown School District
Wayne, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Tredyffrin/Easttown School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tredyffrin/Easttown School District's major federal programs for the year ended June 30, 2021. Tredyffrin/Easttown School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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* 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 Tredyffrin/Easttown School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

Report on Internal Control over Compliance

Management of 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 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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

BBD, LLP

**Philadelphia, Pennsylvania
November 3, 2021**

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Tredyffrin/Easttown School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Tredyffrin/Easttown School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Tredyffrin/Easttown School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Tredyffrin/Easttown School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:

Elementary and Secondary School Emergency Relief Fund – CFDA Number 84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Tredyffrin/Easttown School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUPPLEMENTAL DATA – UNAUDITED

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

REAL PROPERTY ASSESSMENT DATA - UNAUDITED

Last fifteen fiscal years ending June 30

<u>Year</u>	<u>Market Valuation</u>	<u>Assessed Valuation (1)</u>	<u>Ratio of Assessed to Market</u>
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	4,889,775,012	57.35%
2017	8,563,911,215	4,914,911,117	57.39%
2018	8,941,758,580	4,960,961,706	55.48%
2019	9,058,087,616	5,020,082,549	55.42%
2020	9,355,505,105	5,037,143,261	53.84%
2021	9,476,823,741	5,102,463,021	53.84% (2)

Source: Pennsylvania State Tax Equalization Board

(1) Assessed valuation on June 30 each year

(2) Based on prior year

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**REAL PROPERTY TAX COLLECTION DATA - UNAUDITED**

Last fifteen fiscal years ending June 30

<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>
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	115,283,027	97.58%	116,320,506	98.46%
2020-21	121,473,939	118,530,985	97.58%	119,831,955	98.65%
2021-22	128,137,133	N/A	N/A	N/A	N/A

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

TAX RATES - UNAUDITED

Last fifteen fiscal years ending June 30

<u>Year</u>	<u>Real Estate</u>	<u>Real Estate Transfer</u>	<u>Amusement</u>
2007-08	16.2600	0.50	5.00
2008-09	16.9700	0.50	5.00
2009-10	17.4700	0.50	5.00
2010-11	17.9700	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
2020-21	24.5003	0.50	5.00
2021-22	25.1128	0.50	5.00

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

DEBT LIMIT AND BORROWING CAPACITY - UNAUDITED

Last fifteen fiscal years ending June 30

<u>Fiscal Year-End</u>	<u>Debt Outstanding as of Fiscal Year-End</u>	<u>Legal Debt Limit</u>	<u>Remaining Borrowing Capacity</u>
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
2019-2020	68,895,000	308,123,598	239,228,598
2020-2021	67,940,000	322,242,469	254,302,469

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

ENROLLMENT TRENDS - UNAUDITED

Last fifteen fiscal years ending June 30

Fiscal Year	Elementary (K-6)	Secondary (7-12)	Totals
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
2019-2020	3,683	3,499	7,182
2020-2021	3,456	3,501	6,957

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

EMPLOYEE HEAD COUNT - UNAUDITED

Last fifteen fiscal years ending June 30

<u>Fiscal Year</u>	<u>Professional Staff</u>	<u>Support</u>	<u>Totals</u>
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
2019-2020	558	247	805
2020-2021	567	239	806

Source: School District Officials