



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

Financial Statements
Year Ended June 30, 2020



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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of Tredyffrin/Easttown School District as of and for the year ended June 30, 2019, were audited by other auditors whose report, dated December 9, 2019, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 48 through 53 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 16, 2020, 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 16, 2020**

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020. 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 2019-2020, there were 778.5 employees in the District, consisting of 501.5 instructional staff, 30 administrators, including general administration, principals and supervisors, and 247 non-instructional staff including administrative assistants, maintenance staff, custodial staff and class room 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 2020. The mission statement of the Strategic Plan is "To inspire a passion for learning, personal integrity, the pursuit of excellence, and social responsibility in each student." The District is in the process on 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 2019-2020 fiscal year of \$121,735,189. During the 2019-2020 fiscal year, the District had an increase in total net position of \$3,090,260. The net position of governmental activities increased by \$3,254,366 and the net position of business-type activities decreased by \$164,106.
- The General Fund reported an increase in fund balance of \$1,046,284, bringing the cumulative balance to \$31,903,753 at the conclusion of the 2019-2020 fiscal year.
- At June 30, 2020, the General Fund fund balance includes \$7,923,426 committed to balance the subsequent year's budget, \$4,006,072 committed to capital projects, \$7,820,079 committed to vested employee services, \$7,077,137 committed to PSERS contingency, \$4,900,000 committed to healthcare contingency, \$177,039 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 2019-2020, the Capital Projects Fund reported a decrease in fund balance of \$6,663,647 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 \$34,344,284 as of June 30, 2020 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 \$1,920,290 or 1.30% more than budgeted amounts and total General Fund expenditures and other financing uses were \$5,332,623 or 3.47% less than budgeted amounts resulting in a net positive variance of \$7,252,913.
- 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. In addition, as of March 14, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-essential business" in Chester County, Pennsylvania for an extended period of time.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020

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 47 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 48 through 53 of this report.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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 2019-2020 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$121,735,189. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2020 and 2019.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 98,032,103	\$ 98,031,066	\$ 656,754	\$ 864,456	\$ 98,688,857	\$ 98,895,522
Noncurrent assets	<u>100,244,309</u>	<u>94,989,811</u>	<u>342,741</u>	<u>371,088</u>	<u>100,587,050</u>	<u>95,360,899</u>
Total assets	<u>198,276,412</u>	<u>193,020,877</u>	<u>999,495</u>	<u>1,235,544</u>	<u>199,275,907</u>	<u>194,256,421</u>
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	503,329	652,962	-	-	503,329	652,962
Deferred charges – OPEB	1,188,314	1,028,262	39,723	18,835	1,228,037	1,047,097
Deferred charges – pensions	<u>24,144,710</u>	<u>28,352,000</u>	<u>381,462</u>	<u>514,000</u>	<u>24,526,172</u>	<u>28,866,000</u>
Total deferred outflows	<u>25,836,353</u>	<u>30,033,224</u>	<u>421,185</u>	<u>532,835</u>	<u>26,257,538</u>	<u>30,566,059</u>
LIABILITIES						
Current liabilities	31,680,927	27,989,094	222,358	166,026	31,903,285	28,155,120
Noncurrent liabilities	<u>299,907,964</u>	<u>310,842,219</u>	<u>3,785,001</u>	<u>4,118,382</u>	<u>303,692,965</u>	<u>314,960,601</u>
Total liabilities	<u>331,588,891</u>	<u>338,831,313</u>	<u>4,007,359</u>	<u>4,284,408</u>	<u>335,596,250</u>	<u>343,115,721</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	1,544,747	1,266,312	51,637	22,896	1,596,384	1,289,208
Deferred credits – pensions	<u>9,919,285</u>	<u>5,151,000</u>	<u>156,715</u>	<u>92,000</u>	<u>10,076,000</u>	<u>5,243,000</u>
Total deferred inflows	<u>11,464,032</u>	<u>6,417,312</u>	<u>208,352</u>	<u>114,896</u>	<u>11,672,384</u>	<u>6,532,208</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	36,542,066	39,455,882	342,741	371,088	36,884,807	39,826,970
Restricted	22,678,263	17,181,439	-	-	22,678,263	17,181,439
Unrestricted (deficit)	<u>(178,160,487)</u>	<u>(178,831,845)</u>	<u>(3,137,772)</u>	<u>(3,002,013)</u>	<u>(181,298,259)</u>	<u>(181,833,858)</u>
Total net position (deficit)	<u>\$(118,940,158)</u>	<u>\$(122,194,524)</u>	<u>\$(2,795,031)</u>	<u>\$(2,630,925)</u>	<u>\$(121,735,189)</u>	<u>\$(124,825,449)</u>

The District's total assets as of June 30, 2020 were \$199,275,907 of which \$90,897,162 or 45.61% consisted of cash and investments and \$100,587,050 or 50.48% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2020 were \$335,596,250 of which \$75,871,593 or 22.61% consisted of general obligation debt used to acquire and construct capital assets, \$201,165,214 or 59.94% consisted of the actuarially determined net pension liability and \$18,623,120 or 5.55% consisted of the actuarially determined OPEB liability.

The District had a deficit in unrestricted net position of \$181,298,259 at June 30, 2020. The District's unrestricted net position increased by \$535,599 during 2019-2020 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 \$22,678,263 as of June 30, 2020. All of the District's restricted net position related to amounts restricted for capital expenditures.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020, the District's net investment in capital assets decreased by \$2,942,163 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

The following table presents condensed information for the *Statement of Activities* of the District for 2020 and 2019:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES						
Program revenues						
Charges for services	\$ 706,166	\$ 718,246	\$1,722,115	\$2,392,678	\$ 2,428,281	\$ 3,110,924
Operating grants and contributions	18,925,853	18,501,829	582,015	542,716	19,507,868	19,044,545
General revenues						
Property taxes levied for general purposes	118,720,616	111,217,624	-	-	118,720,616	111,217,624
Other taxes levied for general purposes	4,963,721	3,437,061	-	-	4,963,721	3,437,061
Grants and entitlements not restricted to specific programs	5,859,689	5,778,461	-	-	5,859,689	5,778,461
Investment earnings	2,676,229	2,772,536	15,803	25,204	2,692,032	2,797,740
Miscellaneous	-	455,844	-	-	-	455,844
Gain (loss) on sale of capital assets	(409)	(46,469)	-	-	(409)	(46,469)
Total revenues	<u>151,851,865</u>	<u>142,835,132</u>	<u>2,319,933</u>	<u>2,960,598</u>	<u>154,171,798</u>	<u>145,795,730</u>
EXPENSES						
Instruction	97,205,484	94,570,298	-	-	97,205,484	94,570,298
Instructional student support services	11,676,998	11,580,269	-	-	11,676,998	11,580,269
Administrative and financial support services	14,678,425	14,721,330	-	-	14,678,425	14,721,330
Operation and maintenance of plant services	12,835,506	12,100,709	-	-	12,835,506	12,100,709
Pupil transportation	7,511,791	7,707,623	-	-	7,511,791	7,707,623
Student activities	1,996,331	2,163,484	-	-	1,996,331	2,163,484
Interest and amortization expense related to non-current liabilities	2,692,964	2,574,736	-	-	2,692,964	2,574,736
Food service	-	-	2,484,039	2,914,197	2,484,039	2,914,197
Total expenses	<u>148,597,499</u>	<u>145,418,449</u>	<u>2,484,039</u>	<u>2,914,197</u>	<u>151,081,538</u>	<u>148,332,646</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 3,254,366</u>	<u>\$ (2,583,317)</u>	<u>\$ (164,106)</u>	<u>\$ 46,401</u>	<u>\$ 3,090,260</u>	<u>\$ (2,536,916)</u>

