

**NESHAMINY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2021*



**Maillie**<sup>®</sup>  
ACCOUNTANTS • ADVISORS

## **INTRODUCTORY SECTION**

# NESHAMINY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2021

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Neshaminy School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Neshaminy School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Neshaminy School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Emphasis of Matter***

As discussed in Note Q, Neshaminy School District adopted new accounting guidance, implementing Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, budgetary comparison information on pages 66 and 67, schedule of the school district's proportionate share of the PSERS net pension liability on page 68, schedule of the school district's PSERS pension contributions on page 69, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 70, schedule of the school district's PSERS other postemployment benefit plan contributions on page 71, and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 72 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.

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Neshaminy School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022, on our consideration of the Neshaminy School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Neshaminy School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania

March 9, 2022, except for the schedule of expenditures of federal and certain state awards, as to which the date is May 10, 2022.

# NESHAMINY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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The discussion and analysis of the Neshaminy School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, by providing additional information that is not provided in the government-wide financial statements. Please read it in conjunction with the basic financial statements and single audit report.

### FINANCIAL HIGHLIGHTS

- The School District's liabilities and deferred inflows exceeded assets and deferred outflows by \$183.6 million at the close of the most recent fiscal year.
- Overall revenues were \$190.8 million, \$1.0 million less than expenses.
- Student enrollment has moderately increased over the last few years.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34 and present government-wide financial statements, fund financial statements, and notes to the basic financial statements, using both the accrual and modified accrual basis of accounting, respectively.

#### **Government-Wide Financial Statements**

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

The *Statement of Net Position* reports assets, deferred outflows, liabilities and deferred inflows for the entire School District (governmental activities and business-type activities). Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *Statement of Activities* reports the School District's expenses, revenues, depreciation and other changes in net position during the year. This report focuses on the net cost of individual functions with reconciliation between the beginning net position and the ending net position.

**NESHAMINY SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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**Fund Financial Statements**

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 School District's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

- **Governmental Funds.** *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on how cash and other financial assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Such information may be useful in evaluating the government's short-term financing requirements. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information to explain the relationship (or differences) between them can be found in the reconciliation statements.

The *Balance Sheet - Governmental Funds* reports assets, deferred outflows, liabilities, deferred inflows and fund balance of the General Fund and Capital Projects Fund.

The *Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities* explains the differences in Governmental Funds balances reported on the *Balance Sheet - Governmental Funds* and the total net position reported on the *Statement of Net Position*.

The *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* reports the revenues, expenditures and changes in fund balance for the General Fund and Capital Projects Fund.

The *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities* provides a reconciliation of the changes in fund balances reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances* to the changes in net position as reported on the *Statement of Activities*.

- **Proprietary Funds.** *Proprietary Funds* are used to account for activities that are similar to those often found in the private sector. The District maintains one Proprietary Fund Type, which is an Enterprise Fund, for food service. The *Enterprise Fund* is used to account for the School District's operations that are financed and operated in a manner similar to private business enterprises. The cost of providing goods or services to the students on a continuing basis is financed or recovered primarily through user charges or cost reimbursement plans. The Food Service Fund accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year. This fund is reported as a major fund.

The *Statement of Net Position - Proprietary Fund* reports assets, liabilities and net position for the Food Service Fund.

# NESHAMINY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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The *Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund* reports the revenues, expenses and changes in net position for the Food Service Fund.

The *Statement of Cash Flows - Proprietary Fund* reports the inflows and outflows of cash during the fiscal year for the Food Service Fund.

- **Fiduciary Funds.** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary Funds are not reflected in the government-wide financial statements because the District cannot use these funds to finance its operations. The School District uses a *Trust Fund* to account for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The *Statement of Fiduciary Net Position - Fiduciary Funds* reports assets, liabilities, and net position for the School District's scholarship accounts.

The *Statement of Changes in Fiduciary Net Position - Fiduciary Funds* reports changes in net position for the School District's scholarship accounts.

### **Notes to the Basic Financial Statements**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As of June 30, 2021, the School District had total assets and deferred outflows of \$285.3 million with 6.0% of these assets being in cash and cash equivalents (or \$17.1 million), 17.2% (or \$49.1 million) being in investments and 53.8% (or \$153.6 million) being in the net value of land, buildings, furniture and equipment and construction in progress. The remaining 23.0% is attributed to the \$15.3 million in receivables and \$43.0 million deferred outflow related to the pensions, \$2.5 million in deferred outflow related to OPEB, and \$4.1 million in deferred charges on refunding. Changes in the capital assets include net additions of \$3,517,073.

As of June 30, 2021, the School District had total liabilities and deferred inflows of \$468.9 million with 29.0% (or \$136.2 million) being in bonds payable, 1.0% (or \$4.8 million) being in accumulated compensated absences, 1.1% (or \$5.1 million) being in accounts payable, .1% (or \$680,665) being in accrued interest and 2.5% (or \$11.6 million) being in accrued salaries and benefits. The net pension liability was \$278.7 million. The net other postemployment benefits liability is \$17.7 million. Deferred inflows from pension and OPEB is \$12.3 million. The principal paid for debt service during the year was \$5.5 million.

The resulting (\$183.6) million in net position includes unrestricted net position of (\$214.0) million and \$30.4 million in net investment in capital assets. There was a decrease in net investment in capital assets of 4.5% and an increase in unrestricted net position of 0.4%. This results in an overall decrease in net position of 0.3%.

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

**Statement of Net Position**

	Government-Wide Activities		Total Change 2020-2021
	2021	2020	
<b>Assets:</b>			
<b>Governmental activities:</b>			
Other assets	\$ 80,770,312	\$ 69,944,231	\$ 10,826,081
Capital assets	153,300,634	158,899,265	(5,598,631)
Total governmental assets	<u>234,070,946</u>	<u>228,843,496</u>	<u>5,227,450</u>
<b>Business-type activities:</b>			
Other assets	1,268,690	963,601	305,089
Capital assets	260,046	284,237	(24,191)
Total business-type assets	<u>1,528,736</u>	<u>1,247,838</u>	<u>280,898</u>
<b>Total assets:</b>			
Other assets and deferred outflows	82,039,002	70,907,832	11,131,170
Capital assets	153,560,680	159,183,502	(5,622,822)
<b>Total assets</b>	<u>235,599,682</u>	<u>230,091,334</u>	<u>5,508,348</u>
<b>Deferred Outflows of Resources:</b>			
<b>Governmental activities:</b>			
Deferred outflows of resources, pension activity	42,281,000	31,948,000	10,333,000
Deferred outflows of resources, OPEB activity	2,470,208	1,895,884	574,324
Deferred amount on refunding	4,113,865	4,473,487	(359,622)
Total governmental deferred outflows of resources	<u>48,865,073</u>	<u>38,317,371</u>	<u>10,547,702</u>
<b>Business-type activities:</b>			
Deferred outflows of resources, pension activity	761,000	575,000	186,000
Deferred outflows of resources, OPEB activity	25,000	22,000	3,000
Total business-type deferred outflows of resources	<u>786,000</u>	<u>597,000</u>	<u>189,000</u>
<b>Total deferred outflows of resources:</b>			
Deferred outflows of resources, pension activity	43,042,000	32,523,000	10,519,000
Deferred outflows of resources, OPEB activity	2,495,208	1,917,884	577,324
Deferred amount on refunding	4,113,865	4,473,487	(359,622)
<b>Total deferred outflows of resources</b>	<u>49,651,073</u>	<u>38,914,371</u>	<u>10,736,702</u>
<b>Liabilities:</b>			
<b>Governmental activities:</b>			
Other liabilities	19,136,788	17,205,739	1,931,049
Long-term liabilities	432,213,474	412,066,143	20,147,331
Total governmental liabilities	<u>451,350,262</u>	<u>429,271,882</u>	<u>22,078,380</u>
<b>Business-type activities:</b>			
Other liabilities	82,805	43,504	39,301
Unearned revenue	37,391	10,055	27,336
Long-term liabilities	5,149,000	4,873,000	276,000
Total business-type liabilities	<u>5,269,196</u>	<u>4,926,559</u>	<u>342,637</u>
<b>Total liabilities:</b>			
Other liabilities	19,256,984	17,259,298	1,997,686
Long-term liabilities	437,362,474	416,939,143	20,423,331
<b>Total liabilities</b>	<u>456,619,458</u>	<u>434,198,441</u>	<u>22,421,017</u>
<b>Governmental activities:</b>			
Deferred inflows of resources, pension activity	10,740,000	16,082,000	(5,342,000)
Deferred inflows of resources, OPEB activity	1,309,663	1,572,570	(262,907)
Total governmental deferred inflows of resources	<u>12,049,663</u>	<u>17,654,570</u>	<u>(5,604,907)</u>
<b>Business-type activities:</b>			
Deferred inflows of resources, pension activity	194,000	290,000	(96,000)
Deferred inflows of resources, OPEB activity	10,000	13,000	(3,000)
Total business-type deferred inflows of resources	<u>204,000</u>	<u>303,000</u>	<u>(99,000)</u>
<b>Total deferred inflows of resources:</b>			
Deferred inflows of resources, pension activity and OPEB activity	12,253,663	17,957,570	(5,703,907)
<b>Net Position:</b>			
<b>Governmental activities:</b>			
Net investment in capital assets	30,154,661	31,565,123	(1,410,462)
Unrestricted net position	(210,618,567)	(211,330,708)	712,141
Total governmental net position	<u>(180,463,906)</u>	<u>(179,765,585)</u>	<u>(698,321)</u>
<b>Business-type activities:</b>			
Net investment in capital assets	260,046	284,237	(24,191)
Unrestricted net position	(3,418,506)	(3,668,958)	250,452
Total business-type net position	<u>(3,158,460)</u>	<u>(3,384,721)</u>	<u>226,261</u>
<b>Total net position:</b>			
Net investment in capital assets	30,414,707	31,849,360	(1,434,653)
Unrestricted net position	(214,037,073)	(214,999,666)	962,593
<b>Total net position</b>	<u>\$ (183,622,366)</u>	<u>\$ (183,150,306)</u>	<u>\$ (472,060)</u>

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

As seen in the changes in net position chart below, the School District's total revenues increased by \$3,921,420 which included a governmental activities increase of \$4,352,678 and a business-type activities decrease of \$431,258. The School District's total expenses increased by \$11,477,803 which consisted of a governmental activities increase of \$11,857,004 and a business-type activities decrease of \$379,201. This resulted in a decrease in total net position of \$1,045,903 which included a decrease in governmental activities of \$1,391,889 and an increase in business-type activities of \$345,996.

The largest increase in general revenues was in grants and contributions. Unrestricted grants and contributions increased by \$4,917,255.

The largest increase in expenses was regular instruction. This increased by \$7,943,399.

