

**Bucks County Community College  
(a Component Unit of the County  
of Bucks, Pennsylvania)**

Financial Statements and  
Required Supplementary Information

June 30, 2021 and 2020

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

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June 30, 2021 and 2020

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## **Independent Auditors' Report**

To the Board of Trustees of  
Bucks County Community College

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

We have audited the accompanying financial statements of Bucks County Community College (the College), a component unit of the County of Bucks, Pennsylvania, and its discretely presented component unit, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Bucks County Community College Foundation (the Foundation), the discretely presented component unit. Those statements were audited by another auditor, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bucks County Community College and of its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 7, and the required supplementary information as listed in the table of contents 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.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
January 18, 2022

## **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Management's Discussion and Analysis  
(Unaudited)

Bucks County Community College (the College) was founded in 1964 in response to a need for a public two-year collegiate institution to serve graduates of the County's high schools and other citizens of the County of Bucks, Pennsylvania (the County) who would benefit from an experience in higher education.

The initial proposal for a community college was developed and presented to the public in 1963 by the then Office of Bucks County Superintendent of Schools. Subsequently, the Bucks County School Directors Association, urged the Bucks County Board of Commissioners in 1964 to become the sponsor for the proposed school under the provisions of Act 848 (the Community College Act).

The Board of Commissioners unanimously agreed to sponsor the College in a legal resolution adopted June 22, 1964. The Pennsylvania State Board of Education approved the proposal in September and a 15-member Bucks County Community College Board of Trustees was appointed October 5, 1964, by the County Commissioners.

The site for the College was determined three months later, when the County acquired, from Temple University, 200 acres of the former Tyler Estate in Newtown Township. The Estate had been bequeathed to Temple University two years earlier by Mrs. Stella Elkins Tyler, a sculptress and patron of the arts who was a trustee of Temple University for 20 years.

Most graduates of the College's transfer programs have attended Pennsylvania's four-year colleges or other state-related institutions. Other graduates of the College have gone on to pursue their studies at more than 300 other four-year institutions in forty-five states as well as the District of Columbia, Puerto Rico, Germany, France, Great Britain and Sweden.

Despite recent reports of significantly higher tuition costs at colleges and universities throughout the Commonwealth of Pennsylvania (the Commonwealth) and nation, the College has held tuition increases to a minimum. The College's comparatively low tuition has helped the County residents make a two-year college education affordable.

The Bucks County Community College Foundation (the Foundation), a component unit of the College, has been presented as a discretely presented component unit, based on the criteria contained in accounting principles generally accepted in the United States of America. The Foundation is a nonprofit corporation, exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. A complete set of the Foundation's financial statements may be obtained at the College's administrative office.

The Bucks County Community College Authority (the Authority), a component unit of the County, was created to obtain funds needed for expansion and major renovations of the College.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Management's Discussion and Analysis  
(Unaudited)

**Fiscal Year 2021 Financial Highlights**

The College's net position increased approximately \$4,500,000 as a result of this year's operations.

During Fiscal 2021, the College realized revenue increases and decreases from the following:

Student tuition and fees decreased approximately \$2,955,000 in 2021 as compared to 2020, which was a result of lower enrollment.

The combined unduplicated headcount for credit and noncredit enrollments for fiscal year 2021 was 14,828, a decrease from 15,521, or 4.5 percent from 2020. The College enrolled 11,436 credit students during fiscal year 2021, representing a decrease of 8.6 percent compared to the previous year. Noncredit FTEs increased from 3,003 to 3,392, or a 13.0 percent increase from 2020.

Total operating expenses increased 2.4 percent from the prior year by approximately \$2,010,000 in 2021, compared to a 0.6 percent increase in 2020, or approximately \$525,000.

During fiscal year 2020 - 2021, the College received approximately \$4.3 million from the Commonwealth for payment of debt service which was an increase of \$504,000 the prior year. Other appropriations from the Commonwealth decreased by approximately \$132,000 to \$21.7 million in 2021 from \$21.9 million in 2020. Local appropriations remained consistent at approximately \$13.1 million in 2020 and 2021.

**Condensed Statement of Net Position**  
(in Millions)  
**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>	<b>Percent Change</b>
<b>Assets:</b>			
Current assets	\$ 24.1	\$ 21.3	13.15 %
Noncurrent assets	141.6	144.5	(2.01)
Deferred outflows	3.6	3.1	16.13
	<u>169.3</u>	<u>168.9</u>	
Total assets and deferred outflows of resources	<u>\$ 169.3</u>	<u>\$ 168.9</u>	0.24
<b>Liabilities:</b>			
Current liabilities	\$ 18.5	\$ 17.2	7.56
Noncurrent liabilities	85.0	90.2	(5.76)
Deferred inflows	2.4	2.6	(7.69)
	<u>105.9</u>	<u>110.0</u>	
Total liabilities and deferred inflows of resources	<u>105.9</u>	<u>110.0</u>	(3.73)
<b>Net position:</b>			
Net investment in capital assets	77.9	74.4	4.70
Unrestricted	(14.5)	(15.5)	(6.45)
	<u>63.4</u>	<u>58.9</u>	
Total net position	<u>63.4</u>	<u>58.9</u>	7.64
	<u>\$ 169.3</u>	<u>\$ 168.9</u>	0.24
Total liabilities, deferred inflows of resources and net position	<u>\$ 169.3</u>	<u>\$ 168.9</u>	0.24

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Management's Discussion and Analysis  
(Unaudited)

Total net position at June 30, 2021 increased approximately \$4.5 million. The increase in net position is mainly attributable to increases in federal grant revenue throughout the year in addition to higher Commonwealth funding. The College's expenditures increased as compared to prior year, due to an increase in student aid expense related to HEERF II funding. Net student tuition and fees decreased approximately 8.4 percent as a result of tuition and fee rates remaining consistent and a decrease in enrollment.

Noncurrent assets (including capital assets, net of accumulated depreciation), decreased approximately \$2.9 million. There were also current year asset additions of approximately \$9.8 million, which includes \$1.3 million of assets acquired capital lease, \$0.4 million of furniture of equipment, and \$8.1 million of construction in progress. Major capital additions in construction in progress in 2021 include Advanced Manufacturing Training Center for \$2.9 million, ERP Implementation project for \$2.8 million of, and Campus Core Landscaping for \$1.8 million. Capital assets are reduced by current year depreciation expense of approximately \$6.6 million.