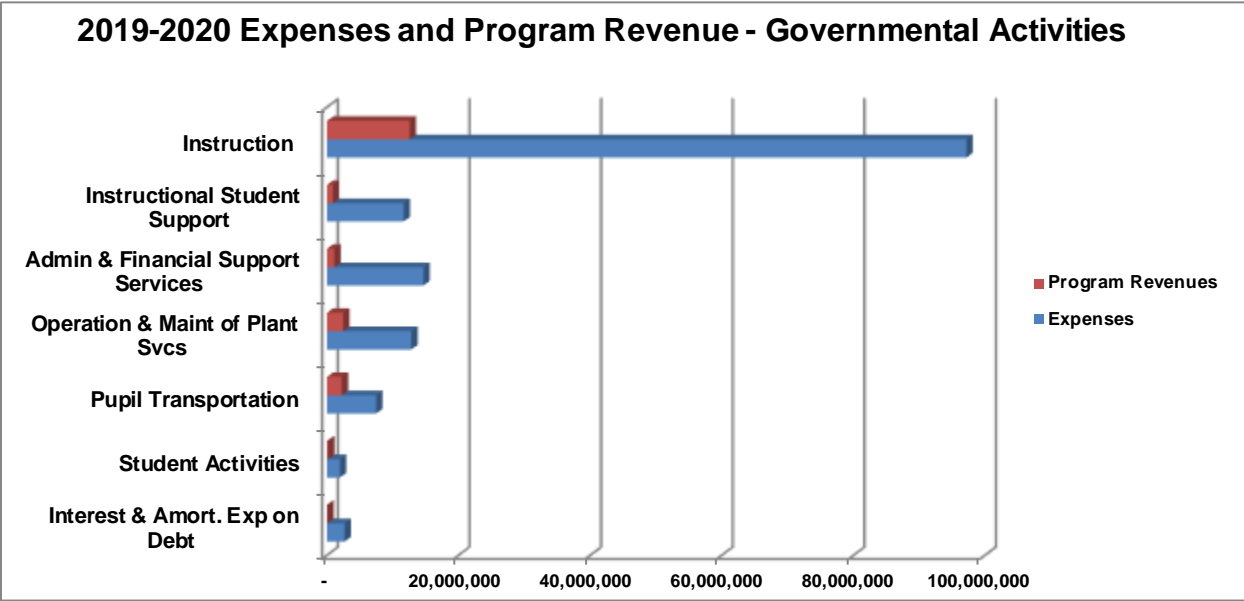
Overall, the District's financial position improved but challenges such as increased medical costs, pension contributions and unfunded state mandates have a potential to impact future fiscal years. In addition, during the fourth quarter of 2019-2020 the District was impacted by the COVID-19 pandemic. The financial impact of the COVID-19 pandemic and shut down of the District schools on future fiscal years is not entirely known.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

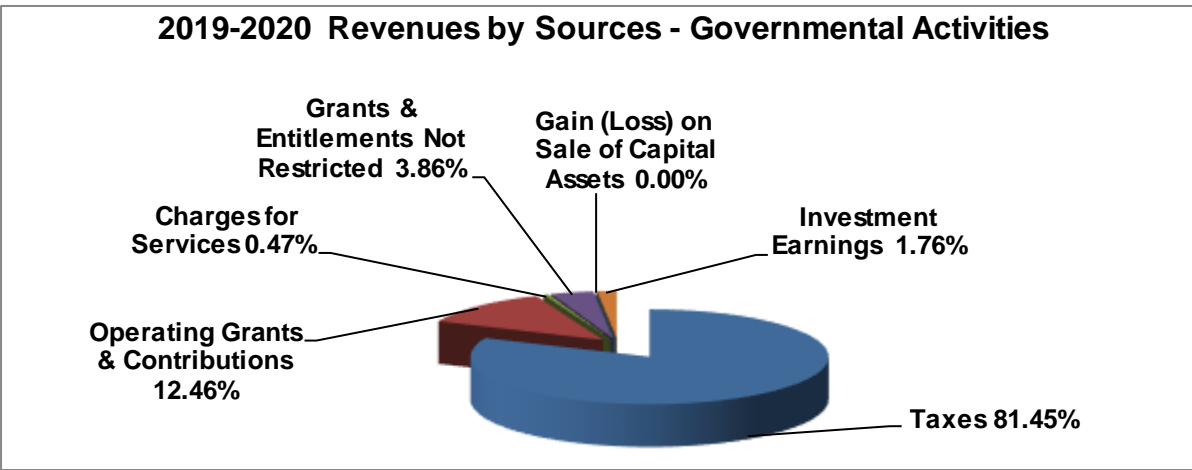
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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, 2020

GOVERNMENTAL FUNDS

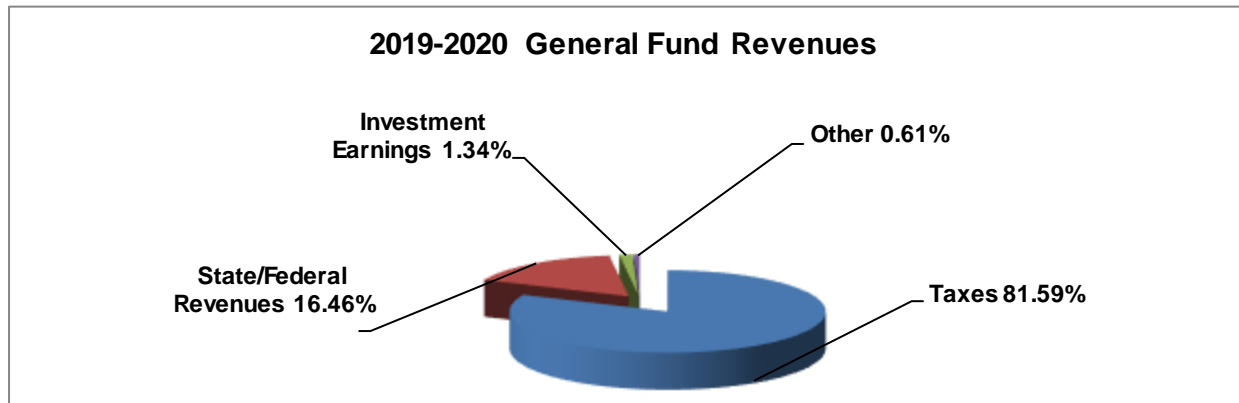
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2020, the District's governmental funds reported a combined fund balance of \$66,248,037 which is a decrease of \$5,587,363 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2020 and 2019 and the total 2020 change in governmental fund balances.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General Fund	\$31,903,753	\$30,857,469	\$ 1,046,284
Capital Projects Fund	34,344,284	40,977,931	(6,633,647)
Debt Service Fund	-	-	-
	<u>\$66,248,037</u>	<u>\$71,835,400</u>	<u>\$ (5,587,363)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2019-2020 fiscal year, the General Fund fund balance was \$31,903,753 representing an increase of \$1,046,284 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 2019-2020 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 81.59% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$121,871,398	\$115,539,082	\$6,332,316	5.48
State/Federal revenues	24,580,652	24,282,390	298,262	1.23
Investment earnings	2,009,003	2,214,420	(205,417)	(9.28)
Other	911,055	1,174,090	(263,035)	(22.40)
	<u>\$149,372,108</u>	<u>\$143,209,982</u>	<u>\$6,162,126</u>	<u>4.30</u>

Net tax revenues increased by \$6,332,316 or 5.48% due to several factors. The District balanced its budget deficit, in part, by increasing the 2019-2020 tax rate by 3.91% to 23.8795 mills. Realty transfer tax increased in 2019-2020 by \$1,537,751 or 46.71%. This increase was driven by four large commercial transfers that were one-time in nature. These increases were offset by decreases in real estate interim taxes and delinquent taxes. 2018-2019 real estate interim collections included \$281,000 in commercial collections that were non-recurring. Delinquent real estate collections were down \$163,212 which reflects low delinquency rates in the 2019-2020 current year tax collections.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