**Changes in Net Position**

	<u>Government-Wide Activities</u>		<u>Total Change</u>
	<u>2021</u>	<u>2020</u>	<u>2020-2021</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Governmental activities:			
Charges for services	\$ 477,983	\$ 151,334	\$ 326,649
Operating grants and contributions	30,415,914	31,262,710	(846,796)
Business-type activities:			
Charges for services	29,130	1,805,906	(1,776,776)
Operating grants and contributions	3,192,557	1,838,196	1,354,361
<b>General revenues:</b>			
Governmental activities:			
Property taxes	134,248,828	132,592,069	1,656,759
Unrestricted grants and contributions	21,542,658	16,625,403	4,917,255
Receipts from member clients	-	-	-
Investment earnings	59,825	1,478,654	(1,418,829)
Miscellaneous	865,275	1,147,635	(282,360)
Business-type activities:			
Investment earnings	92	8,935	(8,843)
Total governmental activities revenues forward	<u>187,610,483</u>	<u>183,257,805</u>	<u>4,352,678</u>
Total business-type activities revenues forward	<u>3,221,779</u>	<u>3,653,037</u>	<u>(431,258)</u>
<b>Total forward</b>	<u>190,832,262</u>	<u>186,910,842</u>	<u>3,921,420</u>
<b>Expenses:</b>			
Governmental activities:			
Instruction:			
Regular	82,701,640	74,758,241	7,943,399
Special	33,783,979	33,204,407	579,572
Vocational	9,025,236	9,297,378	(272,142)
Other	916,463	967,785	(51,322)
Professional/education service	10,570	11,096	(526)
Pre-Kindergarten	1,355,343	1,229,797	125,546
<b>Subtotal forward</b>	<u>\$ 127,793,231</u>	<u>\$ 119,468,704</u>	<u>\$ 8,324,527</u>

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

	Government-Wide Activities		Total Change
	2021	2020	2020-2021
<b>Revenues:</b>			
Total governmental activities revenues forwarded	\$ 187,610,483	\$ 183,257,805	\$ 4,352,678
Total business-type activities revenues forwarded	<u>3,221,779</u>	<u>3,653,037</u>	<u>(431,258)</u>
<b>Total forwarded</b>	<u>190,832,262</u>	<u>186,910,842</u>	<u>3,921,420</u>
<b>Expenses:</b>			
Governmental activities:			
<b>Subtotal forwarded</b>	127,793,231	119,468,704	8,324,527
Support services:			
Pupil	7,954,388	7,822,160	132,228
Instructional staff	6,436,050	5,360,445	1,075,605
Administration	9,198,572	9,116,317	82,255
Pupil health	2,027,759	1,707,581	320,178
Business	1,836,768	1,690,165	146,603
Operation and maintenance of plant	14,675,263	13,425,015	1,250,248
Pupil transportation	8,202,944	8,326,387	(123,443)
Central	4,669,461	3,207,133	1,462,328
Other	112,117	112,599	(482)
Operation of non-instructional services:			
Student activities	1,698,312	1,760,544	(62,232)
Community services	535,259	152,563	382,696
Loss on disposal of capital assets	-	1,000	(1,000)
Interest on long-term debt	<u>3,862,258</u>	<u>4,994,765</u>	<u>(1,132,507)</u>
Total governmental activities expenses	<u>189,002,382</u>	<u>177,145,378</u>	<u>11,857,004</u>
Total business-type activities - food service, community aquatics, core swimming	<u>2,875,783</u>	<u>3,254,984</u>	<u>(379,201)</u>
<b>Total expenses</b>	<u>191,878,165</u>	<u>180,400,362</u>	<u>11,477,803</u>
Net revenue (expense)			
Governmental activities	(1,391,899)	6,112,427	(7,504,326)
Business-type activities	345,996	398,053	(52,057)
<b>Total of revenues over expenses</b>	<u>(1,045,903)</u>	<u>6,510,480</u>	<u>(7,556,383)</u>
<b>Net position - beginning:</b>			
<b>Governmental activities, restated*</b>	(179,072,007) *	(185,878,012)	6,806,005
<b>Business-type activities, restated *</b>	(3,504,456) *	(3,782,774)	278,318
<b>Total net position - beginning</b>	<u>(182,576,463)</u>	<u>(189,660,786)</u>	<u>7,084,323</u>
<b>Net position - ending:</b>			
<b>Governmental activities</b>	(180,463,906)	(179,765,585)	(698,321)
<b>Business-type activities</b>	<u>(3,158,460)</u>	<u>(3,384,721)</u>	<u>226,261</u>
<b>Total net position - ending</b>	<u>\$ (183,622,366)</u>	<u>\$ (183,150,306)</u>	<u>\$ (472,060)</u>

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental Funds**

Governmental Funds report the differences between their assets, deferred outflows, liabilities and deferred inflows as fund balance, which is reported as five components: Nonspendable, Restricted, Committed, Assigned and Unassigned. Nonspendable Fund Balance cannot be spent either because it is not in a spendable form or because it is legally or contractually required to be maintained intact. Restricted Fund Balance is amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. Committed Fund Balance is amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account. Assigned Fund Balance is amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the Authority. Unassigned Fund Balance is all amounts not included in other spendable classifications.

Fund balance in the *Balance Sheet - Governmental Funds* is the difference between revenue and expenditures at the end of the year, combined with the fund balance from the beginning of the year. Fund balance in the General Fund is summarized below.

	June 30,		
	2021	2020	Difference
Fund balance:			
Nonspendable	\$ 403,888	\$ 198,332	\$ 205,556
Committed	15,000,000	15,000,000	-
Assigned	20,961,015	21,345,047	(384,032)
Unassigned	14,384,517	14,000,000	384,517
Total fund balance	\$ 50,749,420	\$ 50,543,379	\$ 206,041

For the year ended June 30, 2021, the fund balance in the General Fund increased \$206,041 from the prior year's balance. This increase in fund balance can be attributed to the School District's implementation of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of beginning fund balance, increasing beginning fund balance in the amount of \$693,578. This increase was partially offset by a net decrease in fund balance of \$(487,537) resulting from current year operations.

The fund balance in the Capital Projects Fund increased by \$8,905,917. Total assets increased by \$10,008,415 to \$10,016,780. The Capital Projects Fund balance is restricted for use with the capital projects only.

**Proprietary Funds**

Food Service Fund - This fund accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year. This fund is reported as a major fund.

Community Aquatics and CORE - These funds account for all revenues and costs and expenses of the community aquatics and CORE programs.

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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Fund net position in the *Statement of Net Position - Proprietary Fund* is the difference between assets and liabilities at the end of the year. Total net position is summarized below.

	June 30,		Difference
	2021	2020	
Fund net position:			
Total assets and deferred outflows	\$ 2,686,347	\$ 3,081,564	\$ (395,217)
Total liabilities and deferred inflows	<u>5,844,807</u>	<u>6,466,285</u>	<u>(621,478)</u>
Net investment in capital assets	260,046	284,237	(24,191)
Unrestricted	<u>(3,418,506)</u>	<u>(3,668,958)</u>	<u>250,452</u>
Total net position	<u>\$ (3,158,460)</u>	<u>\$ (3,384,721)</u>	<u>\$ 226,261</u>

As of June 30, 2021, the Enterprise Funds had (\$3,158,460) in net position.

The food service revenues in 2020-2021 were 7.7% less than the previous year. The major decreases were lunch sales and special functions. This decrease was offset by the seamless summer feeding option, which provided meals to families/students who came to pick them up while school was not meeting in person due to Covid-19. The expenses in 2020-2021 were 8.0% less than the previous year. The largest decrease was supplies expense.

**Fiduciary Funds**

The Fiduciary Funds consist of the Private-Purpose Trust Funds. The Trust Fund accounts are the receipts and disbursement of monies contributed to the District for scholarships and memorials. The balance of the Private-Purpose Trust Funds as of June 30, 2021 was \$87,153, which was \$2,145 less than the previous year due to a decrease in investments.

**General Fund Budgetary Highlights**

Variances between the original 2020-2021 budget and the final year-end budget were due to transfers done throughout the year and federal, state and local grants. The grant budgets are increased as grants are awarded. These are not expected to have a significant effect on future services or liquidity.

The final revenue budget was \$5.0 Million more than the original budget. The negative variance of actual revenues with the final budget of \$0.5 Million is primarily the result of an over estimation of \$368,464 reimbursement for PSERS and \$313,412 for PlanCon subsidies.

The district reduction in actual final expenditures as compared to the budget was due to a restriction in spending in discretionary items. The positive variance of actual expenditures with the final budget of \$1.4 Million is primarily the result of the following factor: Savings in Equipment purchases of \$1.2M.

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The School District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary Fund capital assets are also reported in their fund financial statements.

For the year ended June 30, 2021, the School District had \$153,300,634 in capital assets, less depreciation. The additions and retirements, less depreciation, were a decrease of \$5,598,631. For the year ended June 30, 2021, food service had \$260,046 in capital assets, less depreciation. More detailed information about capital assets can be found in Note F to the financial statements.

**Capital Assets**  
(Net of Accumulated Depreciation)

	Governmental Activities		Total Change 2020-2021
	2021	2020	
Land and improvements	\$ 4,207,505	\$ 4,207,505	\$ -
Buildings and building improvements	137,006,837	144,164,294	(7,157,457)
Furniture and equipment	8,946,039	9,916,096	(970,057)
Construction in progress	3,140,253	611,370	2,528,883
Total capital assets	\$ 153,300,634	\$ 158,899,265	\$ (5,598,631)
	Business-Type Activities		
	2021	2020	Total Change 2020-2021
Furniture and equipment	\$ 260,046	\$ 284,237	\$ (24,191)

**Debt Administration**

In the government-wide and Proprietary Fund financial statements, outstanding debt is reported as liabilities.

For the year ended June 30, 2021, the School District had \$131,980,000 in general obligation bonds, of which \$5,840,000 is due within one year. Additional information on the School District's bonds payable can be found in Note H to the basic financial statements.

**NESHAMINY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2021**

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**Bonds Payable**

	Governmental Activities		Total Change 2020-2021
	2021	2020	
Series A of 2015	\$ 28,750,000	\$ 28,755,000	\$ (5,000)
Series B of 2015	555,000	735,000	(180,000)
Series C of 2015	21,300,000	23,735,000	(2,435,000)
Series of 2016	-	8,985,000	(8,985,000)
Series of 2018	5,395,000	7,025,000	(1,630,000)
Series of 2020	57,940,000	59,135,000	(1,195,000)
Series A of 2021	9,450,000	-	9,450,000
Series B of 2021	8,590,000	-	8,590,000
Total bonds payable	\$ 131,980,000	\$ 128,370,000	\$ 3,610,000

**MAJOR FINANCIAL ISSUES**

Most of the major financial issues addressed by the School District during the past year were a continuation of annual or ongoing events that began in the prior year. Among these events are state funding and the pension program.

**State Funding**

The Governor’s 2020-21 budget for the Commonwealth of Pennsylvania had a slight increase for the basic education funding.

The state also had a slight increase to the special education funding.

The state’s share of instruction expenditures has dropped from 54.2% in 1971-72 to 24% in 2020-2021.

o	1971-72	54.2%	o	1991-92	40.3%
o	1987-88	43.2%	o	2020-21	24.0%

**Pension Program**

The Pennsylvania School Employees Retirement System (PSERS) board has increased the employer retirement rate from 34.29 percent to 34.94 percent of salaries for 2020-21 and this is approximately a \$524,000 increase. The employer share of PSERS continues to be financial issue for the school district as it escalates the compensation of all employees.

**Comprehensive Plan**

The School District has developed a Comprehensive Plan, which was formerly known as the Strategic Plan. The Comprehensive Plan was mandated by the State as a requirement of every district to have a system in place to monitor our Academic Standards and Assessment. This is a visionary roadmap for the district and the planning includes the community stakeholders.

**NESHAMINY SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2021

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The District's Strategic Goals aim to further advance Neshaminy as a learning organization to better support students, parents and the Neshaminy Community.

**Four Targeted Goal Areas**

**1. Modern, Safe School/Campus Environments**

Many Neshaminy Schools were built in the 1950/1960's. Over a decade ago, Neshaminy developed a long-range Facilities Plan which incrementally reduced the existing 15-school system to the present 10-school system. The plan included the renovated Neshaminy High School and the New Tawanka Elementary School. In the process, the remaining schools received renovations bringing most schools up to twenty-first century standards in terms of Ventilation, Technology Infrastructure, Heating & Cooling and Insulation.

This Strategic Goal aims to continue this process both inside and outside, evaluating our older facilities then determining whether to renovate or build new. Moreover, the goal is to add teams of people to ensure the human elements function optimally to complement the "Modern Safe" physical plants.

**2. Guaranteed, Viable Curriculum & Instruction**

Student Academic Success is a function of "What is taught?," "How is it taught?," and "How is it measured?" Student Social/Emotional Success is a function of the same; a twenty-first century education goes well beyond Reading, Writing and Arithmetic. Guaranteeing that all students have access to a high-quality curriculum and instruction beyond academic content is at the center of equity. Quality Instruction is both an Art and a Science. The continuous renewal of content and research-based instruction is necessary in the rapidly changing World which Neshaminy will lead in the very near future.

This Strategic Goal aims to evaluate curriculum and assessment, K-12, and establish common language for instruction as the foundation of Goal 4: Sustainable Culture of Professional Learning & Leadership.

**3. Student-centered, Parent-focused, Community-informed**

School Systems are service organizations in our constantly changing World of human needs. Their clients are the students, parents and the larger community. Decision-making and programs should be viewed through that lens. As such, beginning with the end in mind, post-high school College and Career Pathways should be the theme K-12. Moreover, the pathway to success is rarely straight and direct. Neshaminy Families deserve systemic supports, interventions, options and timely communication. Again, ensuring all students and families have access to such systems is at the center of equity.

This Strategic Goal aims to focus a common purpose of the organization in supporting students, parents and the Neshaminy community.

# NESHAMINY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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## 4. Sustainable Culture of Professional Learning & Leadership

An organization that learns is an organization that succeeds. Learning Organizations utilizing job-embedded, apprenticeship and expert training/coaching models to continuously improve their staff's ability to meet the needs of those they serve. Veteran pilots learn new skills in the cockpit; doctors in the operating & emergency rooms; carpenters on the jobsite, as educators should learn in the classrooms guided by the expert support of their colleagues. Such learning to improve should involve all staff aligning their job responsibilities to the Mission and Strategic Goals of this plan.