Total liabilities overall decreased by approximately \$3.9 million, compared to prior year. During 2021, the College paid approximately \$1.9 million of scheduled principal payments on existing notes payable. In 2021-2022 \$1.9 million of this debt is scheduled for repayment. Principal payments on capital lease obligations totaled approximately \$5.6 million. In 2021-2022 \$4.9 million of this debt is scheduled for repayment. Accrued compensation and benefits increased by \$1.7 million and the postemployment benefit liability increased by \$0.7 million.

The impact of the COVID-19 pandemic continued to cause disruption for the College. The College made a shift from on-site to online teaching and hybrid programs for fiscal year 2021. Net student tuition and fees decreased approximately 10.6 percent due to the decrease in enrollment. This was offset by an increase of \$7.1 million primarily related to HEERF II and some additional COVID related state and federal grants.

**Condensed Statement of Revenues, Expenses  
and Changes in Net Position (in Millions)  
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees, net	\$ 31.8	\$ 34.7	(8.36) %
Auxiliary enterprises	0.2	0.3	(-)
Other operating revenues	0.0	0.2	(100.00)
Total operating revenues	32.0	35.2	(9.09)
Operating expenses	86.1	84.1	2.38
Operating loss	(54.1)	(48.9)	10.63
Nonoperating revenues (expenses):			
Appropriations	34.9	35.0	( 0.29)
Other gifts, grants and contracts	21.6	15.9	35.85
Interest expense	(2.2)	(2.3)	( 4.35)
Nonoperating revenues, net	54.3	48.6	11.73
Income (loss) before other revenues	0.2	(0.3)	(166.67)
Capital and debt service appropriations	4.3	3.8	13.16
Increase in net position	4.5	3.5	28.57
Net position:			
Net position at beginning of year	58.9	55.4	6.32
Net position at end of year	\$ 63.4	\$ 58.9	7.64

# Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)

Management's Discussion and Analysis  
(Unaudited)

## Enrollment Highlights

The combined unduplicated headcount for credit and noncredit enrollments for fiscal year 2021 was 14,828, a decrease from 15,521, or 4.5 percent from 2020.

The College enrolled 11,436 credit students during the fiscal year 2021, representing a decrease of 8.6 percent compared to the previous year. Noncredit FTEs increased from 3,003 to 3,392, or a 13 percent increase from 2020.

## Overview of Financial Statements

The College's financial statements focus on the College as a whole, rather than upon individual funds or activities. The Governmental Accounting Standards Board reporting model is designed to provide readers with a broad overview of the College's finances and is comprised of three basic statements:

- The Statement of Net Position presents information on the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as one indicator of how the financial position of the College is changing.
- The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.
- The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on both the accounting policies and procedures that the College has adopted as well as additional information for amounts reported in the financial statements.

### Expenses by Natural Classification For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Salaries	\$ 43,017,145	\$ 44,379,174
Benefits	18,222,754	17,450,689
Pension	3,341,197	4,422,164
Supplies, maintenance and other	8,524,228	6,200,822
Student aid	3,194,604	3,058,558
HEERF, Student Portion	2,028,637	865,100
Utilities	1,210,580	1,325,206
Depreciation and amortization	6,584,665	6,411,122
	<u>\$ 86,123,810</u>	<u>\$ 84,112,835</u>
Total operating expenses		

This financial report is designed to provide a general overview of the College's financial position. Bucks County Community College is financially strong, and we are proud of that accomplishment. Most importantly, however, we are proud of the affordable, high-quality educational programs and services we offer to our community.

# **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Management's Discussion and Analysis  
(Unaudited)

## **Economic Outlook**

Fiscal year 2020-2021 was a unique year for the College. The impact of the Pandemic that caused the College to make a major shift from on-site to all online teaching in March 2020 continued throughout the fiscal year 2020-2021. Revenue impacts to 2021 were minimal do to CARES Act funding, making up the greater than 10 percent enrollment decline. In fiscal year 2020-2021 a significant increase in federal revenues more than offset an increase in expenditures in fiscal year 2020-2021 resulting in an increase in the College's Net Position and a cash increase for the fiscal year.

Five months into fiscal year 2021-2022 finds the College still in a similar position to the prior year. One major change is the return to campus for about 50 percent of the students. Working remotely has also continued in a hybrid way of time on campus and working remotely. Though Fall enrollment was down approximately 12 percent over the prior year, continued expense savings and additional funding through the CARES Act have more than offset the loss to student revenues. State and County revenues have remained unchanged. New expenses for off-site teaching have been covered by the CARES Act grant. At this point in the fiscal year, the College projects to achieve a balanced budget for fiscal year 2021-2022.

Management continues to be prudent in the fiscal management of expenses and this will allow the College to manage budget goals. The College is currently preparing the annual operating budget for fiscal year 2021-2022. Projected enrollments will again trend downward. Expenses will grow in the salary area in accordance with contracts in place. The College will present a balanced budget for fiscal year 2022-2023. The College is currently embarking on three major capital initiatives: Updating the campus center walkways and landscaping, installing a new ERP system, and the building of an advanced manufacturing training site at the Lower Campus.