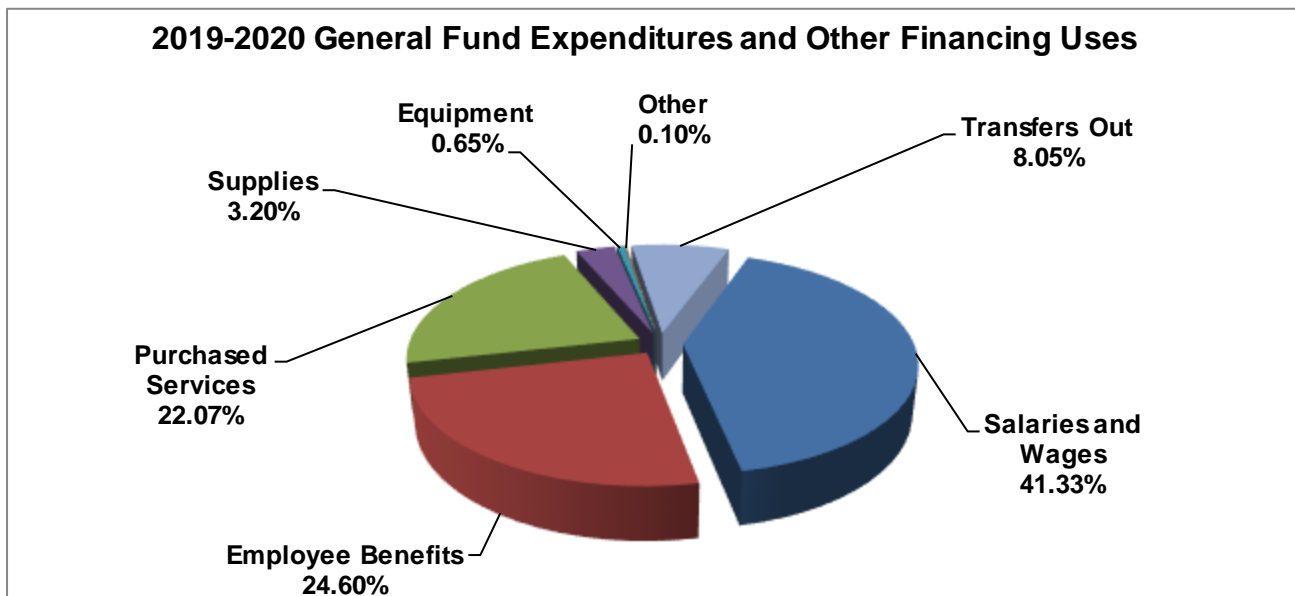
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$115,374,218	\$109,970,864	\$5,403,354	4.91
Interim tax	495,980	930,465	(434,485)	(46.70)
PURTA tax	102,231	109,269	(7,038)	(6.44)
Realty transfer tax	4,829,630	3,291,879	1,537,751	46.71
Amusement tax	31,859	35,913	(4,054)	(11.29)
Delinquent real estate tax	<u>1,037,480</u>	<u>1,200,692</u>	<u>(163,212)</u>	<u>(13.59)</u>
	<u>\$121,871,398</u>	<u>\$115,539,082</u>	<u>\$6,332,316</u>	<u>5.48</u>

State/Federal revenues increased \$298,262 as the result of offsetting increases and decreases. The District received an additional \$275,000 in COVID-19-related Federal grant funding. Additionally, the District received \$655,000 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.

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>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 61,304,548	\$ 59,673,586	\$1,630,962	2.73
Employee benefits	36,478,192	35,350,608	1,127,584	3.19
Purchased services	32,737,078	31,722,040	1,015,038	3.20
Supplies	4,748,805	3,978,640	770,165	19.36
Equipment	965,347	954,488	10,859	1.14
Other	153,106	152,100	1,006	0.66
Transfers out	<u>11,938,748</u>	<u>10,863,954</u>	<u>1,074,794</u>	<u>9.89</u>
	<u>\$148,325,824</u>	<u>\$142,695,416</u>	<u>\$5,630,408</u>	<u>3.95</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Salaries and wages increased by \$1,630,962 or 2.73% in 2019-2020 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 \$1,127,584 or 3.19% due to an increase in the employer contribution pension rate from 33.43% in 2018-2019 to 34.29% in 2019-2020. The employer contribution for pension increased approximately \$1,111,000 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 ("**PSERS**") 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 \$770,165 or 19.36% over the prior year. Increases were seen in the areas of technology, student services and educational materials which included a large textbook purchase. While equipment expenses were in line with prior year spending, the District shifted spending to COVID-19-related expenses. \$439,000 of the 2019-2020 equipment expenses were technology equipment for COVID-19-related remote learning.

The District increased the transfer to the Capital Fund from \$4,000,000 in the prior year to \$5,200,000 in the current year. The District increased 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 2019-2020, the Capital Project Fund reported a decrease in fund balance of \$6,633,647. The drivers for this change were a General Fund contribution in the amount of \$5,200,000 and project expenditures in the amount of \$12.5 million for projects including the Conestoga High School expansion and renovation project (\$3.5 million), elementary school air Conditioning (\$3.7 million) and other building renovations.

DEBT SERVICE FUND

The Debt Service Fund is used to account for debt service and capital financing transactions. During 2019-2020, the District reduced outstanding debt service by paying \$3,575,000 in principal costs. The balance of the annual expenditures related to interest.

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 \$1,920,290 more than budgeted amounts and actual expenditures and other financing uses were \$5,332,623 less than budgeted amounts resulting in a net overall positive variance of \$7,252,913. Major budgetary highlights for 2019-2020 were as follows:

- Actual local revenues received were \$1,661,985 more than budgeted amounts as a result of large one-time commercial transfer tax collections of approximately \$1.4 million more than budgeted and investment earnings exceeding estimates by \$645,000. The District historically budgets conservatively in these areas to account for non-recurring collections and economic impact on markets.
- Salary expenditures were under budget by \$1,075,147 due to vacancies and COVID-19-related cancellation of programs. Benefits were \$1,963,960 under budget. The largest driver of the benefit savings was employee healthcare expenses of \$1,314,423 under budget due to favorable claims. Salary and benefit savings are the driver for the regular educational program savings. Transportation costs were \$1,017,414 lower than budget due to school closures and the implementation of remote learning during the pandemic.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

- The budgetary reserve was under expended by \$2,800,000. Additionally, the transfer from the General Fund to the Capital Projects Fund was over expended by \$4,000,000. 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 2019-2020, the net position of the business-type activities and Food Service Fund decreased by \$164,106 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, 2020, the business-type activities and Food Service Fund had a deficit in net position of \$2,795,031. 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, 2020 amounted to \$100,587,050 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 \$5,226,151 or 5.48%. The increase was the result of capital additions in excess of current year disposals and depreciation.

Current year capital additions were \$13,370,305 and depreciation expense and net disposals were \$8,144,154.

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

• Conestoga High School expansion project - CIP	\$3,468,111
• Air conditioning projects at Devon/New Eagle - CIP	\$2,360,676
• Renovations at BES, DES, HES, and NEES	\$1,286,081
• Renovations at CHS, TEMS, VFMS, and VFES	\$1,927,789
• Air conditioning at Hillside Elementary School	\$1,425,151
• CCTV security camera upgrades and enhancements	\$ 963,012

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$75,871,593 consisting of \$69,000,000 of bonds payable and net deferred credits of \$6,871,593. 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 \$4,111,790 or 5.14% 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 \$323,284,001 as of June 30, 2020.

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 \$201,165,214 as of June 30, 2020. The District's net pension liability decreased by \$7,272,786 or 3.49% 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 \$18,623,120 as of June 30, 2020. The District's OPEB liability increased by \$142,969 or 0.77% during the fiscal year.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