Secondly, an organization is only as good as its people. Given the complexity of the job-market and forecasted shortage of the education worker in the coming years, meaningful systems will need to be in place to promote staff recruitment, staff retention and staff transition.

### Labor Relations

The professional staff of the Neshaminy School District is represented by the Neshaminy Federation of Teachers, an affiliation of the Pennsylvania Federation of Teachers. This group has the responsibility of bargaining for these employees. The School District and Neshaminy Federation of Teachers settled the contract in November 2019, retroactive to July 2019, and this will be in effect through June 30, 2024.

The support staff of the Neshaminy School District is represented by the Neshaminy Educational Support Personnel Association, an affiliation of the Pennsylvania State Educational Support Personnel Association. The School District and the Neshaminy Education Support Personnel Association settled the contract in November 2019, retroactive to July 1, 2018, and this contract will be in effect through June 30, 2023.

## CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of Neshaminy School District's finances for all those with interest in the District's finances. Questions concerning any of the information in this report should be addressed to Donald B. Irwin, Jr., Business Administrator, Neshaminy School District, 2001 Old Lincoln Highway, Langhorne, PA 19047-3295.

**NESHAMINY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,415,914	\$ 695,207	\$ 17,111,121
Investments	49,145,168	-	49,145,168
Taxes receivable, net	2,857,708	-	2,857,708
Internal balances	223,535	(223,535)	-
Due from other governments	10,438,262	759,839	11,198,101
Other receivables, net	1,285,837	-	1,285,837
Inventories	287,012	37,179	324,191
Prepaid expenses	116,876	-	116,876
Capital assets			
Land and site improvements	4,207,505	-	4,207,505
Buildings and building improvements	254,000,362	-	254,000,362
Furniture and equipment	47,786,204	1,455,762	49,241,966
Construction in progress	3,140,253	-	3,140,253
Accumulated depreciation	(155,833,690)	(1,195,716)	(157,029,406)
<b>TOTAL ASSETS</b>	<b>234,070,946</b>	<b>1,528,736</b>	<b>235,599,682</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	42,281,000	761,000	43,042,000
Deferred outflows of resources, OPEB activity	2,470,208	25,000	2,495,208
Deferred amount on refunding	4,113,865	-	4,113,865
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>48,865,073</b>	<b>786,000</b>	<b>49,651,073</b>
<b>LIABILITIES</b>			
Accounts payable	5,112,734	56,783	5,169,517
Accrued salaries and benefits	11,575,344	26,022	11,601,366
Accrued interest	680,665	-	680,665
Unearned revenue	21,415	37,391	58,806
Other current liabilities	873,589	-	873,589
Self-insurance liability	873,041	-	873,041
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	6,498,256	-	6,498,256
Portion due or payable after one year			
Bonds payable	129,675,864	-	129,675,864
Compensated absences	4,766,409	-	4,766,409
Net pension liability	273,809,000	4,933,000	278,742,000
Net OPEB liability	17,463,945	216,000	17,679,945
<b>TOTAL LIABILITIES</b>	<b>451,350,262</b>	<b>5,269,196</b>	<b>456,619,458</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	10,740,000	194,000	10,934,000
Deferred inflows of resources, OPEB activity	1,309,663	10,000	1,319,663
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,049,663</b>	<b>204,000</b>	<b>12,253,663</b>
<b>NET POSITION</b>			
Net investment in capital assets	30,154,661	260,046	30,414,707
Unrestricted	(210,618,567)	(3,418,506)	(214,037,073)
<b>TOTAL NET POSITION</b>	<b>\$ (180,463,906)</b>	<b>\$ (3,158,460)</b>	<b>\$ (183,622,366)</b>

*See accompanying notes to the basic financial statements.*

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# NESHAMINY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 82,701,640	\$ -	\$ 13,966,356	\$ -
Special programs	33,783,979	10,831	8,493,132	-
Vocational education	9,025,236	500	-	-
Other instructional programs	916,463	45,909	6,407,076	-
Pre-kindergarten	1,355,343	-	-	-
Professional/education service	10,570	-	-	-
Support services				
Pupil personnel services	7,954,388	-	-	-
Instructional staff services	6,436,050	-	108,243	-
Administration services	9,198,572	-	-	-
Pupil health services	2,027,759	-	171,235	-
Business services	1,836,768	-	-	-
Operation and maintenance of plant services	14,675,263	-	-	-
Student transportation services	8,202,944	-	1,270,322	-
Central services	4,669,461	-	-	-
Other services	112,117	-	-	-
Operation of non-instructional services				
Student activities	1,698,312	420,743	-	-
Community services	535,259	-	(450)	-
Interest on long-term debt	3,862,258	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>189,002,382</b>	<b>477,983</b>	<b>30,415,914</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	2,872,640	21,841	3,192,335	-
Core Swimming	-	1,423	-	-
Community Aquatics	3,143	5,866	222	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,875,783</b>	<b>29,130</b>	<b>3,192,557</b>	<b>-</b>
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 191,878,165</b>	<b>\$ 507,113</b>	<b>\$ 33,608,471</b>	<b>\$ -</b>

### GENERAL REVENUES

Property taxes, levied for general purposes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

### TOTAL GENERAL REVENUES

### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (68,735,284)	\$ -	\$ (68,735,284)
(25,280,016)	-	(25,280,016)
(9,024,736)	-	(9,024,736)
5,536,522	-	5,536,522
(1,355,343)	-	(1,355,343)
(10,570)	-	(10,570)
(7,954,388)	-	(7,954,388)
(6,327,807)	-	(6,327,807)
(9,198,572)	-	(9,198,572)
(1,856,524)	-	(1,856,524)
(1,836,768)	-	(1,836,768)
(14,675,263)	-	(14,675,263)
(6,932,622)	-	(6,932,622)
(4,669,461)	-	(4,669,461)
(112,117)	-	(112,117)
(1,277,569)	-	(1,277,569)
(535,709)	-	(535,709)
(3,862,258)	-	(3,862,258)
<u>(158,108,485)</u>	<u>-</u>	<u>(158,108,485)</u>
-	341,536	341,536
-	1,423	1,423
-	2,945	2,945
<u>-</u>	<u>345,904</u>	<u>345,904</u>
<u>(158,108,485)</u>	<u>345,904</u>	<u>(157,762,581)</u>
134,248,828	-	134,248,828
21,542,658	-	21,542,658
59,825	92	59,917
865,275	-	865,275
<u>156,716,586</u>	<u>92</u>	<u>156,716,678</u>
(1,391,899)	345,996	(1,045,903)
<u>(179,072,007)</u>	<u>(3,504,456)</u>	<u>(182,576,463)</u>
<u>\$ (180,463,906)</u>	<u>\$ (3,158,460)</u>	<u>\$ (183,622,366)</u>

# NESHAMINY SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,407,501	\$ 10,008,413	\$ 16,415,914
Investments	49,143,292	1,876	49,145,168
Taxes receivable, net	2,857,708	-	2,857,708
Due from other funds	371,611	-	371,611
Due from other governments	10,438,262	-	10,438,262
Other receivables, net	1,279,346	6,491	1,285,837
Inventories	287,012	-	287,012
Prepaid items	116,876	-	116,876
	<u>70,901,608</u>	<u>10,016,780</u>	<u>80,918,388</u>
<b>TOTAL ASSETS</b>	<b>\$ 70,901,608</b>	<b>\$ 10,016,780</b>	<b>\$ 80,918,388</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,010,236	\$ 1,102,498	\$ 5,112,734
Due to other funds	148,076	-	148,076
Self-insurance liability	873,041	-	873,041
Accrued salaries and benefits	11,575,344	-	11,575,344
Other current liabilities	873,589	-	873,589
Unearned revenue	21,415	-	21,415
	<u>17,501,701</u>	<u>1,102,498</u>	<u>18,604,199</u>
<b>TOTAL LIABILITIES</b>	<b>17,501,701</b>	<b>1,102,498</b>	<b>18,604,199</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues, property taxes	2,650,487	-	2,650,487
	<u>2,650,487</u>	<u>-</u>	<u>2,650,487</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	287,012	-	287,012
Prepaid items	116,876	-	116,876
Restricted for capital projects	-	8,914,282	8,914,282
Committed to PSERS	15,000,000	-	15,000,000
Assigned to			
Capital projects	17,740,233	-	17,740,233
Technological infrastructure	1,500,000	-	1,500,000
Health insurance self funding	1,720,782	-	1,720,782
Unassigned	14,384,517	-	14,384,517
	<u>50,749,420</u>	<u>8,914,282</u>	<u>59,663,702</u>
<b>TOTAL FUND BALANCES</b>	<b>50,749,420</b>	<b>8,914,282</b>	<b>59,663,702</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 70,901,608</b>	<b>\$ 10,016,780</b>	<b>\$ 80,918,388</b>

See accompanying notes to the basic financial statements.

# NESHAMINY SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 59,663,702
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and site improvements	4,207,505
Buildings and building improvements	254,000,362
Furniture and equipment	47,786,204
Construction in progress	3,140,253
Accumulated depreciation	(155,833,690)
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds.	
	4,113,865
Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.	
	32,701,545
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(680,665)
Bonds/note payable	(131,980,000)
Bond premium, net of amortization	(4,194,120)
Compensated absences	(4,766,409)
Net pension liability	(273,809,000)
Net OPEB liability	(17,463,945)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
	<u>2,650,487</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(180,463,906)</u></u>

*See accompanying notes to the basic financial statements.*

**NESHAMINY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 138,297,913	\$ 324	\$ 138,298,237
State sources	44,850,100	-	44,850,100
Federal sources	4,649,050	-	4,649,050
TOTAL REVENUES	<u>187,797,063</u>	<u>324</u>	<u>187,797,387</u>
<b>EXPENDITURES</b>			
Current			
Instruction	121,985,079	-	121,985,079
Support services	51,587,015	-	51,587,015
Operation of non-instructional services	2,171,163	-	2,171,163
Capital			
Facilities acquisition, construction and improvement services	3,425,254	1,102,499	4,527,753
Debt service			
Debt issuance cost	168,157	194,120	362,277
Principal	5,490,000	-	5,490,000
Interest	3,626,089	-	3,626,089
TOTAL EXPENDITURES	<u>188,452,757</u>	<u>1,296,619</u>	<u>189,749,376</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(655,694)</u>	<u>(1,296,295)</u>	<u>(1,951,989)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	8,590,000	-	8,590,000
Premium on refunding bonds issued	626,954	-	626,954
Payment to refunded bond escrow agent	(9,048,797)	-	(9,048,797)
Proceeds from bond issuance	-	9,450,000	9,450,000
Bond premiums	-	752,212	752,212
TOTAL OTHER FINANCING SOURCES (USES)	<u>168,157</u>	<u>10,202,212</u>	<u>10,370,369</u>
NET CHANGE IN FUND BALANCES	(487,537)	8,905,917	8,418,380
FUND BALANCES AT BEGINNING OF YEAR, restated*	<u>51,236,957</u> *	<u>8,365</u>	<u>51,245,322</u>
FUND BALANCES AT END OF YEAR	<u>\$ 50,749,420</u>	<u>\$ 8,914,282</u>	<u>\$ 59,663,702</u>

*See accompanying notes to the basic financial statements.*

# NESHAMINY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 8,418,380

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$9,115,704) exceeds capital outlays (\$3,517,073) in the current period. (5,598,631)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unearned tax revenues decreased by this amount this year. (186,904)

Repayment of bonds, notes and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 14,430,000

Issuance of bonds are revenues in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net position. (18,040,000)

Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. (1,114,239)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (108,017)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest not reflected in Governmental Funds (30,022)  
Pension plan expense 591,000

The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements. 246,534

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,391,899)