Dennis Matthews  
Vice President for Administrative  
Affairs and CFO

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Net Position - Primary Institution  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,687,540	\$ 6,588,376
Investments, short-term	10,655,478	10,647,182
Receivables, net:		
Student	840,898	991,068
Federal and state agencies	1,019,871	1,387,676
Third-party tuition	330,249	458,989
Other	607,890	875,182
Prepaid expenses	<u>912,387</u>	<u>324,332</u>
Total current assets	<u>24,054,313</u>	<u>21,272,805</u>
<b>Noncurrent Assets</b>		
Restricted deposits held by Authority	14,905,459	21,031,159
Capital assets, net	<u>126,692,254</u>	<u>123,461,433</u>
Total noncurrent assets	<u>141,597,713</u>	<u>144,492,592</u>
Total assets	<u>165,652,026</u>	<u>165,765,397</u>
<b>Deferred Outflows of Resources</b>		
Other postemployment benefits	1,294,223	1,149,179
Pension	<u>2,326,890</u>	<u>1,977,230</u>
Total deferred outflows of resources	<u>3,621,113</u>	<u>3,126,409</u>
Total assets and deferred outflows of resources	<u>\$ 169,273,139</u>	<u>\$ 168,891,806</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 664,583	\$ 742,599
Accounts payable, construction	514,526	523,601
Accrued compensation and benefits	6,101,247	4,505,775
Unearned revenue	3,742,021	3,944,694
Other liabilities	901,561	605,692
Notes payable, current portion	1,258,321	1,942,031
Lease obligations, current portion	<u>5,334,586</u>	<u>4,866,207</u>
Total current liabilities	<u>18,516,845</u>	<u>17,130,599</u>
<b>Noncurrent Liabilities</b>		
Notes payable	5,342,315	6,605,880
Lease obligations	51,263,537	56,112,536
Postemployment benefit liability	14,711,617	13,997,691
Net pension liability	<u>13,649,762</u>	<u>13,559,516</u>
Total noncurrent liabilities	<u>84,967,231</u>	<u>90,275,623</u>
Total liabilities	<u>103,484,076</u>	<u>107,406,222</u>
<b>Deferred Inflows of Resources</b>		
Other postemployment benefits	491,298	560,710
Pension	<u>1,937,789</u>	<u>2,023,544</u>
Total deferred inflows of resources	<u>2,429,087</u>	<u>2,584,254</u>
<b>Net Position</b>		
Net investment in capital assets	77,884,428	74,442,337
Unrestricted	<u>(14,524,452)</u>	<u>(15,541,007)</u>
Total net position	<u>63,359,976</u>	<u>58,901,330</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 169,273,139</u>	<u>\$ 168,891,806</u>

See notes to financial statements

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Financial Position - Component Unit

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>	\$ 759,178	\$ 547,202
<b>Pledges Receivable</b>	102,199	116,624
<b>Investments</b>	<u>10,760,038</u>	<u>8,337,076</u>
Total assets	<u>\$ 11,621,415</u>	<u>\$ 9,000,902</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 610,674	\$ 714,430
Deferred revenue	9,500	-
Present value of gift annuities payable	<u>22,141</u>	<u>22,399</u>
Total liabilities	<u>642,315</u>	<u>736,829</u>
<b>Net Assets</b>		
Without donor restrictions	1,233,207	1,181,190
With donor restrictions	<u>9,745,893</u>	<u>7,082,883</u>
Total net assets	<u>10,979,100</u>	<u>8,264,073</u>
Total liabilities and net assets	<u>\$ 11,621,415</u>	<u>\$ 9,000,902</u>

See notes to financial statements

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Revenues, Expenses and Changes in Net Position - Primary Institution  
 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenue</b>		
Student tuition and fees (net of scholarship allowances of \$5,407,804 in 2021 and \$6,783,108 in 2020)	\$ 31,756,825	\$ 34,711,829
Auxiliary enterprises	230,663	282,704
Other operating revenues	35,305	247,759
	<u>32,022,793</u>	<u>35,242,292</u>
<b>Operating Expenses</b>		
Educational and general:		
Instruction	30,992,762	30,082,964
Academic support	11,129,321	8,230,478
Student services	4,819,611	4,662,241
Institutional support	21,260,125	23,519,192
Public support	418,811	334,954
Operation and maintenance of plant	5,520,470	6,518,291
Student aid	5,223,241	3,923,658
Depreciation	6,584,665	6,411,122
Auxiliary services	174,804	429,935
	<u>86,123,810</u>	<u>84,112,835</u>
Total operating expenses	<u>86,123,810</u>	<u>84,112,835</u>
Operating loss	<u>(54,101,017)</u>	<u>(48,870,543)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Appropriations:		
Local	13,141,231	13,090,000
Commonwealth	21,735,505	21,867,375
Federal grants and contracts	16,684,746	10,371,708
Commonwealth grants and contracts	1,626,676	1,627,271
Other gifts, grants and contracts	3,200,002	3,265,255
Investment income	43,789	691,406
Interest on indebtedness	(2,209,754)	(2,275,439)
Loss on retirement of property and equipment	(3,599)	(112,275)
	<u>54,218,596</u>	<u>48,525,301</u>
Nonoperating revenues, net	<u>54,218,596</u>	<u>48,525,301</u>
Income (loss) before other revenues	117,579	(345,242)
<b>Other Revenues</b>		
Capital and debt service appropriations	<u>4,341,067</u>	<u>3,838,070</u>
Change in net position	4,458,646	3,492,828
<b>Net Position, Beginning</b>	<u>58,901,330</u>	<u>55,408,502</u>
<b>Net Position, Ending</b>	<u>\$ 63,359,976</u>	<u>\$ 58,901,330</u>

See notes to financial statements

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Activities and Changes in Net Assets - Component Unit  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Contributions and grants	\$ 277,053	\$ 905,893	\$ 1,182,946	\$ 235,493	\$ 686,038	\$ 921,531
Donated services and facility usage	221,989	-	221,989	330,377	-	330,377
Investment income realized	12,691	191,883	204,574	16,754	175,532	192,286
Change in unrealized gains on investments	-	2,212,514	2,212,514	18,798	184,234	203,032
Net assets released from restriction	666,165	(666,165)	-	849,536	(849,536)	-
<b>Total support and revenue</b>	<b>1,177,898</b>	<b>2,644,125</b>	<b>3,822,023</b>	<b>1,450,958</b>	<b>196,268</b>	<b>1,647,226</b>
<b>Expenses</b>						
Program services	671,564	-	671,564	887,869	-	887,869
Support services	133,827	-	133,827	128,827	-	128,827
Fundraising	301,605	-	301,605	394,856	-	394,856
<b>Total expenses</b>	<b>1,106,996</b>	<b>-</b>	<b>1,106,996</b>	<b>1,411,552</b>	<b>-</b>	<b>1,411,552</b>
Excess of revenues, gains and other support over expenses before transfers	70,902	2,644,125	2,715,027	39,406	196,268	235,674
<b>Transfers</b>	<b>(18,885)</b>	<b>18,885</b>	<b>-</b>	<b>(130,335)</b>	<b>130,335</b>	<b>-</b>
Changes in net assets	52,017	2,663,010	2,715,027	(90,929)	326,603	235,674
<b>Net Assets, Beginning</b>	<b>1,181,190</b>	<b>7,082,883</b>	<b>8,264,073</b>	<b>1,272,119</b>	<b>6,756,280</b>	<b>8,028,399</b>
<b>Net Assets, Ending</b>	<b>\$ 1,233,207</b>	<b>\$ 9,745,893</b>	<b>\$ 10,979,100</b>	<b>\$ 1,181,190</b>	<b>\$ 7,082,883</b>	<b>\$ 8,264,073</b>