Other noncurrent liabilities consist of the District's liabilities for compensated absences and accrued severance obligations, which totaled \$8,033,038 as of June 30, 2020. These liabilities decreased by \$26,029 or 0.32% 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 7,184 students for the 2019-2020 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 2019-2020, the District anticipates increased impact to revenue in 2020-2021 of the following: delayed real estate tax payments, increase in tax delinquencies, lower realty transfer taxes due to less commercial transfers, significantly lower rental income from canceled facilities use, reduced student fee collections from waivers, and increased federal funding for COVID-19 related spending. In addition, significant impacts are anticipated to the District's 2020-2021 expenditures from the pandemic due to the social distancing requirements, personal protective equipment, additional cleaning and disinfecting, and the hybrid and remote learning models. 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, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 58,619,821	\$ 888,341	\$ 59,508,162	\$ 46,469,354
Investments	31,389,000	-	31,389,000	45,272,986
Taxes receivable, net	1,419,870	-	1,419,870	1,494,457
Interest receivable	277,440	-	277,440	21,103
Internal balances	324,587	(324,587)	-	-
Due from other governments	5,919,187	31,447	5,950,634	5,442,349
Other receivables	82,198	177	82,375	166,350
Inventories	-	61,376	61,376	28,923
Total current assets	98,032,103	656,754	98,688,857	98,895,522
NONCURRENT ASSETS				
Capital assets, net	100,244,309	342,741	100,587,050	95,360,899
Total assets	198,276,412	999,495	199,275,907	194,256,421
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges - pension	24,144,710	381,462	24,526,172	28,866,000
Deferred charges - OPEB	1,188,314	39,723	1,228,037	1,047,097
Deferred amounts on debt refunding	503,329	-	503,329	652,962
Total deferred outflows of resources	25,836,353	421,185	26,257,538	30,566,059
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	7,509,349	23,496	7,532,845	4,661,760
Accrued salaries, payroll withholdings and benefits	22,991,201	22,975	23,014,176	20,319,789
Accrued interest payable	1,180,377	-	1,180,377	1,264,004
Unearned revenue	-	175,887	175,887	1,909,567
Total current liabilities	31,680,927	222,358	31,903,285	28,155,120
NONCURRENT LIABILITIES				
Due within one year	4,542,288	-	4,542,288	4,759,886
Due in more than one year	295,365,676	3,785,001	299,150,677	310,200,715
Total noncurrent liabilities	299,907,964	3,785,001	303,692,965	314,960,601
Total liabilities	331,588,891	4,007,359	335,596,250	343,115,721
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - pension	9,919,285	156,715	10,076,000	5,243,000
Deferred credits - OPEB	1,544,747	51,637	1,596,384	1,289,208
Total deferred inflows of resources	11,464,032	208,352	11,672,384	6,532,208
NET POSITION (DEFICIT)				
Net investment in capital assets	36,542,066	342,741	36,884,807	39,826,970
Restricted	22,678,263	-	22,678,263	17,181,439
Unrestricted (deficit)	(178,160,487)	(3,137,772)	(181,298,259)	(181,833,858)
Total net position (deficit)	\$ (118,940,158)	\$ (2,795,031)	\$ (121,735,189)	\$ (124,825,449)

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with summarized comparative totals for 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 97,205,484	\$ 149,009	\$ 12,441,991	\$ -	\$ (84,614,484)	\$ -	\$ (84,614,484)	\$ (82,675,377)
Instructional student support	11,676,998	-	892,421	-	(10,784,577)	-	(10,784,577)	(10,082,857)
Administrative and financial support services	14,678,425	-	1,136,036	-	(13,542,389)	-	(13,542,389)	(13,484,939)
Operation and maintenance of plant services	12,835,506	521,512	1,948,645	-	(10,365,349)	-	(10,365,349)	(10,400,220)
Pupil transportation	7,511,791	-	2,274,904	-	(5,236,887)	-	(5,236,887)	(5,360,232)
Student activities	1,996,331	35,645	152,687	-	(1,807,999)	-	(1,807,999)	(1,938,174)
Interest and amortization expense related to noncurrent liabilities	2,692,964	-	79,169	-	(2,613,795)	-	(2,613,795)	(2,256,575)
Total governmental activities	148,597,499	706,166	18,925,853	-	(128,965,480)	-	(128,965,480)	(126,198,374)
BUSINESS-TYPE ACTIVITIES								
Food service	2,484,039	1,722,115	582,015	-	-	(179,909)	(179,909)	21,197
Total primary government	\$ 151,081,538	\$ 2,428,281	\$ 19,507,868	\$ -	(128,965,480)	(179,909)	(129,145,389)	(126,177,177)
GENERAL REVENUES								
Property taxes levied for general purposes					118,720,616	-	118,720,616	111,217,624
Other taxes levied for general purposes					4,963,721	-	4,963,721	3,437,061
Grants and entitlements not restricted to specific programs					5,859,689	-	5,859,689	5,778,461
Investment earnings					2,676,229	15,803	2,692,032	2,797,740
Miscellaneous					-	-	-	455,844
Gain (loss) on sale of capital assets					(409)	-	(409)	(46,469)
Total general revenues					132,219,846	15,803	132,235,649	123,640,261
CHANGE IN NET POSITION (DEFICIT)					3,254,366	(164,106)	3,090,260	(2,536,916)
NET POSITION (DEFICIT)								
Beginning of year					(122,194,524)	(2,630,925)	(124,825,449)	(122,288,533)
End of year					\$ (118,940,158)	\$ (2,795,031)	\$ (121,735,189)	\$ (124,825,449)

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020 with summarized comparative totals for 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2020	2019
ASSETS					
Cash	\$ 31,279,701	\$ 27,340,120	\$ -	\$ 58,619,821	\$ 45,654,792
Investments	21,149,000	10,240,000	-	31,389,000	45,220,000
Taxes receivable, net	1,419,870	-	-	1,419,870	1,494,457
Interest receivable	277,440	-	-	277,440	13,432
Due from other funds	741,934	-	-	741,934	4,939,690
Due from other governments	5,919,187	-	-	5,919,187	5,442,349
Other receivables	82,198	-	-	82,198	162,458
Total assets	\$ 60,869,330	\$ 37,580,120	\$ -	\$ 98,449,450	\$ 102,927,178
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 4,690,860	\$ 2,818,489	\$ -	\$ 7,509,349	\$ 4,622,891
Due to other funds	-	417,347	-	417,347	4,903,783
Accrued salaries, payroll withholdings and benefits	22,991,201	-	-	22,991,201	20,319,789
Unearned revenue	-	-	-	-	91,191
Total liabilities	27,682,061	3,235,836	-	30,917,897	29,937,654
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	1,283,516	-	-	1,283,516	1,154,124
FUND BALANCES					
Restricted for					
Capital projects	-	34,344,284	-	34,344,284	40,977,931
Committed to					
Balance subsequent year's budget	7,923,426	-	-	7,923,426	6,206,629
Capital projects	4,006,072	-	-	4,006,072	4,006,072
Vested employee services	7,820,079	-	-	7,820,079	7,344,669
PSERS contingency	7,077,137	-	-	7,077,137	8,251,384
Healthcare contingency	4,900,000	-	-	4,900,000	4,900,000
Assigned to					
Athletic fund expenditures	177,039	-	-	177,039	148,715
Unassigned	-	-	-	-	-
Total fund balances	31,903,753	34,344,284	-	66,248,037	71,835,400
Total liabilities, deferred inflows of resources and fund balances	\$ 60,869,330	\$ 37,580,120	\$ -	\$ 98,449,450	\$ 102,927,178

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, 2020

TOTAL GOVERNMENTAL FUND BALANCES	\$ 66,248,037
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.	100,244,309
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.	13,868,992
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).	503,329
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.	1,283,516
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(299,907,964)
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>(1,180,377)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (118,940,158)</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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

Year ended June 30, 2020 with summarized comparative totals for 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2020	2019
REVENUES					
Local sources	\$ 124,791,455	\$ 667,226	\$ -	\$ 125,458,681	\$ 120,350,627
State sources	22,532,021	-	-	22,532,021	22,611,660
Federal sources	2,048,632	-	-	2,048,632	796,040
Total revenues	<u>149,372,108</u>	<u>667,226</u>	<u>-</u>	<u>150,039,334</u>	<u>143,758,327</u>
EXPENDITURES					
Current					
Instruction	91,354,287	-	-	91,354,287	86,730,836
Support services	43,133,937	121,340	-	43,255,277	43,061,525
Operation of noninstructional services	1,862,732	-	-	1,862,732	2,026,192
Facilities acquisition, construction and improvement services	-	12,379,533	-	12,379,533	5,925,970
Debt service	-	-	6,738,748	6,738,748	7,740,673
Total expenditures	<u>136,350,956</u>	<u>12,500,873</u>	<u>6,738,748</u>	<u>155,590,577</u>	<u>145,485,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,021,152</u>	<u>(11,833,647)</u>	<u>(6,738,748)</u>	<u>(5,551,243)</u>	<u>(1,726,869)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year receipts	(36,120)	-	-	(36,120)	-
Issuance of debt	-	-	-	-	26,915,000
Bond premiums	-	-	-	-	3,830,692
Transfers in	-	5,200,000	6,738,748	11,938,748	10,863,954
Transfers out	(11,938,748)	-	-	(11,938,748)	(10,863,954)
Total other financing sources (uses)	<u>(11,974,868)</u>	<u>5,200,000</u>	<u>6,738,748</u>	<u>(36,120)</u>	<u>30,745,692</u>
NET CHANGE IN FUND BALANCES	<u>1,046,284</u>	<u>(6,633,647)</u>	<u>-</u>	<u>(5,587,363)</u>	<u>29,018,823</u>
FUND BALANCES					
Beginning of year	<u>30,857,469</u>	<u>40,977,931</u>	<u>-</u>	<u>71,835,400</u>	<u>42,816,577</u>
End of year	<u>\$ 31,903,753</u>	<u>\$ 34,344,284</u>	<u>\$ -</u>	<u>\$ 66,248,037</u>	<u>\$ 71,835,400</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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (5,587,363)
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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 and the net book value of disposed assets in the current period.