*See accompanying notes to the basic financial statements.*

**NESHAMINY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Enterprise Funds			Totals
	Food Service Fund	Core Swimming	Community Aquatics	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 695,207	\$ -	\$ -	\$ 695,207
Due from other funds	-	27,330	120,746	148,076
Due from other governments	759,839	-	-	759,839
Inventories	37,179	-	-	37,179
<b>TOTAL CURRENT ASSETS</b>	<b>1,492,225</b>	<b>27,330</b>	<b>120,746</b>	<b>1,640,301</b>
<b>CAPITAL ASSETS</b>				
Furniture and equipment	1,455,762	-	-	1,455,762
Accumulated depreciation	(1,195,716)	-	-	(1,195,716)
<b>TOTAL CAPITAL ASSETS</b>	<b>260,046</b>	<b>-</b>	<b>-</b>	<b>260,046</b>
<b>TOTAL ASSETS</b>	<b>1,752,271</b>	<b>27,330</b>	<b>120,746</b>	<b>1,900,347</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activity	761,000	-	-	761,000
Deferred outflows of resources - OPEB activity	25,000	-	-	25,000
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>786,000</b>	<b>-</b>	<b>-</b>	<b>786,000</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Due to other funds	371,611	-	-	371,611
Accounts payable	56,783	-	-	56,783
Accrued salaries and benefits	26,022	-	-	26,022
Unearned revenue	37,391	-	-	37,391
<b>TOTAL CURRENT LIABILITIES</b>	<b>491,807</b>	<b>-</b>	<b>-</b>	<b>491,807</b>
<b>LONG-TERM LIABILITIES</b>				
Net pension liability	4,933,000	-	-	4,933,000
Net OPEB liability	216,000	-	-	216,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>5,149,000</b>	<b>-</b>	<b>-</b>	<b>5,149,000</b>
<b>TOTAL LIABILITIES</b>	<b>5,640,807</b>	<b>-</b>	<b>-</b>	<b>5,640,807</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activity	194,000	-	-	194,000
Deferred inflows of resources - OPEB activity	10,000	-	-	10,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>204,000</b>	<b>-</b>	<b>-</b>	<b>204,000</b>
<b>NET POSITION</b>				
Net investment in capital assets	260,046	-	-	260,046
Unrestricted	(3,566,582)	27,330	120,746	(3,418,506)
<b>TOTAL NET POSITION</b>	<b>\$ (3,306,536)</b>	<b>\$ 27,330</b>	<b>\$ 120,746</b>	<b>\$ (3,158,460)</b>

*See accompanying notes to the basic financial statements.*

**NESHAMINY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Enterprise Funds			Totals
	Food Service Fund	Core Swimming	Community Aquatics	
<b>OPERATING REVENUES</b>				
Food service revenues	\$ 21,841	\$ -	\$ -	\$ 21,841
Swimming program revenues	-	1,423	5,866	7,289
<b>TOTAL OPERATING REVENUES</b>	<u>21,841</u>	<u>1,423</u>	<u>5,866</u>	<u>29,130</u>
<b>OPERATING EXPENSES</b>				
Salaries	909,550	-	2,674	912,224
Employee benefits	371,363	-	469	371,832
Purchased property service	31,054	-	-	31,054
Other purchased service	437,659	-	-	437,659
Supplies	1,044,157	-	-	1,044,157
Depreciation	60,061	-	-	60,061
Other operating expenses	18,796	-	-	18,796
<b>TOTAL OPERATING EXPENSES</b>	<u>2,872,640</u>	<u>-</u>	<u>3,143</u>	<u>2,875,783</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,850,799)</u>	<u>1,423</u>	<u>2,723</u>	<u>(2,846,653)</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	92	-	-	92
State sources	294,346	-	222	294,568
Federal sources	2,897,989	-	-	2,897,989
<b>TOTAL NONOPERATING REVENUES</b>	<u>3,192,427</u>	<u>-</u>	<u>222</u>	<u>3,192,649</u>
<b>CHANGE IN NET POSITION</b>	341,628	1,423	2,945	345,996
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>	<u>(3,648,164)</u>	<u>25,907</u>	<u>117,801</u>	<u>(3,504,456)</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ (3,306,536)</u>	<u>\$ 27,330</u>	<u>\$ 120,746</u>	<u>\$ (3,158,460)</u>

*See accompanying notes to the basic financial statements.*

**NESHAMINY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Enterprise Funds			Totals
	Food Service Fund	Core Swimming	Community Aquatics	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 70,126	\$ 1,423	\$ 5,866	\$ 77,415
Payments to employees	(1,286,072)	-	(3,143)	(1,289,215)
Payments to suppliers	(1,277,312)	(4,000)	-	(1,281,312)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,493,258)	(2,577)	2,723	(2,493,112)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due from/to other funds	(627,977)	2,577	(2,945)	(628,345)
Federal sources	2,096,333	-	-	2,096,333
State sources	272,134	-	222	272,356
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,740,490	2,577	(2,723)	1,740,344
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition, construction and improvements of capital assets	(35,870)	-	-	(35,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	92	-	-	92
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(788,546)	-	-	(788,546)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,483,753	-	-	1,483,753
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 695,207	\$ -	\$ -	\$ 695,207
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (2,850,799)	\$ 1,423	\$ 2,723	\$ (2,846,653)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	60,061	-	-	60,061
Pension expense	(10,000)	-	-	(10,000)
OPEB expense	(2,000)	-	-	(2,000)
Donated foods	217,865	-	-	217,865
(Increase) decrease in				
Other receivables	48,285	-	-	48,285
Inventories	29	-	-	29
Increase (decrease) in				
Accounts payable	36,460	(4,000)	-	32,460
Accrued salaries and benefits	6,841	-	-	6,841
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (2,493,258)	\$ (2,577)	\$ 2,723	\$ (2,493,112)
<b>SUPPLEMENTAL DISCLOSURES</b>				
Noncash activities				
Donated foods	\$ 217,865	\$ -	\$ -	\$ 217,865

See accompanying notes to the basic financial statements.

**NESHAMINY SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

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	<u>Private- Purpose Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 9,260
Investments	<u>80,743</u>
TOTAL ASSETS	90,003
LIABILITIES	
Scholarships payable	<u>2,850</u>
NET POSITION	
Restricted for scholarships	\$ <u><u>87,153</u></u>

*See accompanying notes to the basic financial statements.*

# NESHAMINY SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2021

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	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 500
Investment earnings	206
TOTAL ADDITIONS	<u>706</u>
DEDUCTIONS	
Fees	1
Scholarships awarded	<u>2,850</u>
TOTAL DEDUCTIONS	<u>2,851</u>
CHANGE IN NET POSITION	(2,145)
NET POSITION AT BEGINNING OF YEAR	<u>89,298</u>
NET POSITION AT END OF YEAR	<u>\$ 87,153</u>

*See accompanying notes to the basic financial statements.*

**NESHAMINY SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Basis of Presentation and Accounting**

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

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

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trust Funds are reported using the economic resources measurement focus.

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

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year-end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are incurred and the amount is received during the period or within 60 days from year-end.

**Fund Accounting**

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

***Governmental Funds***

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

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

***Proprietary Funds***

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

**NESHAMINY SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fiduciary Funds***

**Private-Purpose Trust Funds** - The Private-Purpose Trust Funds are used to account for assets held by the School District in a trustee capacity.

Trust Funds are used for the resources of the various scholarships whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

**Cash and Cash Equivalents**

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

**Investments**

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

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

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2021, was in excess of the minimum requirements just described.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Short-Term Interfund Receivables/Payables**

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

**Inventories and Prepaid Items**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems-Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/items in both the government-wide and fund financial statements. Prepaid expenses are reported under the purchase method.

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$4,000 or purchased with debt proceeds. The asset must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value.

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

	<u>Years</u>
Buildings and building improvements	10-45
Furniture and equipment	5-20

**Long-Term Obligations**

In the government-wide financial statements and the Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

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

**Self-Insurance**

The School District is self-insured for workers' compensation. The School District accounts for its self-insurance program in the General Fund.

The School District has accrued \$873,041 in the General Fund representing incurred but unreported claims for the workers' compensation program.

**Compensated Absences**

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the deferred outflow related to pension activity, the deferred outflow related to OPEB activity and the deferred charge on refunding, all of which are reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension and OPEB activities are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. They are the unavailable revenues from property taxes, the deferred inflow related to pension activity, and the deferred inflow related to OPEB activity. The first item, unavailable revenues, property taxes is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes, state grants and federal programs. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows related to pension and OPEB activities are reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NESHAMINY SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position**

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

**Use of Estimates**

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

**GASB Statement No. 54**

The School District previously, through *Policy 702 Fund Balance*, adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal resolution by the Board of School Directors.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by the Business Administrator to which the Board of School Directors has delegated the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE B - CASH AND INVESTMENTS**

**Cash**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2021, the carrying amount of the District's deposits was \$17,120,381 and the bank balance was \$18,433,904. Of the bank balance, \$444,222 was covered by federal depository insurance. Of the remaining cash deposits, \$17,366,641 are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are uninsured and \$623,041 is collateralized in accordance with ACT 72. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

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

**Investments**

As of June 30, 2021, the School District held the following investments:

Investment Type	Percentage of Investments	Carrying Value		Maturities	
		Fair Value	Amortized Cost	Less Than One Year	1 to 5 Years
State Investment pools	96.59%	\$ -	\$ 47,545,168	\$ 47,545,168	\$ -
Bonds	2.34%	1,150,000	-	-	1,150,000
Certificates of deposit	1.08%	-	530,743	80,743	450,000
		<u>\$ 1,150,000</u>	<u>\$ 48,075,911</u>	<u>\$ 47,625,911</u>	<u>\$ 1,600,000</u>

A portion of the School District's investments is in the PSDLAF program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2021, is \$47,545,168. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

Certificates of deposit held by banks of \$530,743 are stated at cost plus interest earned. Bonds of \$1,150,000 are reported at fair market value.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District's investment in bonds are level 2 investments.

**Credit Risk** - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices. As of June 30, 2021, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

**NOTE C - TAXES - REAL ESTATE AND OTHER**

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

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

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

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 1,841,151	\$ -	\$ -
Real estate transfer taxes	211,565	-	-
Section 511 taxes	804,992	-	-
Due from other governments			
Federal sources	4,857,756	-	731,123
State subsidies	5,580,506	-	28,716
Other receivables	<u>1,279,346</u>	<u>6,491</u>	<u>-</u>
	<u>\$ 14,575,316</u>	<u>\$ 6,491</u>	<u>\$ 759,839</u>

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 371,611
Core Swimming	General Fund	27,330
Community Aquatics	General Fund	<u>120,746</u>
		<u>\$ 519,687</u>

The amounts between the Food Service Fund and the General Fund are General Fund monies used to pay the salary and benefits of Food Service Fund employees.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land and site improvements	\$ 4,207,505	\$ -	\$ -	\$ 4,207,505
Construction in progress	611,370	3,116,995	(588,112)	3,140,253
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>4,818,875</b>	<b>3,116,995</b>	<b>(588,112)</b>	<b>7,347,758</b>
Capital assets being depreciated				
Buildings and building improvements	253,765,263	235,099	-	254,000,362
Accumulated depreciation	(109,600,969)	(7,392,556)	-	(116,993,525)
<b>TOTAL BUILDINGS AND BUILDING IMPROVEMENTS, net</b>	<b>144,164,294</b>	<b>(7,157,457)</b>	<b>-</b>	<b>137,006,837</b>
Furniture and equipment	47,037,213	753,091	(4,100)	47,786,204
Accumulated depreciation	(37,121,117)	(1,723,148)	4,100	(38,840,165)
<b>TOTAL FURNITURE AND EQUIP- MENT, net</b>	<b>9,916,096</b>	<b>(970,057)</b>	<b>-</b>	<b>8,946,039</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>154,080,390</b>	<b>(8,127,514)</b>	<b>-</b>	<b>145,952,876</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>158,899,265</b>	<b>(5,010,519)</b>	<b>(588,112)</b>	<b>153,300,634</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,419,892	35,870	-	1,455,762
Accumulated depreciation	(1,135,655)	(60,061)	-	(1,195,716)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>284,237</b>	<b>(24,191)</b>	<b>-</b>	<b>260,046</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 159,183,502</b>	<b>\$ (5,034,710)</b>	<b>\$ (588,112)</b>	<b>\$ 153,560,680</b>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>	
Regular programs	\$ 4,148,108
Special programs	1,690,626
Vocational education	450,981
Other instructional programs	46,802
<b>SUPPORT SERVICES</b>	
Pupil personnel services	399,074
Instructional staff services	322,946
Administration services	461,670
Pupil health services	101,773
Business services	92,101
Operation and maintenance of plant services	682,129
Student transportation services	410,844
Central services	233,662
Other services	5,595
<b>NON-INSTRUCTIONAL SERVICES</b>	
Student activities	62,428
Community services	6,965
	<u>          </u>
	<b>\$ 9,115,704</b>
	<u>          </u>

Depreciation expense was charged to proprietary functions as follows:

Food Service Fund	\$ <u>60,061</u>
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**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE G - LONG-TERM DEBT**

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 5,840,000	\$ 4,074,393	\$ 9,914,393
2023	5,985,000	3,923,165	9,908,165
2024	6,210,000	3,697,026	9,907,026
2025	6,770,000	3,438,343	10,208,343
2026	7,065,000	3,153,739	10,218,739
2027 to 2031	36,870,000	12,133,378	49,003,378
2032 to 2036	41,855,000	6,311,164	48,166,164
2037 to 2041	19,720,000	1,018,891	20,738,891
2042 to 2044	1,665,000	101,500	1,766,500
	<u>\$ 131,980,000</u>	<u>\$ 37,851,599</u>	<u>\$ 169,831,599</u>

In March 2021, the School District issued General Obligation Bonds, Series A of 2021, in the amount of \$9,450,000 for various capital projects and to pay the costs of issuing the bonds.