See notes to financial statements

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Cash Flows - Primary Institution  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Student tuition and fees	\$ 32,163,316	\$ 35,397,446
Payments to suppliers	(12,677,905)	(11,859,586)
Payments for utilities	(1,210,580)	(844,039)
Payments to employees	(42,058,388)	(44,643,499)
Payments for benefits	(17,357,311)	(19,088,434)
Payments for student aid	(5,223,241)	(3,128,827)
Auxiliary services	230,663	282,704
Other receipts	164,045	1,698,271
Net cash used in operating activities	<u>(45,969,401)</u>	<u>(42,185,964)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Commonwealth appropriations	23,373,527	23,515,299
Federal appropriations	16,874,770	9,680,185
Local appropriations	13,141,231	13,090,000
Grants, gifts and contracts for other than capital purposes	3,633,729	2,871,511
Net cash provided by noncapital financing activities	<u>57,023,257</u>	<u>49,156,995</u>
<b>Cash Flows From Capital Financing Activities</b>		
Purchases of capital assets	(8,566,697)	(5,952,961)
Principal paid on capital leases and debt	(7,589,358)	(7,110,806)
Commonwealth capital and debt service appropriations	4,341,067	3,838,070
Interest paid on capital leases and debt	(2,300,897)	(2,371,768)
Net cash used in capital financing activities	<u>(14,115,885)</u>	<u>(11,597,465)</u>
<b>Cash Flows From Investing Activities</b>		
Withdrawals for construction from deposits held by Authority	6,125,700	4,571,585
Interest income	43,789	691,406
Purchases of investments	(8,296)	(1,135,387)
Repayments of student loans	-	40,605
Net cash provided by investing activities	<u>6,161,193</u>	<u>4,168,209</u>
Net increase (decrease) in cash and cash equivalents	3,099,164	(458,225)
<b>Cash and Cash Equivalents, Beginning</b>	<u>6,588,376</u>	<u>7,046,601</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 9,687,540</u>	<u>\$ 6,588,376</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (54,101,017)	\$ (48,059,202)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,584,665	6,411,122
Bad debt expense	458,994	447,769
Changes in assets and liabilities:		
Student receivables	(821,093)	(354,902)
Other receivables	641,009	229,857
Prepaid expenses	(588,055)	(63,116)
Deferred outflows, other postemployment benefits	(145,044)	(491,914)
Deferred outflows, pension	(349,660)	704,104
Accounts payable and accrued liabilities	13,127	327,307
Accrued compensation and benefits	1,595,472	(364,540)
Unearned revenue	(202,673)	(616,558)
Other liabilities	295,869	5,849
Postemployment benefit liability	713,926	1,422,925
Net pension liability	90,246	(779,645)
Deferred inflows, other postemployment benefits	(69,412)	(69,412)
Deferred inflows, pension	(85,755)	(935,608)
Net cash used in operating activities	<u>\$ (45,969,401)</u>	<u>\$ (42,185,964)</u>
<b>Supplemental Disclosure of Noncash Capital and Financing Activity</b>		
Fixed asset additions in accounts payable	<u>\$ 514,526</u>	<u>\$ 523,601</u>
Assets acquired via capital leases, including restricted deposits	<u>\$ 1,261,463</u>	<u>\$ 984,184</u>

See notes to financial statements

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Statements of Cash Flows - Component Unit  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 2,715,027	\$ 235,674
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization on promise to give	(2,266)	(5,073)
Realized and unrealized gain on investments	(2,212,496)	(203,031)
Effects of change in operating assets and liabilities:		
Unconditional promise to give	16,691	1,355
Accounts payable	(103,756)	21,724
Present value of gift annuities payable	(258)	(3,267)
Deferred revenue	9,500	(56,887)
Net cash provided by (used in) operating activities	<u>422,442</u>	<u>(9,505)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(235,670)	(198,509)
Sale of investments	25,204	22,356
Net cash used in investing activities	<u>(210,466)</u>	<u>(176,153)</u>
Net increase (decrease) in cash and cash equivalents	211,976	(185,658)
<b>Cash and Cash Equivalents, Beginning</b>	<u>547,202</u>	<u>732,860</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 759,178</u>	<u>\$ 547,202</u>

See notes to financial statements

# **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2021 and 2020

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Organization**

Bucks County Community College (the College) was founded in 1964 in response to a need for a two-year collegiate institution to serve citizens within the local area who would benefit from an experience in higher education. The College is funded through a diversified financial support system from the County of Bucks, Pennsylvania (the County), the Commonwealth of Pennsylvania (the Commonwealth), and its students.

The College is considered a component unit of the County due to the County's legal obligation to provide financial support through appropriations to the College, in addition to guaranteeing certain of the College's debt obligations. As such, the financial statements of the College are incorporated into the comprehensive annual financial report of the County.

### **Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14 and GASB Statement 14, *The Financial Reporting Entity*, the College has determined that the Bucks County Community College Foundation (the Foundation) should be included in the College's financial statements as a discretely presented component unit. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

Under Section 501(c)(3) of the Internal Revenue Code, the Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Since these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements as of June 30, 2021 and 2020.

Complete financial statements for the Foundation may be obtained at the College's administrative office.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) accounting standards codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College functions as a business-type activity, as defined by GASB.

# Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)

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Notes to Financial Statements  
June 30, 2021 and 2020

## Operating Revenues

Operating revenues of the College consist of tuition and fees, sales and services of educational activities and auxiliary enterprise revenues. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the College are recorded as operating revenue. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state, local and federal appropriations are components of nonoperating revenue. Private grants and contracts in which the grantor does not receive equal value for the funds given to the College are also reported as nonoperating revenue.

## Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on students' behalf. Certain governmental grants are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

## Net Position

The College maintains the following net position classifications:

**Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt, net of restricted cash, attributable to the acquisition, construction, repair or improvement of those assets.

**Restricted, Nonexpendable:** Net position subject to externally imposed conditions requiring that they be maintained by the College in perpetuity. The College had no such net position at June 30, 2021 or 2020.

**Restricted, Expendable:** Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time. The College had no such net position at June 30, 2021 or 2020.

**Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by the College's Board of Trustees.

When both restricted and unrestricted assets are available for expenditure, the decision as to which assets are used first is left to the discretion of the College.

## Tuition Revenue

Tuition revenue is recognized when instruction is provided. A receivable is recognized when a student application is processed and an invoice submitted, with revenue recognition deferred until the instruction starts.

## Cash Equivalents

Short-term investments with an original maturity of three months or less and nonnegotiable certificates of deposits are classified as cash equivalents.

**Bucks County Community College  
(a Component Unit of the County of Bucks, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2021 and 2020

**Accounts Receivable**

Accounts receivable consist of tuition and fees charged to current and former students or third parties, amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts and other miscellaneous sources.

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the College's historical losses and periodic review of individual accounts. The allowance for doubtful accounts was approximately \$1,274,000 and \$1,012,000 as of June 30, 2021 and 2020, respectively.

**Capital Assets**

Capital assets are stated at cost or at fair market value if received by donation. Depreciation and amortization are recorded on the straight-line basis over the estimated useful lives of the assets. The College capitalizes assets with a useful life in excess of one year and an original cost exceeding \$500. The lives are as follows:

Leasehold improvements	15 to 40 years
Library books and microfilm	7 to 25 years
Equipment	3 to 8 years

The period of amortization of capitalized leased equipment and building improvements coincides with the lease terms.

**Unearned Revenue**

Unearned revenue includes amounts received for tuition and fees, grants, corporate sponsorship payments and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

**Compensated Absences**

Liability for compensated absences (unused vacation leave) is accounted for in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, and accordingly, the liability for employees' rights to receive compensation for future absences is recorded as a liability in the statements of net position in accrued compensation and benefits.

**Termination Benefits**

The College provides monetary incentives to employees participating in voluntary early retirement programs, which are payable in a lump sum or over a maximum three-year period. The College accounts for these benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. These benefits amounted to \$632,081 and \$232,848 at June 30, 2021 and 2020, respectively, and are recorded in other liabilities in the statements of net position upon employees' electing participation in the early retirement programs.

# **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2021 and 2020

## **Pensions**

The College provides eligible employees with retirement benefits through the Public School Employer's Retirement System (PSERS), and the State Employees' Retirement System (SERS), which are governmental cost-sharing multiple-employer defined benefit pension plans.

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 PSERS and SERS, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by PSERS and SERS. 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.

## **Postemployment Benefits Other Than Pensions**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and the Bucks County Community College postretirement benefit plan (College OPEB Plan), and additions to/deductions from PSERS's and the College OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by PSERS and the College OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

## **Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The College purchases commercial insurance coverage for general liability, cybersecurity, property and casualty, workers' compensation, environmental and antitrust liabilities, and certain employee health benefits.

## **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## **Reclassifications**

Certain reclassifications were made to the 2020 financial statements to conform to the 2021 presentation.

## **New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required, if applicable. The adoption did not have an impact on the College's financial statements as there are no material fiduciary activities.

# **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2021 and 2020

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The adoption did not have an impact on the College's financial statements.

The GASB has approved the following:

Statement No. 87, *Leases*, effective for the College's year ending June 30, 2023

Statement No. 91, *Conduit Debt Obligations*, effective for the College's year ending June 30, 2023

Statement No. 92, *Omnibus 2020*, effective for the College's year ending June 30, 2022

Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the College's year ending June 30, 2024

When they become effective, application of these standards may restate portions of these financial statements. College management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

## **2. Deposits and Investments**

The College follows Section 1706 of the County Code of the Commonwealth of Pennsylvania for investment of College funds. As such, the College is authorized to invest its funds in the following:

- United States Treasury Bills
- Short-term obligations of the United States government or its agencies and instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance.
- Obligations of 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, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of 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.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

**Bucks County Community College  
(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
June 30, 2021 and 2020

- Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposits may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets net of its liabilities.
- Commercial paper and prime commercial paper meeting certain requirements.
- Repurchase agreements that are fully collateralized by obligations of the United States of America.

The carrying amount of the College's deposits was \$9,687,540 and \$6,588,376 as of June 30, 2021 and 2020, respectively. The bank balance totaled \$12,165,736 and \$7,065,022 as of June 30, 2021 and 2020, respectively. The difference represents outstanding checks payable and normal reconciling items.

The following is the fair value of deposits and investments at June 30, 2021:

	<u>College</u>	<u>Component Unit Foundation</u>
Deposits:		
Demand deposits	\$ 9,687,540	\$ 759,178
Investments:		
Cash equivalents	2,830,262	-
Commercial paper	2,680,043	-
Certificates of deposits	1,964,906	-
Municipal bonds	3,180,267	-
Mutual funds, equities	-	8,073,821
Mutual funds, fixed income	-	2,686,217
Total deposits and investments	<u>\$ 20,343,018</u>	<u>\$ 11,519,216</u>

The following is the fair value of deposits and investments at June 30, 2020:

	<u>College</u>	<u>Component Unit Foundation</u>
Deposits:		
Demand deposits	\$ 6,588,376	\$ 547,202
Investments:		
Cash equivalents	772,968	-
Commercial paper	5,296,069	-
Certificates of deposits	4,578,145	-
Mutual funds, equities	-	6,153,557
Mutual funds, fixed income	-	2,183,519
Total deposits and investments	<u>\$ 17,235,558</u>	<u>\$ 8,884,278</u>

**Bucks County Community College  
(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
June 30, 2021 and 2020

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by the Bank of New York (the Trustee), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of money market mutual funds and cash equivalents. Bond proceeds available for construction as of June 30, 2021 and 2020 are \$14,905,459 and \$21,031,159, respectively, which are reported as restricted deposits held by Authority in the accompanying statements of net position.

The College's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The bank balance of the College's cash deposits is categorized as follows to give an indication of the level of risk assumed by the College at June 30:

	<u>2021</u>	<u>2020</u>
Insured (FDIC)	\$ 2,876,087	\$ 2,405,947
Collateralized:		
Collateral held by pledging bank's trust department not in College's name	<u>9,289,649</u>	<u>4,659,075</u>
Total	<u>\$ 12,165,736</u>	<u>\$ 7,065,022</u>

Included in cash and cash equivalents in 2021 and 2020 is \$771,956 and \$227,503, respectively, of cash and cash equivalents held for agency funds.