Capital outlay expenditures	\$ 13,334,565	
Net book value of disposed capital assets	(409)	
Depreciation expense	<u>(8,079,658)</u>	5,254,498

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, 2019	529,424	
Deferred inflows of resources June 30, 2020	<u>1,283,516</u>	1,812,940

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 payable	3,575,000	
Amortization of bond premiums, discounts, and deferred amounts on refunding	<u>387,157</u>	3,962,157

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	83,627	
Change in net pension liability and related deferred inflows and outflows	(2,296,010)	
Current year change in compensated absences	851,713	
Current year change in accrued severance	(838,142)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>10,946</u>	<u>(2,187,866)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ 3,254,366</u>
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See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2020 with summarized comparative totals for 2019

	Major Fund	
	Food Service Fund	
	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 888,341	\$ 867,548
Due from other governments	31,447	-
Other receivables	177	3,892
Inventories	61,376	28,923
Total current assets	<u>981,341</u>	<u>900,363</u>
NONCURRENT ASSETS		
Capital assets, net	<u>342,741</u>	<u>371,088</u>
Total assets	<u>1,324,082</u>	<u>1,271,451</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges - pension	381,462	514,000
Deferred charges - OPEB	<u>39,723</u>	<u>18,835</u>
Total deferred outflows of resources	<u>421,185</u>	<u>532,835</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
LIABILITIES		
Accounts payable	23,496	13,651
Due to other funds	324,587	35,907
Accrued salaries, payroll withholdings and benefits	22,975	25,218
Unearned revenue	<u>175,887</u>	<u>127,157</u>
Total current liabilities	<u>546,945</u>	<u>201,933</u>
NONCURRENT LIABILITIES		
Net pension liability	3,128,779	3,722,000
Net OPEB liability	602,378	330,080
Compensated absences	<u>53,844</u>	<u>66,302</u>
Total noncurrent liabilities	<u>3,785,001</u>	<u>4,118,382</u>
Total liabilities	<u>4,331,946</u>	<u>4,320,315</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred credits - pension	156,715	92,000
Deferred credits - OPEB	<u>51,637</u>	<u>22,896</u>
Total deferred inflows of resources	<u>208,352</u>	<u>114,896</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	342,741	371,088
Unrestricted (deficit)	<u>(3,137,772)</u>	<u>(3,002,013)</u>
	<u>\$ (2,795,031)</u>	<u>\$ (2,630,925)</u>

See accompanying notes

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

Year ended June 30, 2020 with summarized comparative totals for 2019

	Major Fund	
	Food Service Fund	
	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for services	\$ 1,722,115	\$ 2,392,678
OPERATING EXPENSES		
Salaries	958,492	971,723
Employee benefits	630,952	799,864
Purchased property services	32,327	42,328
Other purchased services	234	314
Supplies	795,759	1,017,151
Dues and fees	2,188	3,657
Depreciation	64,087	79,160
Total operating expenses	2,484,039	2,914,197
Operating loss	(761,924)	(521,519)
NONOPERATING REVENUES		
Earnings on investments	15,803	25,204
State sources	228,455	226,062
Federal sources	353,560	316,654
Total nonoperating revenues	597,818	567,920
CHANGE IN NET POSITION (DEFICIT)	(164,106)	46,401
NET POSITION (DEFICIT)		
Beginning of year	(2,630,925)	(2,677,326)
End of year	<u>\$(2,795,031)</u>	<u>\$(2,630,925)</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	Major Fund	
	Food Service Fund	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 1,800,928	\$ 2,373,796
Cash payments to employees for services	(1,431,282)	(1,716,244)
Cash payments to suppliers for goods and services	<u>(757,828)</u>	<u>(980,275)</u>
Net cash used for operating activities	<u>(388,182)</u>	<u>(322,723)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	223,267	226,062
Federal sources	<u>205,645</u>	<u>230,323</u>
Net cash provided by noncapital financing activities	<u>428,912</u>	<u>456,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(35,740)</u>	<u>(46,052)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>15,803</u>	<u>25,204</u>
Net increase in cash	<u>20,793</u>	<u>112,814</u>
CASH		
Beginning of year	<u>867,548</u>	<u>754,734</u>
End of year	<u>\$ 888,341</u>	<u>\$ 867,548</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (761,924)	\$ (521,519)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	64,087	79,160
Donated commodities used	95,288	86,331
(Increase) decrease in		
Other receivables	3,715	(1,159)
Inventories	(32,453)	(11,999)
Deferred outflows of resources	111,650	96,255
Increase (decrease) in		
Accounts payable	9,845	(34,476)
Due to other funds	288,680	37,727
Accrued salaries, payroll withholdings and benefits	(2,243)	25,218
Unearned revenue	75,098	(55,450)
Compensated absences	(12,458)	18,101
Net OPEB liability	272,298	5,002
Net pension liability	(593,221)	(72,000)
Deferred inflows of resources	<u>93,456</u>	<u>26,086</u>
Net cash used for operating activities	<u>\$ (388,182)</u>	<u>\$ (322,723)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 95,288</u>	<u>\$ 86,331</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT**STATEMENT OF NET POSITION - FIDUCIARY FUNDS****June 30, 2020**

	Private Purpose Trust	<u>Agency</u>
ASSETS		
Cash and cash equivalents	<u>\$ 67,781</u>	<u>\$ 390,106</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>\$ 390,106</u>
NET POSITION		
Net position held in trust for scholarships	<u>\$ 67,781</u>	

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	Private-Purpose Trust Fund	
	<u>2020</u>	<u>2019</u>
ADDITIONS		
Investment earnings	\$ 713	\$ 1,086
Gifts and contributions	<u>36,000</u>	<u>68,000</u>
	36,713	69,086
DEDUCTIONS		
Scholarships awarded and fees paid	<u>40,600</u>	<u>35,374</u>
CHANGE IN NET POSITION	(3,887)	33,712
NET POSITION		
Beginning of year	<u>71,668</u>	<u>37,956</u>
End of year	<u>\$67,781</u>	<u>\$71,668</u>

See accompanying notes

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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, 2020

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, 2020

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 account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. 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. The agency fund accounts for funds held on behalf of the students in the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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, 2020

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 2019-2020 was 23.8795 mills (\$23.88 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 \$1,500 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, 2020

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, 2020.

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, 2020

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, 2019, 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.

New Accounting Pronouncements

GASB Statement No. 84 "*Fiduciary Activities*" will be effective for the District for the year ended June 30, 2021. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes 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.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

GASB Statement No. 90 *"Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61"* will be effective for the District for the year ended June 30, 2021. GASB Statement No. 90 improves 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 defines a majority equity interest and specifies 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.

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.

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.

(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.

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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, 2020, the carrying amount of the District's deposits was \$59,966,049 and the bank balance was \$62,137,386. 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 \$3,181,851 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, 2020, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

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, 2020, 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	\$ 910,000	\$ 910,000	\$ -	\$ -	\$ -
PSDLAF/PLGIT collateralized					
Investment pools	29,000,000	29,000,000	-	-	-
U.S. Treasury bill	1,479,000	1,479,000	-	-	-
	<u>\$31,389,000</u>	<u>\$31,389,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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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, 2020.