In April 2021, the School District issued General Obligation Bonds, Series B of 2021, in the amount of \$8,590,000 for the purpose of currently refunding all of the School District's outstanding General Obligation Bonds, Series of 2016, and to pay the costs of issuing the bonds. The new issue will decrease debt service payments for the School District by \$510,387 and result in an economic gain of \$109,025.

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**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE H - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Interest Rate</u>	<u>Original Borrowing</u>	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES			
BONDS AND NOTES PAYABLE			
Series A of 2015	0.25% to 3.62%	\$ 28,780,000	11/1/2036
Series B of 2015	0.25% to 3.31%	51,770,000	11/1/2037
Series C of 2015	0.18% to 5.00%	32,740,000	11/1/2026
Series of 2016	0.70% to 3.00%	9,245,000	2/15/2028
Series of 2018	4.00% to 5.00%	8,335,000	6/30/2024
Series of 2020	0.531% to 2.450%	59,135,000	5/1/2038
Series A of 2021	1.00% to 4.00%	9,450,000	5/1/2044
Series B of 2021	1.00%	8,590,000	6/30/2028
TOTAL BONDS AND NOTES PAYABLE			
DEFERRED AMOUNTS			
Unamortized bond premium			
COMPENSATED ABSENCES			
NET PENSION LIABILITY			
NET OPEB LIABILITY			
TOTAL LONG-TERM LIABILITIES			
BUSINESS-TYPE ACTIVITIES			
NET PENSION LIABILITY			
NET OPEB LIABILITY			
TOTAL LONG-TERM LIABILITIES			

Compensated absences and other postemployment benefits are generally liquidated by the General Fund.

In prior years, the School District has defeased various General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2021, the principal amount outstanding related to defeased debt was \$96,265,000.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 28,755,000	\$ -	\$ (5,000)	\$ 28,750,000	\$ 5,000
735,000	-	(180,000)	555,000	180,000
23,735,000	-	(2,435,000)	21,300,000	2,520,000
8,985,000	-	(8,985,000)	-	-
7,025,000	-	(1,630,000)	5,395,000	1,710,000
59,135,000	-	(1,195,000)	57,940,000	1,025,000
-	9,450,000	-	9,450,000	310,000
-	8,590,000	-	8,590,000	90,000
<u>128,370,000</u>	<u>18,040,000</u>	<u>(14,430,000)</u>	<u>131,980,000</u>	<u>5,840,000</u>
3,439,503	1,379,166	(624,549)	4,194,120	658,256
4,658,392	108,017	-	4,766,409	-
258,725,000	15,084,000	-	273,809,000	-
<u>16,873,248</u>	<u>590,697</u>	<u>-</u>	<u>17,463,945</u>	<u>-</u>
<u>\$ 412,066,143</u>	<u>\$ 35,201,880</u>	<u>\$ (15,054,549)</u>	<u>\$ 432,213,474</u>	<u>\$ 6,498,256</u>
\$ 4,661,000	\$ 272,000	\$ -	\$ 4,933,000	\$ -
<u>212,000</u>	<u>4,000</u>	<u>-</u>	<u>216,000</u>	<u>-</u>
<u>\$ 4,873,000</u>	<u>\$ 276,000</u>	<u>\$ -</u>	<u>\$ 5,149,000</u>	<u>\$ -</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE I - DEFERRED INFLOWS OF RESOURCES**

**General Fund**

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

At June 30, 2021, deferred inflows of resources consisted of delinquent taxes receivable of \$2,650,487.

**NOTE J - UNEARNED REVENUE**

**Food Service Fund**

Unearned revenue of \$37,391 in the Food Service Fund represents deferred inflows of donated commodity revenue.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

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

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - PENSION PLAN (Continued)**

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

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

***Contributions***

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$26,983,000 for the year ended June 30, 2021.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - PENSION PLAN (Continued)**

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

At June 30, 2021, the School District reported a liability of \$278,742,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportionate share of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.5661%, which was an increase of 0.0031% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$26,382,000. At June 30, 2021, the School 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>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 716,000	\$ 6,562,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	12,033,000	-
Changes in proportions	1,515,000	4,178,000
Difference between employer contributions and proportionate share of total contributions	1,511,000	-
Contributions subsequent to the measurement date	<u>26,506,000</u>	<u>-</u>
	<u>\$ 42,281,000</u>	<u>\$ 10,740,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 13,000	\$ 119,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	217,000	-
Changes in proportions	27,000	75,000
Difference between employer contributions and proportionate share of total contributions	27,000	-
Contributions subsequent to the measurement date	<u>477,000</u>	<u>-</u>
	<u>\$ 761,000</u>	<u>\$ 194,000</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE K - PENSION PLAN (Continued)**

\$26,983,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022, measured at June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (2,637,000)	\$ (48,000)
2023	316,000	6,000
2024	3,686,000	66,000
2025	<u>3,670,000</u>	<u>66,000</u>
	<u>\$ 5,035,000</u>	<u>\$ 90,000</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2020 was determined by rolling forward the School District's proportionate share of the total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level percent 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 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.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - PENSION PLAN (Continued)**

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

The 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</u>	

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

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - PENSION PLAN (Continued)**

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>344,863,000</u>	\$ <u>278,742,000</u>	\$ <u>222,729,000</u>

***Pension Plan Fiduciary Net Position*** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**PSERS Plan**

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

**General Information about the Health Insurance Premium Assistance Program**

***Health Insurance Premium Assistance Program***

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves to the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Premium Assistance Eligibility Criteria***

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

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

**OPEB Plan Description**

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

***Benefits Provided***

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

***Employer Contributions***

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$660,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$12,208,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportionate share 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, 2021, the District's proportion was 0.5650%, which was an increase of 0.0020% from its proportion measured as of June 30, 2020.

**NESHAMINY SCHOOL DISTRICT**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For the years ended June 30, 2021, the District recognized OPEB expense of \$563,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 110,000	\$ -
Changes in assumptions	487,000	263,000
Net difference between projected and actual investment earnings	21,000	-
Changes in proportions	80,000	305,000
Difference between employer contributions and proportionate share of total contributions	5,000	3,000
Contributions subsequent to the measurement date	<u>648,000</u>	<u>-</u>
	<u>\$ 1,351,000</u>	<u>\$ 571,000</u>
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 2,000	\$ -
Changes in assumptions	10,000	5,000
Changes in proportions	1,000	5,000
Contributions subsequent to the measurement date	<u>12,000</u>	<u>-</u>
	<u>\$ 25,000</u>	<u>\$ 10,000</u>

\$660,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022, measured at June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 118,000	\$ 2,000
2023	9,000	1,000
2024	(83,000)	(2,000)
2025	(51,000)	(1,000)
2026	115,000	2,000
Thereafter	<u>24,000</u>	<u>1,000</u>
	<u>\$ 132,000</u>	<u>\$ 3,000</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Actuarial Assumptions***

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- 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 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

***Changes in Assumptions:*** The discount rate used to measure the total OPEB liability was changed from 2.79% to 2.66%.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	1.0%
Fixed income	46.5%	-0.1%
Non-US Developed Fixed	<u>3.2%</u>	-0.1%
	<u><u>100.0%</u></u>	

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

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The following presents the District's proportionate share of the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the District's net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ <u>12,206,000</u>	\$ <u>12,208,000</u>	\$ <u>12,209,000</u>

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

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

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability	\$ <u>13,919,000</u>	\$ <u>12,208,000</u>	\$ <u>10,791,000</u>

***OPEB Plan Fiduciary Net Position***

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

**Single Employer Plan**

***Plan Description***

The School District provides medical and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administrated by the School Board and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***Plan Membership***

At June 30, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	99
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>932</u>
	<u><u>1,031</u></u>

***Funding Policy and Funding Status***

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to the benefits. For the plan year ending June 30, 2021, benefit payments paid as they came due were \$449,257.

***Benefits Provided***

The plan provides the following benefits:

For teachers who retired prior to June 30, 2013, benefits include medical, prescription drug, dental, vision and life insurance until the member is eligible for Medicare. If the member is already retired and has 10 or more years of District Service, the District will pay 82% of the premium of the base plan. The member must pay the remainder of the premium. The District pays 100% of the premium for Life Insurance provided in the amount of \$20,000 on the member's life. If a member does not qualify for District subsidy but is eligible for Act 110/43 benefit, the member can continue coverage by paying the COBRA premium rate for medical, prescription drug, and dental. Coverage for both the members spouse and family are included until the member is eligible for Medicare.

For teachers who retired after July 1, 2013, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For administrators who retired prior to June 30, 2009, benefits include medical, prescription drug, dental, vision, and life insurance until the member is eligible for Medicare. If the member has 10 or more years of District Service, the District will pay 82% of the premium for Prescription Drug, Dental and Vision. The member must pay the remainder of the premium. The District pays 100% of the premium for Life Insurance provided in the amount of \$50,000 on the member's life. If the member does not qualify for District subsidy but is eligible for Act 110/43 benefit, the member can continue coverage by paying COBRA premium rate for Medical, Prescription Drug, and Dental. Coverage for the members spouse and family are included.

For administrators who retired after July 1, 2009, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

For cabinet members who retired prior to June 30, 2009, benefits include medical, prescription drug, dental, vision and life insurance. If the member is already retired and has 10 or more years of District service, the District will pay 82% of the premium of the base plan for medical and 82% of the premium for prescription drug, dental and vision. The Member must pay the remainder of the premium. The District pays 100% of the premium for Life Insurance provided in the amount of \$50,000 on the member's life. If the member does not qualify for the District subsidy but is eligible for Act 110/43 benefit, the member can continue coverage by paying COBRA premium rate for medical, prescription drug, and dental.

For cabinet members who retired after July 1, 2009, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For the superintendent, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under to additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

For confidential secretaries who retired prior to June 30, 2009, coverage includes, medical, prescription drug, dental, vision and life insurance. If the member has 10 or more years of District service, the District will pay 82% of the premium for Medical, prescription drug, dental and vision. The member must pay the remainder of the premium. The District pays 100% of premium for Life Insurance provided in the amount of \$30,000 on the member's life. If the member does not qualify for District subsidy but is eligible for Act 110/43 benefit, the member can continue coverage by paying COBRA premium rate for Medical, Prescription Drug, and Dental. Coverage of individuals includes the members spouse and family.

For confidential secretaries who retired after July 1, 2009, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under to additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

For support staff who retired prior to June 30, 2011 and have 10 years of service with the District, coverage includes medical, prescription drug, dental and vision. The District will pay 83% of single coverage premium for prescription drug. The Member must pay 100% of the premium for medical, dental and vision. In addition, the member must pay an additional premium for the coverage of a spouse or any eligible dependents. Covered individuals include the spouse and the family until the member is eligible for Medicare.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

For support staff who retired prior to June 30, 2011 and are age 62 with 10 years of service with the district have coverage for medical, prescription drug, dental and vision. The District will pay 83% of single coverage premium for prescription drugs. For medical, the District will pay 88% of single coverage premium if the member is enrolled in the Keystone or PC Flex medical plans. Otherwise, the District will pay 83% of the single coverage premium for Medical. In addition, the District will pay 83% of the single coverage premiums for Dental and Vision. The member must also pay any additional premium for the coverage of a spouse or any eligible dependents. The coverage includes the members spouse and family until the member is eligible for Medicare.

For support staff who retired prior to June 30, 2011 and either age 62 with 15 years of PSERS service, age 60 with 30 years of PSERS service or 35 years of PSERS service have coverage for medical, prescription drug, dental and vision. The District will pay 83% of the premium for Prescription Drug. For medical, the district will pay 88% if the member is enrolled in the Keystone or PC Flex medical plans. Otherwise, the District will pay 83% of the premium for Medical. In addition, the District will pay 83% of the premium for Dental and Vision. The coverage includes the members spouse and family until the member is eligible for Medicare.