The investment policy of the College contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5 percent or more of total College investments are as follows as of June 30, 2021:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Lvmh Moet Hennessy Vuitt	Commercial Paper	\$ 538,854
Mountcliff Funding LLC	Commercial Paper	998,909
US Treasury Bills	Municipal Bonds	1,299,143
FHLB	Municipal Bonds	1,250,087
GS Financial Sol Treasury Sol	Cash Equivalents	2,830,256

**Bucks County Community College  
(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
June 30, 2021 and 2020

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College calls for restrictions on investments consisting of maturity in less than 2 years. As of June 30, 2021 and 2020, respectively, the College had the following investments and maturities:

<b>June 30, 2021</b>				
<b>Total</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>1-2 Years</b>	
<b>Investment Type</b>				
Investments:				
Cash equivalents	\$ 2,830,262	\$ 2,830,262	\$ -	\$ -
Commercial paper	2,680,043	2,680,043	2,680,043	-
Certificates of deposit	1,964,906	1,964,906	1,964,906	-
Municipal bonds	3,180,267	3,180,267	2,685,136	495,131
Total investments	<u>\$ 10,655,478</u>	<u>\$ 10,655,478</u>	<u>\$ 7,330,085</u>	<u>\$ 495,131</u>
<b>June 30, 2020</b>				
<b>Total</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>1-2 Years</b>	
<b>Investment Type</b>				
Investments:				
Cash equivalents	\$ 772,968	\$ 772,968	\$ -	\$ -
Commercial paper	5,296,069	5,296,069	5,296,069	-
Certificates of deposit	4,578,145	4,578,145	4,328,326	249,819
Total investments	<u>\$ 10,647,182</u>	<u>\$ 10,647,182</u>	<u>\$ 9,624,395</u>	<u>\$ 249,819</u>

**3. Accounts Receivable, Students**

Student accounts receivable represent amounts due for tuition fees from currently enrolled and former students and other entities. The College extends unsecured credit to students and other entities in connection with their studies and other educational services provided. Some of those students are no longer enrolled or have completed their degrees. Student accounts receivable consist of the following at June 30:

	<b>2021</b>	<b>2020</b>
Accounts receivable, student	\$ 1,340,898	\$ 1,491,068
Less allowance for doubtful accounts	(500,000)	(500,000)
Total	<u>\$ 840,898</u>	<u>\$ 991,068</u>

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
 June 30, 2021 and 2020

**4. Fair Value Measurements, Investments and Financial Instruments**

**Fair Value Measurements**

The College measures fair value of its investments on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever possible.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following table presents financial instruments of the College measured at fair value at June 30, 2021 and 2020 by caption on the statements of net position:

		<b>June 30, 2021</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value</b>					
Investments:					
Cash equivalents	\$	2,830,262	\$ 2,830,262	\$ -	\$ -
Commercial paper		2,680,043	-	2,680,043	-
Certificates of deposit		1,964,906	-	1,964,906	-
Municipal bonds		3,180,267	-	3,180,267	-
		<u>10,655,478</u>	<u>2,830,262</u>	<u>7,825,216</u>	<u>-</u>
Total investments	\$	<u>10,655,478</u>	\$ <u>2,830,262</u>	\$ <u>7,825,216</u>	\$ <u>-</u>
		<b>June 30, 2020</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value</b>					
Investments:					
Cash equivalents	\$	772,968	\$ 772,968	\$ -	\$ -
Commercial paper		5,296,069	-	5,296,069	-
Certificates of deposit		4,578,145	-	4,578,145	-
		<u>10,647,182</u>	<u>772,968</u>	<u>9,874,214</u>	<u>-</u>
Total investments	\$	<u>10,647,182</u>	\$ <u>772,968</u>	\$ <u>9,874,214</u>	\$ <u>-</u>

**Bucks County Community College  
(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
June 30, 2021 and 2020

**Component Unit**

The following table presents financial instruments of the Foundation measured at fair value at June 30, 2021 and 2020 by caption on the statements of net position:

	<b>June 30, 2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value</b>				
Equities:				
Mutual funds	\$ 8,073,821	\$ 8,073,821	\$ -	\$ -
Fixed income:				
Mutual funds	2,686,217	2,686,217	-	-
Total investments	<u>\$ 10,760,038</u>	<u>\$ 10,760,038</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>June 30, 2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Reported at Fair Value</b>				
Equities:				
Mutual funds	\$ 6,153,557	\$ 6,153,557	\$ -	\$ -
Fixed income:				
Mutual funds	2,183,519	2,183,519	-	-
Total investments	<u>\$ 8,337,076</u>	<u>\$ 8,337,076</u>	<u>\$ -</u>	<u>\$ -</u>

The valuation methods for recurring fair value measurements are as follows:

- Cash equivalents are classified in Level 1 as amounts are highly liquid.
- The mutual funds held by the Foundation are valued using Level 1 inputs.
- Fixed income securities, including commercial paper, certificates of deposit and municipal bonds, are classified in Level 2 of the fair value hierarchy, and are valued based on using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Notes to Financial Statements  
 June 30, 2021 and 2020

**5. Capital Assets, Net**

Capital asset activity for the year ended June 30, 2021 consisted of the following:

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Retirements and Adjustments</b>	<b>Balance June 30, 2021</b>
Nondepreciable assets:				
Land	\$ 4,839,020	\$ -	\$ -	\$ 4,839,020
Construction-in-progress	4,909,354	8,096,689	(566,705)	12,439,338
Total nondepreciable assets	<u>9,748,374</u>	<u>8,096,689</u>	<u>(566,705)</u>	<u>17,278,358</u>
Depreciable assets:				
Leasehold improvements	171,616,201	-	566,705	172,182,906
Furniture and equipment	26,076,486	1,722,396	(329,014)	27,469,868
Library equipment	4,182,381	-	-	4,182,381
Total depreciable assets	<u>201,875,068</u>	<u>1,722,396</u>	<u>237,691</u>	<u>203,835,155</u>
Less accumulated depreciation	<u>88,162,009</u>	<u>6,584,665</u>	<u>(325,415)</u>	<u>94,421,259</u>
Total	<u>\$ 123,461,433</u>	<u>\$ 3,234,420</u>	<u>\$ (3,599)</u>	<u>\$ 126,692,254</u>

Capital asset activity for the year ended June 30, 2020 consisted of the following:

	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Retirements and Adjustments</b>	<b>Balance June 30, 2020</b>
Nondepreciable assets:				
Land	\$ 4,839,020	\$ -	\$ -	\$ 4,839,020
Construction-in-progress	557,940	5,710,457	(1,359,043)	4,909,354
Total nondepreciable assets	<u>5,396,960</u>	<u>5,710,457</u>	<u>(1,359,043)</u>	<u>9,748,374</u>
Depreciable assets:				
Leasehold improvements	170,297,188	-	1,319,013	171,616,201
Furniture and equipment	25,393,599	1,459,545	(776,658)	26,076,486
Library equipment	4,182,381	-	-	4,182,381
Total depreciable assets	<u>199,873,168</u>	<u>1,459,545</u>	<u>542,355</u>	<u>201,875,068</u>
Less accumulated depreciation	<u>82,458,620</u>	<u>6,411,122</u>	<u>(707,733)</u>	<u>88,162,009</u>
Total	<u>\$ 122,811,508</u>	<u>\$ 758,880</u>	<u>\$ (108,955)</u>	<u>\$ 123,461,433</u>

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**6. Long-Term Liabilities**

Long-term liability activity for the years ended June 30, 2021 and 2020 was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Payments/ Settlements</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Notes payable	\$ 5,043,911	\$ -	\$ 1,296,275	\$ 3,747,636	\$ 583,321
Notes from direct borrowing	3,504,000	-	651,000	2,853,000	675,000
Lease obligations	60,978,743	1,261,463	5,642,083	56,598,123	5,334,586
Net pension liability	13,559,516	90,246	-	13,649,762	-
Postemployment benefit liability	13,997,691	713,926	-	14,711,617	-
Total	<u>\$ 97,083,861</u>	<u>\$ 2,065,635</u>	<u>\$ 7,589,358</u>	<u>\$ 91,560,138</u>	<u>\$ 6,592,907</u>
	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Payments/ Settlements</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Notes payable	\$ 6,291,477	\$ -	\$ 1,247,566	\$ 5,043,911	\$ 1,291,031
Notes from direct borrowing	4,132,000	-	628,000	3,504,000	651,000
Lease obligations	65,229,799	984,184	5,235,240	60,978,743	4,866,207
Net pension liability	14,339,161	-	779,645	13,559,516	-
Postemployment benefit liability	12,574,766	1,422,925	-	13,997,691	-
Total	<u>\$ 102,567,203</u>	<u>\$ 2,407,109</u>	<u>\$ 7,890,451</u>	<u>\$ 97,083,861</u>	<u>\$ 6,808,238</u>

**7. Leases**

The following describes various financing arrangements between the Bucks County Community College Authority (Authority) and the College.

**Lease and Sublease Agreement Dated May 15, 2019**

In May 2019, the Authority issued \$20,890,000 of College Building Revenue Bonds to fund construction of the new Workforce and Economic Development Center, renovation upgrades to the campus core, acquisition of a new Enterprise Resource Planning Computer system and payment of costs of issuance of the 2019 bonds (collectively, the 2019 Capital Project). In conjunction with the issuance of these bonds, the Authority, County and the College entered into the fifth supplemental lease and sublease agreement, whereas the County will lease the project assets from the Authority and will sublease the project assets to the College related to the 2019 Capital Project. Project assets of the 2019 Capital Project are property of the Authority during the lease term. The lease commits the College to pay the Authority annual rentals through 2039 for the use of all project assets. Lease payments are paid directly to the holder of the bonds. Lease payments to be made by the College will be sufficient to satisfy the debt service requirements of the bonds. Fixed rent payments escalate and decline over the lease term to fund the Authority's debt as it matures. In the event of any default, the Trustee, as the assignee of the Authority, without further notice, may exercise any and all remedies provided for in the Debt Act, and may terminate the Lease and Sublease and take possession of the Leased Premises and each and every part thereof.

Title to the assets related to the 2019 Capital Project passes to the College upon maturity of the bonds. Accordingly, the College recorded this amount as obligations under capital leases. The College treats the lease payments as a reduction to the capital lease obligations.

## **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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This transaction resulted in a premium of approximately \$2,319,000. This amount is deferred and amortized as a component of interest expense over the life of the 2019 lease. Amortization of the premium totaled approximately \$148,000 and \$141,000 in 2021 and 2020, respectively. The unamortized premium totaled approximately \$2,019,000 and \$2,167,000 at June 30, 2021 and 2020, respectively. The premium is included as a component of lease obligations in the statements of net position.

### **Lease and Sublease Agreement Dated May 10, 2017**

In May 2017, the Authority issued \$7,500,000 of College Building Revenue Bonds to fund deferred maintenance projects at the College's facilities which included roof replacement, acquisition of energy equipment and services, installation of signage, improvements to heating, ventilation and cooling systems, improvements to elevators and other improvements and renovations of buildings and facilities (the 2017 Capital Project). In conjunction with the issuance of these bonds, the Authority, County and the College entered into the fourth supplemental lease and sublease agreement, whereas the County will lease the project assets from the Authority and will sublease the project assets to the College related to the 2017 Capital Project. 2017 Capital Project assets are property of the Authority during the lease term. The lease commits the College to pay the Authority annual rentals through 2027 for the use of all project assets. Lease payments are paid directly to the holder of the bonds. Lease payments to be made by the College will be sufficient to satisfy the debt service requirements of the bonds. Fixed rent payments escalate and decline over the lease term to fund the Authority's debt as it matures. In the event of any default, the Trustee may enforce, may declare all repayments to be immediately due and payable; however, upon such declaration by the Trustee, the College shall have a period of one hundred eighty (180) days after the date of such declaration to make all repayments.

Title to the assets related to the 2017 Capital Project passes to the College upon maturity of the bonds. Accordingly, the College recorded this amount as obligations under capital leases. The College treats the lease payments as a reduction to the capital lease obligations.

### **Lease and Sublease Agreement Dated October 19, 2016**

In fiscal 2017, the Authority issued \$13,845,000 of College Building Revenue Bonds, Series 2016 (the Series 2016 Bonds). The Series 2016 Bonds were issued for the advance refunding of the Authority's Series 2008 Bonds. Outstanding bonds payable for the Series 2016 Bonds consist of various serial bonds ranging from \$645,000 to \$1,530,000 that bear interest at annual rates of 1.75 percent to 5.00 percent and are due in semi-annual installments beginning December 15, 2016 and maturing on June 15, 2028. The Series 2016 Bonds are collateralized by assets and revenues of the College. In the event of any default, the Trustee, as the assignee of the Authority, without further notice, may exercise any and all remedies provided for in the Debt Act, and may terminate the Lease and Sublease and take possession of the Leased Premises and each and every part thereof.