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, 2020 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	\$ 3,788,586	\$ -	\$ -	\$ 3,788,586
Construction in progress	-	6,714,652	-	6,714,652
Total capital assets not being depreciated	<u>3,788,586</u>	<u>6,714,652</u>	<u>-</u>	<u>10,503,238</u>
Capital assets being depreciated				
Buildings and improvements	190,177,885	5,664,880	-	195,842,765
Land improvements	6,656,692	-	-	6,656,692
Furniture and equipment	26,479,968	955,033	75,839	27,359,162
Total capital assets being depreciated	<u>223,314,545</u>	<u>6,619,913</u>	<u>75,839</u>	<u>229,858,619</u>
Less accumulated depreciation for				
Buildings and improvements	(96,810,527)	(6,221,819)	-	(103,032,346)
Land improvements	(6,601,347)	-	-	(6,601,347)
Furniture and equipment	(28,701,446)	(1,857,839)	(75,430)	(30,483,855)
Total accumulated depreciation	<u>(132,113,320)</u>	<u>(8,079,658)</u>	<u>(75,430)</u>	<u>(140,117,548)</u>
Total capital assets being depreciated, net	<u>91,201,225</u>	<u>(1,459,745)</u>	<u>409</u>	<u>89,741,071</u>
Governmental activities, net	<u>\$ 94,989,811</u>	<u>\$ 5,254,907</u>	<u>\$ 409</u>	<u>\$ 100,244,309</u>
Business-type activities				
Machinery and equipment	\$ 1,300,712	\$ 35,740	\$ -	\$ 1,336,452
Less accumulated depreciation	(929,624)	(64,087)	-	(993,711)
Business-type activities, net	<u>\$ 371,088</u>	<u>\$ (28,347)</u>	<u>\$ -</u>	<u>\$ 342,741</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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

Governmental activities

Instruction	\$4,958,698
Instructional student support	590,960
Administrative and financial support services	752,281
Operation and maintenance of plant services	1,290,389
Pupil transportation	386,221
Student activities	<u>101,109</u>

Total depreciation expense – governmental activities \$8,079,658

Business-type activities

Food service	<u>\$ 64,087</u>
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As of June 30, 2020, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2020 are as follows:

	Project Amount	Completed Through June 30, 2020	Remaining Commitments
Conestoga Valley High School expansion project	\$33,046,936	\$3,468,111	\$29,578,825
Other capital projects	<u>6,476,135</u>	<u>3,246,541</u>	<u>3,229,594</u>
	<u>\$39,523,071</u>	<u>\$6,714,652</u>	<u>\$32,808,419</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

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

Receivable To	Amount	Payable From	Amount
General Fund	\$ 324,587	Food Service Fund	\$ 324,587
General Fund	<u>417,347</u>	Capital Projects Fund	<u>417,347</u>
	<u>\$ 741,934</u>		<u>\$ 741,934</u>

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, 2020 is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	\$ 5,200,000	General Fund	\$ 5,200,000
Debt Service Fund	<u>6,738,748</u>	General Fund	<u>6,738,748</u>
	<u>\$11,938,748</u>		<u>\$11,938,748</u>

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

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 72,575,000	\$ -	\$ 3,575,000	\$ 69,000,000	\$3,730,000
Bond premiums	7,425,325	-	542,141	6,883,184	658,523
Bond discounts	(16,942)	-	(5,351)	(11,591)	(5,350)
Total general obligation debt	<u>79,983,383</u>	<u>-</u>	<u>4,111,790</u>	<u>75,871,593</u>	<u>4,383,173</u>
Other noncurrent liabilities					
Compensated absences	6,134,698	-	851,713	5,282,985	42,112
Accrued severance	1,858,067	838,142	-	2,696,209	117,003
OPEB liability	9,258,405	-	87,269	9,171,136	-
Net OPEB liability – PSERS	8,891,666	-	42,060	8,849,606	-
Net pension liability - PSERS	<u>204,716,000</u>	<u>-</u>	<u>6,679,565</u>	<u>198,036,435</u>	<u>-</u>
Total other noncurrent liabilities	<u>230,858,836</u>	<u>838,142</u>	<u>7,660,607</u>	<u>224,036,371</u>	<u>159,115</u>
Total governmental activities	<u>310,842,219</u>	<u>838,142</u>	<u>11,772,397</u>	<u>299,907,964</u>	<u>4,542,288</u>
Business-type activities					
Compensated absences	66,302	-	12,458	53,844	-
OPEB liability	168,746	137,817	-	306,563	-
Net OPEB liability – PSERS	161,334	134,481	-	295,815	-
Net pension liability - PSERS	<u>3,722,000</u>	<u>-</u>	<u>593,221</u>	<u>3,128,779</u>	<u>-</u>
Total business-type activities	<u>4,118,382</u>	<u>272,298</u>	<u>605,679</u>	<u>3,785,001</u>	<u>-</u>
Total noncurrent liabilities	<u>\$314,960,601</u>	<u>\$1,110,440</u>	<u>\$12,378,076</u>	<u>\$303,692,965</u>	<u>\$4,542,288</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.

(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, 2020 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 2010	2.00% - 5.00%	\$23,565,000	02/15/2025	\$ 6,920,000
Series of 2015	2.00% - 5.00%	\$22,435,000	02/15/2035	22,370,000
Series of 2016	2.00% - 4.00%	\$13,040,000	02/15/2025	12,800,000
Series of 2019	2.45% - 5.00%	\$26,915,000	02/15/2040	<u>26,910,000</u>
Total general obligation debt				<u>\$69,000,000</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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June 30, 2020

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>
2021	\$ 3,730,000	\$ 3,018,296	\$ 6,748,296
2022	3,905,000	2,844,912	6,749,912
2023	4,000,000	2,834,346	6,834,346
2024	4,110,000	2,651,290	6,761,290
2025	4,275,000	2,487,834	6,762,834
2026-2030	12,930,000	10,584,563	23,514,563
2031-2035	15,840,000	7,506,000	23,346,000
2036-2040	<u>20,210,000</u>	<u>3,129,750</u>	<u>23,339,750</u>
	<u>\$69,000,000</u>	<u>\$35,056,991</u>	<u>\$104,056,991</u>

(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

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OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2018:

Active participants	678
Vested former participants	-
Retired participants	<u>59</u>
Total	<u>737</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, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, and by rolling forward the liabilities from the July 1, 2018 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 \$9,477,699, all of which is unfunded. As of June 30, 2020, the OPEB liability of \$9,171,136 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 \$306,563 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, 2020 was as follows:

Balance as of July 1, 2019	<u>\$9,427,151</u>
Changes for the year	
Service cost	456,400
Interest on total OPEB liability	290,170
Change of assumptions	(425,925)
Benefit payments	<u>(270,097)</u>
Net changes	<u>50,548</u>
Balance as of June 30, 2020	<u>\$9,477,699</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$645,821. At June 30, 2020, 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	\$ -	\$ 249,018
Changes in assumptions-	-	908,366
Payments subsequent to measurement date	<u>286,298</u>	<u>-</u>
	<u>\$286,298</u>	<u>\$1,157,384</u>

\$286,298 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, 2021. 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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Year ended June 30,

2021	\$ (100,749)
2022	(100,749)
2023	(100,749)
2024	(100,749)
2025	(100,749)
Thereafter	(653,639)
	<u>\$ (1,157,384)</u>

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

The following presents the OPEB liability for June 30, 2020, 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>\$8,804,983</u>	<u>\$9,477,699</u>	<u>\$10,287,339</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 3.36%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.36%) or 1 percentage point higher (4.36%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.36%</u>	<u>3.36%</u>	<u>4.36%</u>
OPEB Liability	<u>\$10,660,367</u>	<u>\$9,477,699</u>	<u>\$8,474,784</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2020, was determined by rolling forward the OPEB Liability as of July 1, 2018 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 3.36% - 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 2019 through 2021, gradually decreasing from 5.40% in 2022 to 3.80% in 2075 and later.
- Mortality rates were based on the PubT.H.2000 Employee and Healthy Annuitant mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2018 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.