For support staff who retired prior to June 30, 2011, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

For support staff who retire after July 1, 2011, eligibility falls under Act 110/43. This includes all employees upon retirement with 30 years of PSERS service or upon superannuation retirement. Superannuation retirement individuals fall under additional criteria. First, for individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service. Second, for individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. Retired employees can continue coverage of themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. The duration of the coverage lasts until the member is eligible for Medicare.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Life insurance benefits for support staff who retired prior to June 30, 2011 who were full time support who retired after 7/1/2003, are covered \$20,000 for life insurance. The District will pay the entire premium until the age of 72. For support staff who were full time support before 7/1/2003 and after 7/1/1988, are covered \$5,000 for life insurance. The District will pay the entire premium until the age of 72.

For support staff who retire after July 1, 2011, no life insurance benefits are offered for these members.

**Assumptions**

The following assumptions and actuarial methods and calculations were used:

**Discount Rate** - 1.86%, based on S&P Municipal Bond 20 Year High Grade Index at July 1, 2020.

**Salary** - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed at a 2.5% 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%.

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

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

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

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

**Disability** - No disability was assumed.

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

**Percent of Eligible Retirees Electing Coverage in Plan** - 35% of employees are assumed to elect coverage.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Percent of Married at Retirement** - 45% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

**Spouse Age** - Wives are assumed to be two years younger than their husbands.

**Per Capita Claims Cost** - Making use of weighted averages for various plan designs, the per capita cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

Age	Medical and Prescription Drug Combined	
	Males	Females
45-49	\$ 7,067	\$ 10,206
50-54	9,359	11,534
55-56	11,398	12,069
60-64	14,875	13,864
65+	6,046	6,046

**Life Insurance** - It is assumed that the annual cost to provide life insurance varies by age and gender. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

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

**Health Care Cost Trend Rate** - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Actuarial Value of Assets** - Equal to the Market Value of Assets

**Actuarial Cost Method - Entry Age Normal** - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**Participant Data** - Based on census information as of June 2020. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2020-2021 school year.

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Changes in Assumptions** - In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%. In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%, it was assumed that 35% of employees will elect coverage upon retirement and the percentage of employees who are assumed to be married and have a spouse covered by the plan at retirement decreased from 55% to 45%. In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The marriage assumption was lowered from 65% to 55%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

***Changes in Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ <u>5,111,248</u>
Changes for the year	
Service cost	193,894
Interest cost	170,076
Changes in assumptions	445,984
Benefit payments	<u>(449,257)</u>
Net changes	<u>360,697</u>
Balance at June 30, 2021	\$ <u><u>5,471,945</u></u>

***Sensitivity of the Total OPEB Liabilities in Changes in the Discount Rate***

The following presents the total OPEB liability of the Plan, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower to 1-percentage point higher than the current rate:

	1% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1% Increase <u>2.86%</u>
Total OPEB liability	\$ <u>5,769,405</u>	\$ <u>5,471,945</u>	\$ <u>5,184,470</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>4,968,692</u>	\$ <u>5,471,945</u>	\$ <u>6,055,305</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2021, the District recognized OPEB expense of \$331,460. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Changes in assumptions	\$ 636,214	\$ 4,343
Difference between expected and actual experience	-	734,320
Contributions subsequent to the measurement date	<u>482,994</u>	<u>-</u>
	<u>\$ 1,119,208</u>	<u>\$ 738,663</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2022	\$ (32,510)
2023	(32,510)
2024	(32,510)
2025	(32,510)
2026	(32,510)
Thereafter	<u>60,101</u>
	<u>\$ (102,449)</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE M - COMPENSATED ABSENCES**

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee’s current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$4,766,409 at June 30, 2021, is recorded in compensated absences in the statement of net position.

**NOTE N - RISK MANAGEMENT**

**Workers’ Compensation Self-Insurance**

In fiscal year 1996, the School District established a Workers’ Compensation Program to account for and finance its uninsured risks of loss due to employee claims. This program provides coverage up to a maximum of \$300,000 for each individual worker’s compensation occurrence with specific, lower annual maximums over the life of the claim. The School District purchases commercial insurance for claims in excess of coverage provided by the program.

All School District employees are covered by the program. All salary-paying funds of the School District participate in the program and make payments to the program, which are accounted for in the General Fund, based on estimates of the amounts needed to pay prior and current period claims. The self-insurance liability of \$873,041 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the program’s claims liability for the year ended June 30, 2021, is presented below:

<u>Balance June 30, 2020</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Market Adjustment</u>	<u>Balance June 30, 2021</u>
\$ 551,543	\$ 500,749	\$ (179,251)	\$ -	\$ 873,041

**Other Risks**

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

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE O - COMMITMENTS AND CONTINGENCIES**

There are a number of tax assessment appeals in the Court of Common Pleas of Bucks County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

**NOTE P - RISKS AND UNCERTAINTIES**

The COVID-19 coronavirus pandemic has led to widespread voluntary and government-mandated closings of school districts, local stores and businesses, which has the potential to lead to significant job losses. These job losses have the potential to have an impact on all aspects of School District operations including tax collections. In addition, due to the economic uncertainty, future federal and state funding may be impacted. This could result in less money that is relied upon by School Districts to fund specific programs. The extent to which the COVID-19 coronavirus impacts the School District will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain the spread or treat its impact.

**NOTE Q - PRIOR PERIOD RESTATEMENTS**

The School District implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In accordance with GASB Statement No. 84, the School District determined its student activity custodial funds no longer qualify as fiduciary activities.

For government-wide governmental activities, the School District has restated beginning of year net position by \$693,578, from \$(179,765,585) to \$(179,072,007), and restated beginning cash and cash equivalents from \$18,950,768 to \$19,644,346, to reflect the addition of funds that no longer qualify as fiduciary activities. For the general fund, the School District has adjusted beginning of year fund balance by \$693,578, from \$50,543,379 to \$51,236,957, and restated beginning cash and cash equivalents from \$18,950,767 to \$19,644,345 to reflect the addition of funds that no longer qualify as fiduciary activities.

For the food service fund, the School District has made a prior period adjustment to recognize revenue in the period earned. The effect of the adjustment is to decrease beginning net position \$119,735, from \$(3,528,429) to \$(3,648,164) and to decrease beginning other receivables \$119,735, from \$168,020 to \$48,285. As a result of this prior period adjustment, the School District has adjusted beginning net position for the government-wide business-type activities from \$(3,384,721) to \$(3,504,456) and beginning other receivables from \$168,020 to \$48,285.

**NOTE R - SUBSEQUENT EVENT**

In September 2021, the Board of Directors approved a resolution authorizing the issuance of Revenue Bonds for the Bucks County Technical School Authority for the purpose of funding certain capital projects for the Bucks County Technical School Authority. Revenue Bonds in the amount of \$7,310,000 are anticipated to close in March 2022. Neshaminy School District's share of this lease rental debt would be 27.17%.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NESHAMINY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 135,357,590	\$ 135,962,994	\$ 138,297,913	\$ 2,334,919
State sources	44,576,272	45,910,784	44,850,100	(1,060,684)
Federal sources	2,574,008	5,979,947	4,649,050	(1,330,897)
<b>TOTAL REVENUES</b>	<u>182,507,870</u>	<u>187,853,725</u>	<u>187,797,063</u>	<u>(56,662)</u>
<b>EXPENDITURES</b>				
Instruction	119,144,401	123,919,518	121,985,079	1,934,439
Support services	51,370,503	51,107,308	51,587,015	(479,707)
Operation of non-instructional services	2,173,648	2,032,646	2,171,163	(138,517)
Facilities acquisition, construction and improvement services	1,495,222	2,321,171	3,425,254	(1,104,083)
Debt service	9,575,158	9,575,158	9,284,246	290,912
Budgetary reserve	400,000	400,000	-	400,000
<b>TOTAL EXPENDITURES</b>	<u>184,158,932</u>	<u>189,355,801</u>	<u>188,452,757</u>	<u>903,044</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,651,062)</u>	<u>(1,502,076)</u>	<u>(655,694)</u>	<u>846,382</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	8,590,000	8,590,000
Premium on refunding bonds issued	-	-	626,954	626,954
Payment to refunded bond escrow agent	-	-	(9,048,797)	(9,048,797)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>168,157</u>	<u>168,157</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,651,062)</u>	<u>(1,502,076)</u>	<u>(487,537)</u>	<u>1,014,539</u>
<b>FUND BALANCE AT BEGINNING OF YEAR, restated</b>	<u>-</u>	<u>-</u>	<u>51,236,957</u>	<u>51,236,957</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ (1,651,062)</u>	<u>\$ (1,502,076)</u>	<u>\$ 50,749,420</u>	<u>\$ 52,251,496</u>

See accompanying note to the budgetary comparison schedule.

**NESHAMINY SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2021**

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**NOTE A - BUDGETARY INFORMATION**

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

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

1. Prior to March 1, the Business Administrator submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The School District also prepares budgets for the Capital Projects Fund. No budget is prepared for the Food Service Fund.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance. The Capital Projects Fund budgets are not legally adopted.
4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter total revenues and expenditures of any fund must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments. There were no budget amendments made in fiscal year 2020.
5. Budgetary data are included in the School District's management information system and are employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount.
7. The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2021, support service expenditures exceeded appropriations by \$479,707, operation of non-instructional services exceeded appropriations by \$138,517, and facilities acquisition, construction and improvement services exceeded appropriations by \$1,104,083. These excess expenditures were funded by available fund balance in the General Fund.

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

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.5661%</u>	<u>0.5630%</u>	<u>0.5767%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 278,742,000</u>	<u>\$ 263,386,000</u>	<u>\$ 276,845,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 79,307,711</u>	<u>\$ 77,641,906</u>	<u>\$ 77,657,499</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>351.47%</u>	<u>339.23%</u>	<u>356.49%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014).

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

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.5730%</u>	<u>0.5842%</u>	<u>0.5817%</u>	<u>0.5795%</u>
\$ <u>282,996,000</u>	\$ <u>289,511,000</u>	\$ <u>251,965,000</u>	\$ <u>229,370,000</u>
\$ <u>76,294,313</u>	\$ <u>75,659,071</u>	\$ <u>74,849,640</u>	\$ <u>73,943,493</u>
<u>370.93%</u>	<u>382.65%</u>	<u>336.63%</u>	<u>310.20%</u>
<u>50.14%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

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**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS**  
**LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 26,983,000	\$ 26,453,000	\$ 25,657,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>26,983,000</u>	<u>26,453,000</u>	<u>25,657,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u><u>80,707,968</u></u>	\$ <u><u>79,307,711</u></u>	\$ <u><u>77,641,906</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u><u>33.43%</u></u>	<u><u>33.35%</u></u>	<u><u>33.05%</u></u>

**NOTE TO SCHEDULE**

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

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 24,557,000	\$ 22,128,000	\$ 18,940,000	\$ 15,345,000
<u>24,557,000</u>	<u>22,128,000</u>	<u>18,940,000</u>	<u>15,345,000</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>77,657,499</u></u>	\$ <u><u>76,294,313</u></u>	\$ <u><u>75,659,071</u></u>	\$ <u><u>74,849,640</u></u>
<u><u>31.62%</u></u>	<u><u>29.00%</u></u>	<u><u>25.03%</u></u>	<u><u>20.50%</u></u>

## NESHAMINY SCHOOL DISTRICT

### SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.5650%</u>	<u>0.5630%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u>\$ 12,208,000</u>	<u>\$ 11,974,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 79,307,711</u>	<u>\$ 77,641,906</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>15.39%</u>	<u>15.42%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.69%</u>	<u>5.56%</u>

#### NOTES TO SCHEDULE

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018 and 2017).

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

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<u>2019</u>	<u>2018</u>
<u>0.5767%</u>	<u>0.5730%</u>
\$ <u>12,024,000</u>	\$ <u>11,674,000</u>
\$ <u>77,657,499</u>	\$ <u>76,294,313</u>
<u>15.48%</u>	<u>15.30%</u>
<u>5.56%</u>	<u>5.73%</u>

**NESHAMINY SCHOOL DISTRICT****SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT  
BENEFIT PLAN CONTRIBUTIONS  
LAST FOUR FISCAL YEARS**

	<u>2021</u>	<u>2020</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 660,000	\$ 666,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>660,000</u>	<u>666,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>80,707,968</u>	\$ <u>79,307,711</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.82%</u>	<u>0.84%</u>

**NOTE TO SCHEDULE**

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

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<u>2019</u>	<u>2018</u>
\$ 653,000	\$ 642,000
<u>653,000</u>	<u>642,000</u>
\$ <u>          -</u>	\$ <u>          -</u>
\$ <u>77,641,906</u>	\$ <u>77,657,499</u>
<u>0.84%</u>	<u>0.83%</u>

# NESHAMINY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 193,894	\$ 175,196
Interest	170,076	158,315
Changes in benefit terms	-	(55,080)
Differences in experience	-	(254,726)
Changes of assumptions	445,984	263,419
Benefit payments	<u>(449,257)</u>	<u>(683,514)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	360,697	(396,390)
TOTAL OPEB LIABILITY, BEGINNING	<u>5,111,248</u>	<u>5,507,638</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 5,471,945</u>	<u>\$ 5,111,248</u>
COVERED PAYROLL	<u>\$ 73,927,847</u>	<u>\$ 73,927,847</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>7.40%</u>	<u>6.91%</u>

### NOTES TO SCHEDULE

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

Changes in assumptions: In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%. In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%, it was assumed that 35% of employees will elect coverage upon retirement and the percentage of employees who are assumed to be married and have a spouse covered by the plan at retirement decreased from 55% to 45%. In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The marriage assumption was lowered from 65% to 55%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

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	<u>2019</u>	<u>2018</u>
\$	162,347	\$ 149,876
	176,721	175,044
	-	-
	-	(826,428)
	20,967	(6,823)
	<u>(733,304)</u>	<u>(1,070,848)</u>
	(373,269)	(1,579,179)
	<u>5,880,907</u>	<u>7,460,086</u>
\$	<u>5,507,638</u>	\$ <u>5,880,907</u>
\$	<u>71,354,101</u>	\$ <u>71,354,101</u>
	<u>7.72%</u>	<u>8.24%</u>

## **SUPPLEMENTARY INFORMATION SECTION**

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND REVENUES**  
**YEAR ENDED JUNE 30, 2021**

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GENERAL FUND REVENUES

Local sources

Taxes, current and interim real estate	\$ 124,549,023
Real estate transfer tax	2,782,050
Public current per capita tax	385,223
Current business privilege tax	1,370,535
Current mercantile tax	1,146,595
Current occupational privilege tax	158,975
Amusement tax	265,819
Delinquent taxes (all levies)	<u>3,776,135</u>
TOTAL TAXES	<u>134,434,355</u>
Earnings from temporary deposits and investments	59,501
Rent from school and other facilities	677,036
Miscellaneous revenue	<u>3,127,021</u>
TOTAL LOCAL SOURCES	<u>138,297,913</u>

State sources

Basic instructional subsidy	13,949,536
Special education	6,582,160
Health service	171,235
Tuition for orphans and court placed children (Sections 1305 and 1306)	108,243
Retirement subsidy	13,183,043
Social Security subsidy	(24,295)
Property tax reduction allocation	3,591,552
Miscellaneous grants	<u>7,288,626</u>
TOTAL STATE SOURCES	<u>44,850,100</u>

Federal sources

Other federal programs and grants	<u>4,649,050</u>
TOTAL FEDERAL SOURCES	<u>4,649,050</u>

TOTAL GENERAL FUND REVENUES	<u><u>\$ 187,797,063</u></u>
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***Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Neshaminy School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Neshaminy School District's basic financial statements, and have issued our report thereon dated March 9, 2022.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Neshaminy 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*.

### ***Neshaminy School District's Response to Findings***

Neshaminy School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Neshaminy School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### ***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.



Limerick, Pennsylvania  
March 9, 2022

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

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the Neshaminy School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Neshaminy School District's major federal programs for the year ended June 30, 2021. Neshaminy School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

***Basis for Qualified Opinion on the Education Stabilization Fund (Assistance Listing #84.425) and Coronavirus Relief Fund (Assistance Listing #21.019)***

As described in the accompanying schedule of findings and questioned costs, Neshaminy School District did not comply with the requirements regarding ALN 84.425 Education Stabilization Fund and ALN 21.019 Coronavirus Relief Fund as described in finding number 2021-004 for Standards for Program Financial Management System. Compliance with such requirements is necessary, in our opinion, for the Neshaminy School District to comply with the requirements applicable to those programs.

***Qualified Opinion on Education Stabilization Fund (Assistance Listing #84.425) and Coronavirus Relief Fund (Assistance Listing #21.019)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Neshaminy 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 the Education Stabilization Fund and Coronavirus Relief Fund for the year ended June 30, 2021.

***Other Matters***

Neshaminy School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Neshaminy School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This report is replacing a previously issued report. The report is being reissued because a limited review performed by a governmental agency indicated that Neshaminy School District omitted federal funds that were expended under ALN 21.019 Coronavirus Relief Fund from its Schedule of Expenditures of Federal and Certain State Awards. These expenditures have been added to the Schedule of Expenditures of Federal and Certain State Awards in the amount of \$474,313.

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

### ***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2021-004, Standards for Program Financial Management System to be a material weakness.

Neshaminy School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and question costs. Neshaminy School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no such opinion on the response.

To the Board of School Directors  
Neshaminy School District  
Langhorne, Pennsylvania

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "A. Miller LLP".

Limerick, Pennsylvania

March 9, 2022, except for our opinion on Neshaminy School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Coronavirus Relief Fund (ALN 21.019), as to which the date is May 10, 2022.

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

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# NESHAMINY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Grants to Local Educational Agencies	I	84.010	013-190277	August 20, 2018 September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	013-200277	August 26, 2019 September 30, 2021
Title I Grants to Local Educational Agencies	I	84.010	013-210277	September 4, 2020 September 30, 2021
TOTAL TITLE I 84.010				
English Language Acquisition State Grants	I	84.365	010-190277	August 20, 2018 September 30, 2020
English Language Acquisition State Grants	I	84.365	010-200277	August 26, 2019 September 30, 2021
English Language Acquisition State Grants	I	84.365	010-210277	September 4, 2020 September 30, 2021
TOTAL TITLE III 84.365				
Improving Teacher Quality State Grants	I	84.367	020-180277	August 23, 2017 September 30, 2019
Improving Teacher Quality State Grants	I	84.367	020-190277	August 20, 2018 September 30, 2020
Improving Teacher Quality State Grants	I	84.367	020-200277	August 26, 2019 September 30, 2021
Improving Teacher Quality State Grants	I	84.367	020-210277	September 4, 2020 September 30, 2021
TOTAL TITLE II 84.367				
Student Support and Academic Enrichment Program	I	84.424	144-190277	August 20, 2018 September 30, 2020
Student Support and Academic Enrichment Program	I	84.424	144-200277	August 26, 2019 September 30, 2021
Student Support and Academic Enrichment Program	I	84.424	144-210277	September 4, 2020 September 30, 2021
TOTAL TITLE IV 84.424				
Education Stabilization Fund	I	84.425D*	200-200277	March 12, 2020 September 30, 2021
Education Stabilization Fund	I	84.425D*	252-200277	March 12, 2020 September 30, 2021
Education Stabilization Fund	I	84.425D*	200-210277	March 13, 2020 September 30, 2023
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>				
Education Stabilization Fund	I	84.425D*	N/A	March 13, 2020 September 30, 2022
TOTAL EDUCATION STABILIZATION FUND 84.425				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Adjustments</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Passed Through to Sub-Recipients</u>
\$ 889,736	\$ -	\$ -	\$ (21,558)	\$ 20,733	\$ 20,733	\$ (825)	\$ -
874,944	106,128	-	50,438	55,641	55,641	(49)	-
795,389	<u>716,977</u>	<u>-</u>	<u>-</u>	<u>711,303</u>	<u>711,303</u>	<u>(5,674)</u>	<u>-</u>
	<u>823,105</u>	<u>-</u>	<u>28,880</u>	<u>787,677</u>	<u>787,677</u>	<u>(6,548)</u>	<u>-</u>
25,465	-	(3,027)	(3,027)	-	-	-	-
28,074	14,037	-	2,652	11,385	11,385	-	-
38,811	<u>20,898</u>	<u>-</u>	<u>-</u>	<u>28,312</u>	<u>28,312</u>	<u>7,414</u>	<u>-</u>
	<u>34,935</u>	<u>(3,027)</u>	<u>(375)</u>	<u>39,697</u>	<u>39,697</u>	<u>7,414</u>	<u>-</u>
223,266	-	-	(515)	-	-	(515)	-
235,132	-	(1,962)	(2,050)	88	88	-	-
211,117	26,686	-	4,827	21,859	21,859	-	-
192,310	<u>137,596</u>	<u>-</u>	<u>-</u>	<u>184,055</u>	<u>184,055</u>	<u>46,459</u>	<u>-</u>
	<u>164,282</u>	<u>(1,962)</u>	<u>2,262</u>	<u>206,002</u>	<u>206,002</u>	<u>45,944</u>	<u>-</u>
67,353	-	-	(182)	182	182	-	-
81,648	40,824	-	31,155	375	375	(9,294)	-
78,867	<u>30,333</u>	<u>-</u>	<u>-</u>	<u>64,672</u>	<u>64,672</u>	<u>34,339</u>	<u>-</u>
	<u>71,157</u>	<u>-</u>	<u>30,973</u>	<u>65,229</u>	<u>65,229</u>	<u>25,045</u>	<u>-</u>
854,142	764,232	-	-	772,536	772,536	8,304	-
84,362	22,201	-	-	84,362	84,362	62,161	-
2,357,903	-	-	-	2,357,903	2,357,903	2,357,903	-
271,573	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,684</u>	<u>270,684</u>	<u>270,684</u>	<u>-</u>
	<u>786,433</u>	<u>-</u>	<u>-</u>	<u>3,485,485</u>	<u>3,485,485</u>	<u>2,699,052</u>	<u>-</u>
\$ 1,879,912	\$ <u>(4,989)</u>	\$ <u>61,740</u>	\$ <u>4,584,090</u>	\$ <u>4,584,090</u>	\$ <u>2,770,907</u>	\$ <u>-</u>	

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>Passed through the Bucks County</b>				
<b>Intermediate Unit</b>				
Special Education Preschool Grants	I	84.173	131-190022	July 1, 2019 to June 30, 2020
Special Education Preschool Grants	I	84.173	131-200022	July 1, 2020 to June 30, 2021
TOTAL IDEA 84.173				
Special Education Grants to States	I	84.027	062-200022	July 1, 2019 to June 30, 2020
Special Education Grants to States	I	84.027	062-210022	July 1, 2020 to June 30, 2021
TOTAL IDEA 84.027				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION FORWARD				
<b>U.S. DEPARTMENT OF TREASURY</b>				
<b>Passed through the Bucks County</b>				
<b>Intermediate Unit</b>				
Coronavirus Relief Fund	I	21.019*	N/A	July 1, 2020 to June 30, 2021
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>				
Coronavirus Relief Fund	I	21.019*	N/A	March 1, 2020 to October 30, 2020
<b>Passed through the Pennsylvania Department of Education</b>				
Coronavirus Relief Fund	I	21.019*	252-200277	March 1, 2020 to October 30, 2020
TOTAL CRF 21.019				
TOTAL U.S. DEPARTMENT OF TREASURY FORWARD				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Temporary Assistance for Needy Families	I	93.558	4100081182	July 1, 2019 to June 30, 2020
Temporary Assistance for Needy Families	I	93.558	4100081182	July 1, 2020 to June 30, 2021
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES GRANT 93.558				
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Diesel Emission Reduction Act (DERA) National Grants	D	66.039	N/A	July 1, 2019 to June 30, 2020
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2020 to June 30, 2021
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program	I	10.555	N/A	July 1, 2020 to June 30, 2021
TOTAL NATIONAL SCHOOL LUNCH PROGRAM				
School Breakfast Program	I	10.553	N/A	July 1, 2019 to June 30, 2020
School Breakfast Program	I	10.553	N/A	July 1, 2020 to June 30, 2021
TOTAL SCHOOL BREAKFAST PROGRAM				
TOTAL CHILD NUTRITION CLUSTER				

Program or Award Amount	Total Received for the Year	Adjustments	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
	\$ 1,879,912	\$ (4,989)	\$ 61,740	\$ 4,584,090	\$ 4,584,090	\$ 2,770,907	\$ -
\$ 5,177	5,177	-	5,177	-	-	-	-
8,262	8,262	-	-	8,262	8,262	-	-
	13,439	-	5,177	8,262	8,262	-	-
1,896,729	1,565,400	-	1,706,508	-	-	141,108	-
1,902,710	42,921	-	-	1,902,710	1,902,710	1,859,789	-
	1,608,321	-	1,706,508	1,902,710	1,902,710	2,000,897	-
	1,621,760	-	1,711,685	1,910,972	1,910,972	2,000,897	-
	3,501,672	(4,989)	1,773,425	6,495,062	6,495,062	4,771,804	-
525,349	525,349	-	-	525,349	525,349	-	-
474,313	474,313	-	-	474,313	474,313	-	-
42,900	42,900	-	-	42,900	42,900	-	-
	1,042,562	-	-	1,042,562	1,042,562	-	-
	1,042,562	-	-	1,042,562	1,042,562	-	-
348,000	146,342	-	146,342	-	-	-	-
348,000	290,509	-	-	315,223	315,223	24,714	-
	436,851	-	146,342	315,223	315,223	24,714	-
195,000	195,000	-	195,000	-	-	-	-
N/A	245,201	- (a)	(10,055) (b)	217,865 (c)	217,865 (c)	(37,391) (d)	-
N/A	96,375	-	96,375	-	-	-	-
N/A	1,504,370	-	-	2,057,963	2,057,963	553,593	-
	1,845,946	-	86,320	2,275,828	2,275,828	516,202	-
N/A	50,957	-	50,957	-	-	-	-
N/A	444,631	-	-	622,161	622,161	177,530	-
	495,588	-	50,957	622,161	622,161	177,530	-
\$	2,341,534	\$ -	\$ 137,277	\$ 2,897,989	2,897,989	\$ 693,732	\$ -

# NESHAMINY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF TREASURY</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
TOTAL FORWARDED				
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
TOTAL FORWARDED				
<b>CERTAIN STATE AWARDS</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	S	N/A	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program	S	N/A	N/A	July 1, 2020 to June 30, 2021
School Breakfast Program	S	N/A	N/A	July 1, 2019 to June 30, 2020
School Breakfast Program	S	N/A	N/A	July 1, 2020 to June 30, 2021
TOTAL CERTAIN STATE AWARDS				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

**Footnotes:**

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2020.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2021.