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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, 2019, 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, 2020 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$511,739 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$9,145,421 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4300 percent, which was a decrease of 0.0042 percent from its proportion measured as of June 30, 2019. As of June 30, 2020, the OPEB liability of \$8,849,606 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 \$295,815 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, 2020, the District recognized OPEB expense of \$425,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 51,000	\$ -
Changes in assumptions	303,000	272,000
Net difference between projected and actual investment earnings	15,000	-
Changes in proportions	61,000	167,000
Contributions subsequent to the measurement date	<u>511,739</u>	<u>-</u>
	<u>\$941,739</u>	<u>\$439,000</u>

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\$511,739 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, 2020 (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,**

2020	\$ (21,000)
2021	(21,000)
2022	(23,000)
2023	(26,000)
2024	64,000
Thereafter	<u>18,000</u>
	<u>\$ (9,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.79% - 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, 2019 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, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females 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, 2020

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	13.20%	0.2%
US Core Fixed Income	83.10%	1.0%
Non-US Developed Fixed	<u>3.70%</u>	0.0%
	<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, 2019.

Discount Rate

The discount rate used to measure the OPEB liability was 2.79%. 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 2.79% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2019, 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, 2019, 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, 2019, 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>\$9,144,015</u>	<u>\$9,145,421</u>	<u>\$9,146,556</u>

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	<u>\$10,418,625</u>	<u>\$9,145,421</u>	<u>\$8,090,252</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, 2020

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, 2020 was 33.43% 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 \$20,378,172 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$201,165,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4300 percent, which was a decrease of 0.0042 percent from its proportion measured as of June 30, 2019. As of June 30, 2020, the net pension liability of \$198,036,435 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 \$3,128,779 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, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$21,914,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,108,000	\$ 6,668,000
Changes in assumptions	1,923,000	-
Net difference between projected and actual investment earnings	-	576,000
Changes in proportions	1,117,000	2,832,000
Contributions subsequent to the measurement date	<u>20,378,172</u>	<u>-</u>
	<u>\$24,526,172</u>	<u>\$10,076,000</u>

\$20,378,172 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, 2020 (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,

2020	\$ 445,000
2021	(4,211,000)
2022	(2,518,000)
2023	<u>356,000</u>
	<u><u>\$(5,928,000)</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward PSERS' total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 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, 2019 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.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

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

Discount Rate

The discount 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>\$250,573,371</u>	<u>\$201,165,214</u>	<u>\$159,328,640</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.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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 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 2019-2020 was \$643,503.

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, 2020 and are typically satisfied shortly after year end.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, 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 2019-2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2020, 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, 2020 that required recognition or disclosure in the financial statements.

On July 7, 2020, the District issued a \$7,115,000 general obligation note, Series of 2020, the proceeds from which were used to currently refund all of 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 \$353,030.

REQUIRED SUPPLEMENTARY INFORMATION

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 123,129,470	\$ 123,129,470	\$ 124,791,455	\$ 1,661,985
State sources	22,829,018	22,829,018	22,532,021	(296,997)
Federal sources	1,493,330	1,493,330	2,048,632	555,302
Total revenues	<u>147,451,818</u>	<u>147,451,818</u>	<u>149,372,108</u>	<u>1,920,290</u>
EXPENDITURES				
Instruction				
Regular programs	66,817,378	67,774,832	64,055,356	3,719,476
Special programs	26,732,092	26,694,496	26,604,238	90,258
Vocational programs	880,000	880,000	643,503	236,497
Other instructional programs	89,308	89,308	51,190	38,118
Total instruction	<u>94,518,778</u>	<u>95,438,636</u>	<u>91,354,287</u>	<u>4,084,349</u>
Support services				
Pupil support services	5,494,141	5,493,641	5,466,593	27,048
Instructional staff services	3,848,688	4,015,091	4,006,208	8,883
Administrative services	7,982,537	8,462,076	8,501,889	(39,813)
Pupil health	1,349,707	1,514,409	1,414,468	99,941
Business services	1,549,175	1,544,173	1,338,333	205,840
Operation and maintenance of plant services	11,915,491	11,915,492	11,393,355	522,137
Student transportation services	8,132,775	8,132,774	7,115,360	1,017,414
Support services - central	5,073,525	3,993,527	3,554,621	438,906
Other support services	1,021,992	376,992	343,110	33,882
Total support services	<u>46,368,031</u>	<u>45,448,175</u>	<u>43,133,937</u>	<u>2,314,238</u>
Operation of noninstructional services				
Student activities	401,574	2,001,573	1,862,732	138,841
Debt service	<u>6,770,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>148,058,447</u>	<u>142,888,384</u>	<u>136,350,956</u>	<u>6,537,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(606,629)</u>	<u>4,563,434</u>	<u>13,021,152</u>	<u>8,457,718</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(36,120)	(36,120)
Transfers out	(2,800,000)	(7,970,063)	(11,938,748)	(3,968,685)
Budgetary reserve	(2,800,000)	(2,800,000)	-	2,800,000
Total other financing sources (uses)	<u>(5,600,000)</u>	<u>(10,770,063)</u>	<u>(11,974,868)</u>	<u>(1,204,805)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,206,629)</u>	<u>\$ (6,206,629)</u>	<u>1,046,284</u>	<u>\$ 7,252,913</u>
FUND BALANCE				
Beginning of year			30,857,469	
End of year			<u>\$ 31,903,753</u>	

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date					
	<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	0.4300%	0.4342%	0.4302%	0.4376%	0.4355%	0.4259%
District's proportionate share of the net pension liability	\$ 201,165,214	\$ 208,438,000	\$ 212,469,000	\$ 216,861,000	\$ 188,638,000	\$ 168,575,000
District's covered-employee payroll	\$ 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	339.25%	356.45%	370.96%	382.61%	336.63%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	54.00%	51.84%	50.14%	45.64%	57.24%

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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 THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 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>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	\$ 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	32.47%	32.60%	31.73%	29.22%	24.97%	20.49%

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>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 456,400	\$ 447,319	\$ 463,308
Interest on total OPEB liability	290,170	303,300	245,302
Difference between expected and actual experience	-	(290,520)	-
Change of assumptions	(425,925)	(119,812)	(533,219)
Benefit payments	<u>(270,097)</u>	<u>(340,204)</u>	<u>(297,865)</u>
Net change in total OPEB liability	50,548	83	(122,474)
Total OPEB liability, beginning	<u>9,427,151</u>	<u>9,427,068</u>	<u>9,549,542</u>
Total OPEB liability, ending	<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%
Covered payroll	\$ 54,617,864	\$ 54,617,864	\$ 50,507,324
Net OPEB liability as a % of covered payroll	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		
	2019	2018	2017
District's proportion of the net OPEB liability	0.4300%	0.4342%	0.4302%
District's proportionate share of the net OPEB liability	\$ 9,145,421	\$ 9,053,000	\$ 8,765,000
District's covered-employee payroll	\$ 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	15.42%	15.49%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	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>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 492,655	\$ 490,000	\$ 485,000
Contributions in relation to the contractually required contribution	<u>492,655</u>	<u>490,000</u>	<u>485,000</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 59,296,675	\$ 59,036,145	\$ 58,433,735
Contributions as a percentage of covered-employee payroll	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, 2020

-54-

<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, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</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	013-190430	07/01/18 - 09/30/19	\$ 278,822	\$ 39,832	\$ 39,832	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-200430	07/01/19 - 09/30/20	236,998	236,998	-	236,998	236,998	-	-
Total CFDA #84.010						276,830	39,832	236,998	236,998	-	-
Title II - Improving Teacher Quality	I	84.367	020-190430	07/01/18 - 09/30/19	110,353	23,553	23,553	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-200430	07/01/19 - 09/30/20	93,259	93,259	-	92,101	92,101	(1,158)	-
Total CFDA #84.367						116,812	23,553	92,101	92,101	(1,158)	-
Title IV - Student Support and Academic Achievement	I	84.424	144-200430	07/31/19 - 09/30/20	20,868	13,415	-	14,836	14,836	1,421	-
COVID-19 Education Stabilization Fund	I	84.425	FA-200-20-0430	07/31/19 - 09/30/20	194,657	-	-	194,657	194,657	194,657	-
<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	2,700	-
I.D.E.A. - Part B, Section 611	I	84.027	062-1800024	07/01/18 - 09/30/19	872,590	349,036	349,036	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-1900024	07/01/19 - 09/30/20	935,541	-	-	935,541	935,541	935,541	-
Total CFDA #84.027						349,036	349,036	935,541	935,541	935,541	-
Total U.S. Department of Education						756,093	412,421	1,476,833	1,476,833	1,133,161	-
<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	020-CS-01-3378	03/01/20 - 10/30/20	375,684	-	-	80,056	80,056	80,056	-
<u>U.S. Department of Health and Human Services</u>											
Medical Assistance Program	D	93.778	N/A	07/01/19 - 06/30/20	N/A	141,743	-	141,743	141,743	-	-