**Source Codes:**

- I = Indirect funding
- D = Direct funding
- S = State share
- \* = Major program

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Adjustments</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Passed Through to Sub-Recipients</u>
	\$ 3,501,672	\$ (4,989)	\$ 1,773,425	\$ 6,495,062	\$ 6,495,062	\$ 4,771,804	\$ -
	<u>1,042,562</u>	<u>-</u>	<u>-</u>	<u>1,042,562</u>	<u>1,042,562</u>	<u>-</u>	<u>-</u>
	<u>436,851</u>	<u>-</u>	<u>146,342</u>	<u>315,223</u>	<u>315,223</u>	<u>24,714</u>	<u>-</u>
	<u>195,000</u>	<u>-</u>	<u>195,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,341,534</u>	<u>-</u>	<u>137,277</u>	<u>2,897,989</u>	<u>2,897,989</u>	<u>693,732</u>	<u>-</u>
N/A	3,734	-	3,734	-	-	-	-
N/A	53,410	-	-	73,855	73,855	20,445	-
N/A	2,769	-	2,769	-	-	-	-
N/A	<u>21,014</u>	<u>-</u>	<u>-</u>	<u>29,285</u>	<u>29,285</u>	<u>8,271</u>	<u>-</u>
	<u>80,927</u>	<u>-</u>	<u>6,503</u>	<u>103,140</u>	<u>103,140</u>	<u>28,716</u>	<u>-</u>
	<u>7,598,546</u>	<u>(4,989)</u>	<u>2,258,547</u>	<u>10,853,976</u>	<u>10,853,976</u>	<u>5,518,966</u>	<u>-</u>
	<u>(80,927)</u>	<u>-</u>	<u>(6,503)</u>	<u>(103,140)</u>	<u>(103,140)</u>	<u>(28,716)</u>	<u>-</u>
	<u>\$ 7,517,619</u>	<u>\$ (4,989)</u>	<u>\$ 2,252,044</u>	<u>\$ 10,750,836</u>	<u>\$ 10,750,836</u>	<u>\$ 5,490,250</u>	<u>\$ -</u>

**NESHAMINY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2021**

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**NOTE A - GENERAL**

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the Neshaminy School District. The School District reporting entity is defined in Note A to the School District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal revenue recognized in the General Fund and the Enterprise Fund is reconciled to the schedule of expenditures of federal and certain state awards as follows:

FEDERAL REVENUE RECOGNIZED IN	
BASIC FINANCIAL STATEMENTS	
General Fund	\$ 7,852,847
Enterprise Fund	2,897,989
	<u>10,750,836</u>
STATE MATCHING FUNDS	
National School Lunch Program	<u>103,140</u>
	<u>\$ 10,853,976</u>

**NOTE D - INDIRECT COST RATES**

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

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Neshaminy School District.
2. Three material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Neshaminy School District were disclosed during the audit.
4. One material weakness relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Neshaminy School District expresses a qualified opinion on the Education Stabilization Fund and Coronavirus Relief Fund.
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) of the Circular are included in the accompanying schedule of findings and questioned costs.
7. The programs tested as major programs include:

Program	ALN
Education Stabilization Fund	84.425
Coronavirus Relief Fund	21.019

The threshold used for distinguishing Types A and B programs was \$750,000.

8. Neshaminy School District was determined to be a low-risk auditee.

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2021-001 Lack of Internal Controls over the Preparation of the Schedule of Expenditures and Federal Awards**

**Criteria:** The School District is required to prepare a Schedule of Expenditures of Federal Awards in accordance with the Uniform Grant Guidance. Internal controls must be in place to ensure the School District properly reports all federal expenditures and related required information on this schedule.

**Condition:** The School District failed to properly identify all federal grant expenditures and related information required by Uniform Grant Guidance to be reported in the June 30, 2021, Schedule of Expenditures of Federal Awards provided during audit fieldwork.

**Cause:** The School District lacks a system of proper internal controls over the completeness of the information reported on the Schedule of Expenditures of Federal Awards.

**Effect:** The Schedule of Expenditures of Federal Awards did not include all federal program expenditures during the year.

**Recommendation:** We recommend the School District institute procedures to ensure that an accurate and complete schedule of expenditures of federal awards is maintained. The School District should prepare and update this schedule on an ongoing basis throughout the year.

**Response:** The School District will institute procedures to ensure that all federal expenditures are identified and accurately reported on the schedule of expenditures of federal awards.

**2021-002 Timely Reconciliation of Accounts and Closing Procedures**

**Criteria:** The School District should have controls in place to ensure that its year-end accounts are reconciled and reviewed for accuracy in a timely manner.

**Condition:** The School District did not perform year-end reconciliations on various major accounts (i.e., federal receivables, state receivables, other receivables, inventory, interfund receivables/payables, and accounts payable).

**Cause:** The School District lacks a system of proper internal controls over reconciliation of accounts and year-end closing procedures.

**Effect:** A significant number of journal entries are posted into the accounting system after the audit begins. These journal entries include client journal entries as well as auditor proposed adjustments to reconcile various accounts. This causes a delay in issuing the financial statements.

**Recommendation:** We recommend the School District institute procedures to perform monthly reconciliations of accounts, making adjustments throughout the year that would typically be performed at year-end only, and performing more frequent reviews of balance sheet accounts. We recommend the School District develop a closing checklist that indicates who will perform each procedure and a deadline for each procedure.

**Response:** The School District will institute procedures to ensure that its year-end accounts are reconciled and reviewed for accuracy in a timely manner.

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2021-003 Tracking and Reconciliation of Construction in Progress Activity**

**Criteria:** The School District should have controls in place to identify and accurately report additions and deletions of construction in progress.

**Condition:** (1) The School District failed to identify certain projects for inclusion in its original schedule of construction in progress. (2) The original schedule of construction in progress we received to be audited was not properly cutoff as of June 30, 2021, but rather included costs through the date the schedule was created. (3) The original schedule of construction in progress was tracking costs based on the invoice date rather than the date the expenses were incurred.

**Cause:** The School District does not have controls in place that allow for accurate reporting of construction in progress activities.

**Effect:** The original schedule of construction in progress did not accurately report the costs of projects in progress as of year-end.

**Recommendation:** We recommend the School District institute procedures to identify and track construction in progress as the costs are being incurred and to perform monthly reconciliations between the schedule of construction in progress, the general ledger, and the fixed asset software.

**Response:** The School District will institute procedures to identify and track construction in progress as the costs are being incurred and to perform monthly reconciliations between the schedule of construction in progress, the general ledger, and the fixed asset software.

**NESHAMINY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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

**2021-004 Standards for Program Financial Management System**

**Federal Program: Education Stabilization Fund (ALN 84.425D)  
Coronavirus Relief Fund (ALN 21.019)**

**Federal Agency: U.S. Department of Education**

**Criteria:** The financial management requirements under 2 CFR 200.302 require each non-federal entity to maintain a financial management system providing identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the ALN title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through, if any.

**Condition:** The School District does not have policies and procedures in place to accurately and completely account for all federally funded activities separately from non-federally funded activities in their financial management system. A portion of the revenues and expenditures associated with the federal grant program identified above were not separately identified within the School District's accounting system.

**Cause:** The Organization lacks a system of proper internal controls that encompasses all aspects of the specific written documentation requirements under 2 CFR 200.302.

**Effect:** The School District is not in compliance with CFR 200.302 Financial Management, which requires federal program identification within its accounts.

**Recommendation:** We recommend the School District strengthen its controls over identifying and segregating federal awards within their accounting system.

**Response:** The School District will improve its procedures for identifying federal awards and segregating federal awards within their accounting system.



*We Build Futures*

# Neshaminy School District

Administrative Offices • 2250 Langhorne-Yardley Road • Langhorne, PA 19047

May 9, 2022

## Corrective Action Plan

Federal Audit Clearing House  
1201 E. 10<sup>th</sup> Street  
Jeffersonville, IN 47132

RE: Single Audit Period Ending 6-30-21 for EIN 23-1667973

The following is the corrective action plan that Neshaminy School District is anticipating in response to the findings for the year ending 6-30-21 by the auditing firm of Maillie, LLP, 500 N. Lewis Road Limerick, PA 19468.

### **Finding 2021-001 – Lack of Internal Controls over the Preparation of the Schedule of Expenditures and Federal Awards**

In response to the finding, the School District will institute the following procedures to identify all federal grant expenditures required to be reported on the Schedule of Expenditures and Federal Awards:

- 1) The Business Office shall make a comprehensive review of all grants on an on-going basis to ensure that all federal grants and awards are properly identified, with particular attention to all grants initiated by the Pennsylvania Department of Education or pass through grants via the Intermediate Unit that are not specifically identified in the E-Grants system.

### **Finding 2021-002 – Timely Reconciliation of Accounts and Closing Procedures**

In response to the finding, the School District will institute the following procedures to ensure that its year-end accounts are reconciled and reviewed for accuracy in a timely manner:

- 1) The Business Office personnel shall reconcile and review for accuracy the pertinent income accruals, expense accruals, Due-To and Due-From accounts, to ensure that they accurately reflect the district's financial standing on an ongoing basis throughout the fiscal year. Therefore, at the end of the fiscal year the accounts shall be accurate and in good order for the close of the fiscal year.

### **Finding 2021-003 – Tracking and Reconciliation of Construction in Progress Activity**

In response to the finding, the School District will institute the following procedures to improve their controls for identifying and accurately reporting additions and deletions of construction in progress:

- 1) The Business Office personnel shall reconcile and review for accuracy the Construction in Progress account monthly throughout the fiscal year. Therefore, at the end of the fiscal year the Construction in Progress account shall be accurate and in good order for the close of the fiscal year.

**Finding 2021-004 – Standards for Program Financial Management System – Education Stabilization Fund (ALN 84.425D) and Coronavirus Relief Fund (ALN 21.019)**

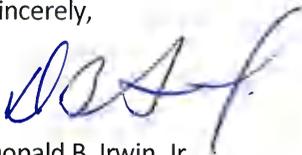
In response to the finding, the School District will institute the following procedures to identify all federal grant expenditures required to be reported on the Schedule of Expenditures and Federal Awards and segregate those funds in separate general ledger accounts:

- 1) The Business Office shall make a comprehensive review of all grants on an on-going basis to ensure that all federal grants and awards are properly identified, with particular attention to all grants initiated by the Pennsylvania Department of Education or pass through grants via the Intermediate Unit that are not specifically identified in the E-Grants system.

Upon review, all federal awards and grants will be uniquely identified in the chart of accounts to allow for identification as a federal award.

If you have any further questions, please feel free to contact me at the School District.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Irwin, Jr.", is positioned above the typed name.

Donald B. Irwin, Jr.  
Business Administrator