Continued on next page

<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, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/18 - 06/30/19	N/A	1,503	1,503	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	28,749	-	30,107	30,107	1,358	-
Total State Matching Share						30,252	1,503	30,107	30,107	1,358	-
Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	1,073	1,073	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	30,118	-	40,525	40,525	10,407	-
Total CFDA #10.553						31,191	1,073	40,525	40,525	10,407	-
National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	9,020	9,020	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	198,064	-	217,747	217,747	19,683	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	95,288	-	95,288	95,288	-	-
Total CFDA #10.555						302,372	9,020	313,035	313,035	19,683	-
Total U.S. Department of Agriculture						363,815	11,596	383,667	383,667	31,448	-
Total Federal Awards and Certain State Grants						<u>\$ 1,261,651</u>	<u>\$ 424,017</u>	<u>\$ 2,082,299</u>	<u>\$ 2,082,299</u>	<u>\$ 1,244,665</u>	<u>\$ -</u>
Total Federal Awards						\$ 1,231,399	\$ 422,514	\$ 2,052,192	\$ 2,052,192	\$ 1,243,307	\$ -
Total State Awards						30,252	1,503	30,107	30,107	1,358	-
Total Federal Awards and Certain State Grants						<u>\$ 1,261,651</u>	<u>\$ 424,017</u>	<u>\$ 2,082,299</u>	<u>\$ 2,082,299</u>	<u>\$ 1,244,665</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 349,036</u>	<u>\$ 349,036</u>	<u>\$ 938,241</u>	<u>\$ 938,241</u>	<u>\$ 938,241</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						<u>\$ 333,563</u>	<u>\$ 10,093</u>	<u>\$ 353,560</u>	<u>\$ 353,560</u>	<u>\$ 30,090</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, 2020

(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 2019-2020 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, 2020 was \$350,000.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2020.

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2020

There were no audit findings for the year ended June 30, 2019.



**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, 2020, 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 16, 2020.

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 16, 2020**



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, 2020. 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, 2020.

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 16, 2020**

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

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:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
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>
2005	5,321,698,000	4,713,587,625	88.57%
2006	6,122,967,100	4,743,166,975	77.47%
2007	5,971,983,400	4,689,191,415	78.52%
2008	6,846,243,200	4,845,600,750	70.78%
2009	7,201,906,585	4,887,833,410	67.87%
2010	7,789,032,880	4,885,999,675	62.73%
2011	7,742,482,863	4,863,256,104	62.81%
2012	7,960,932,335	4,841,444,931	60.82%
2013	7,941,134,120	4,830,354,601	60.83%
2014	8,113,681,613	4,838,730,747	59.64%
2015	8,152,508,719	4,858,055,707	59.59%
2016	8,525,707,090	4,895,728,797	57.42%
2017	8,563,911,215	4,914,911,117	57.39%
2018	8,941,758,580	4,998,138,729	55.90%
2019	9,058,087,616	5,035,552,159	55.40%
2020	9,105,390,832	5,044,386,521	55.40% (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>
2005-06	71,472,798	69,424,149	97.13%	70,204,503	98.23%
2006-07	74,863,528	72,938,884	97.43%	73,705,143	98.45%
2007-08	78,211,518	76,241,073	97.48%	77,115,962	98.60%
2008-09	82,542,136	80,011,307	96.93%	81,416,323	98.64%
2009-10	85,988,845	82,189,980	95.58%	83,424,676	97.02%
2010-11	87,825,794	85,247,651	97.06%	86,666,360	98.68%
2011-12	90,699,903	87,168,403	96.11%	88,959,773	98.08%
2012-13	93,592,585	91,764,490	98.05%	92,874,234	99.23%
2013-14	94,819,099	92,080,156	97.11%	93,442,210	98.55%
2014-15	97,967,189	95,351,413	97.33%	96,515,319	98.52%
2015-16	102,391,806	99,930,553	97.60%	100,928,708	98.57%
2016-17	104,049,382	101,737,051	97.78%	102,709,383	98.71%
2017-18	108,702,840	101,737,051	93.59%	102,709,383	94.49%
2018-19	112,762,291	105,894,005	93.91%	106,821,779	94.73%
2019-20	118,141,231	109,970,864	93.08%	111,171,555	94.10%
2020-21	121,473,939	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>
2005-06	15.13	0.50	5.00
2006-07	15.73	0.50	5.00
2007-08	16.26	0.50	5.00
2008-09	16.97	0.50	5.00
2009-10	17.47	0.50	5.00
2010-11	17.97	0.50	5.00
2011-12	18.6474	0.50	5.00
2012-13	19.2628	0.50	5.00
2013-14	19.5902	0.50	5.00
2014-15	20.2171	0.50	5.00
2015-16	20.9868	0.50	5.00
2016-17	21.7423	0.50	5.00
2017-18	22.4381	0.50	5.00
2018-19	22.9810	0.50	5.00
2019-20	23.8795	0.50	5.00
2020-21	24.5003	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

Fiscal Year-End	Debt Outstanding as of Fiscal Year-End	Legal Debt Limit	Remaining Borrowing Capacity
2004-2005	\$ 60,930,000	\$ 185,778,679	\$ 124,848,679
2005-2006	67,160,000	193,797,861	126,637,861
2006-2007	63,480,000	200,935,376	137,455,376
2007-2008	59,670,000	207,505,553	147,835,553
2008-2009	55,750,000	213,795,142	158,045,142
2009-2010	48,175,000	219,166,736	170,991,736
2010-2011	58,240,000	224,040,500	165,800,500
2011-2012	54,525,000	230,216,779	175,691,779
2012-2013	50,635,000	238,843,875	188,208,875
2013-2014	46,560,000	246,522,851	199,962,851
2014-2015	64,090,000	246,675,017	182,585,017
2015-2016	59,755,000	266,133,523	206,378,523
2016-2017	55,070,000	280,768,642	225,698,642
2017-2018	50,450,000	294,287,354	243,837,354
2018-2019	72,575,000	307,738,363	235,163,363
2019-2020	69,000,000	323,284,001	254,284,001

Source: School District Officials

TREDYFFRIN/EASTTOWN SCHOOL DISTRICT

ENROLLMENT TRENDS - UNAUDITED

Last fifteen fiscal years ending June 30

<u>Fiscal Year</u>	<u>Elementary (K-6)</u>	<u>Secondary (7-12)</u>	<u>Totals</u>
2004-2005	3,026	2,774	5,800
2005-2006	3,059	2,832	5,891
2006-2007	3,092	2,921	6,013
2007-2008	3,190	2,907	6,097
2008-2009	3,215	2,917	6,132
2009-2010	3,310	2,980	6,290
2010-2011	3,321	3,013	6,334
2011-2012	3,395	3,062	6,457
2012-2013	3,391	3,096	6,487
2013-2014	3,420	3,117	6,537
2014-2015	3,458	3,101	6,559
2015-2016	3,457	3,116	6,573
2016-2017	3,549	3,199	6,748
2017-2018	3,600	3,300	6,900
2018-2019	3,630	3,428	7,058
2019-2020	3,683	3,499	7,182

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>
2004-2005	514	401	915
2005-2006	525	403	928
2006-2007	534	384	918
2007-2008	531	400	931
2008-2009	544	418	962
2009-2010	510	390	900
2010-2011	483	387	870
2011-2012	481	373	854
2012-2013	482	371	853
2013-2014	491	359	850
2014-2015	505	368	873
2015-2016	517	303	820
2016-2017	540	288	828
2017-2018	544	263	807
2018-2019	544	254	798
2019-2020	558	247	805

Source: School District Officials