As noted above, the Series 2008 Bonds were defeased through an advance refunding during 2016, which resulted in a loss on refinancing of \$750,891, primarily consisting of bond issuance costs, and \$563,325 in unamortized bond premium related to the 2008 bonds. The College expects to recover the additional costs in future periods.

This transaction resulted in a premium of approximately \$1,594,000. This amount is deferred and amortized as a component of interest expense over the life of the 2016 lease. Amortization of the premium totaled approximately \$133,000 in 2021 and 2020, respectively. The unamortized premium totaled approximately \$930,000 and \$1,063,000 at June 30, 2021 and 2020, respectively. The premium is included as a component of lease obligations in the statements of net position.

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**Lease and Sublease Agreement Dated December 1, 2014**

In December 2014, the Authority issued \$25,585,000 of College Building Revenue Bonds to fund the outfitting and renovations to Founders Hall science building at the College's main campus (the Founders Hall Project). In conjunction with the issuance of these bonds, the Authority, County, and the College entered into the second supplemental lease and sublease agreement, whereas the County will lease the project assets from the Authority and will sublease the project assets to the College related to the Founders Hall Project. Project assets of the Founders Hall Project are property of the Authority during the lease term. The lease commits the College to pay the Authority annual rentals through 2034 for the use of all project assets. Lease payments are paid directly to the holder of the bonds. Lease payments to be made by the College will be sufficient to satisfy the debt service requirements of the bonds. Fixed rent payments escalate and decline over the lease term to fund the Authority's debt as it matures. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed.

Title to the assets related to the Founders Hall Project passes to the College upon maturity of the bonds. Accordingly, the College recorded this amount as obligations under capital leases. The College treats the lease payments as a reduction to the capital lease obligations.

This transaction resulted in a premium of approximately \$2,196,000. This amount is deferred and amortized as a component of interest expense over the life of the 2014 lease. Amortization of the premium totaled approximately \$186,000 and \$191,000 in 2021 and 2020, respectively. The unamortized premium totaled approximately \$1,028,000 and \$1,214,000 at June 30, 2021 and 2020, respectively. The premium is included as a component of lease obligations in the statements of net position.

In addition to the above lease and sublease agreements, the College leases various equipment under capital leases which expire in various years through 2023. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over the lease terms and are included in capital assets. Amortization of assets under capital leases is included in depreciation expense.

Following is a summary of equipment held under capital leases:

Capital assets	\$ 4,682,753
Less accumulated depreciation	<u>3,011,874</u>
Total	<u>\$ 1,670,879</u>

Interest rates on capitalized leases vary from 2.7 percent to 6.8 percent and are imputed based on the lower of the College's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Interest expense on all capital leases was approximately \$2,249,000 and \$2,383,000 in 2021 and 2020, respectively.

The expenditures incurred for all leases are generally funded through appropriations from the Commonwealth and the County.

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The aggregate future principal payments required on the above obligations at June 30, 2021 are as follows:

	<u>2014 Lease</u>	<u>2016 Lease</u>	<u>2017 Lease</u>	<u>2019 Lease</u>	<u>Various Capital Leases</u>	<u>Total</u>
Years ending June 30:						
2022	\$ 1,894,250	\$ 1,576,375	\$ 805,076	\$ 2,019,187	\$ 1,021,586	\$ 7,316,474
2023	1,893,000	1,575,125	806,047	2,016,135	555,257	6,845,564
2024	1,894,000	1,575,875	806,631	2,022,025	141,308	6,439,839
2025	1,892,000	1,567,250	806,828	2,020,573	85,596	6,372,247
2026	1,892,000	1,579,950	807,636	2,021,548	20,267	6,321,401
2027-2031	9,459,275	3,150,600	809,035	7,044,390	-	20,463,300
2032-2036	5,646,657	-	-	5,014,500	-	10,661,157
2037-2039	-	-	-	3,012,750	-	3,012,750
Total	24,571,182	11,025,175	4,841,253	25,171,108	1,824,014	67,432,732
Less amount representing interest	(5,426,182)	(1,395,175)	(364,253)	(7,076,108)	(111,650)	(14,373,368)
Unamortized bond premium	1,028,185	929,961	-	2,018,634	-	3,976,780
Unamortized loss on bond refinance	-	(438,021)	-	-	-	(438,021)
Total	<u>\$ 20,173,185</u>	<u>\$ 10,121,940</u>	<u>\$ 4,477,000</u>	<u>\$ 20,113,634</u>	<u>\$ 1,712,364</u>	<u>\$ 56,598,123</u>

**8. Notes Payable and Direct Borrowings**

Pursuant to a direct borrowing loan agreement dated December 28, 2004 (Series A and B of 2004), between the Delaware Valley Regional Financing Authority (DVRFA) and the College, the DVRFA issued \$10,900,000 fixed rate Guaranteed Revenue Notes (collectively, the Notes). The Notes were issued to finance a capital project consisting of: (1) land acquisition, (b) site development and building construction of Bucks County Community College Lower County Campus, (c) the payment of interest costs during construction and (d) the payment of the costs of issuance of the Notes. Interest is payable monthly at 3.86 percent on the Series A and 4.53 percent on the Series B. Series A was paid off during 2017. The principal balance due on Series B was \$2,853,000 and \$3,504,000 at June 30, 2021 and 2020, respectively. In the event of any default, the Trustee may enforce, and upon the written request may declare all repayments to be immediately due and payable and the Trustee may pursue any and all remedies not or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the loan agreement or to enforce the performance and observance of any other obligation or agreement of the Participant under the loan agreement.

Pursuant to a loan agreement dated May 30, 2007 between a bank and the College, the bank issued a \$9,950,000 fixed rate Revenue Note (Note One). Note One was issued to finance capital improvements to the College's Lower County campus and the payment of the costs of issuance of the note. Monthly payments of approximately \$60,250, including interest at 3.99 percent, are due and payable monthly through maturity, April 2027. The principal balance due was \$3,747,636 and \$4,313,422 at June 30, 2021 and 2020, respectively. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25 percent in principal amount of the bonds then outstanding thereunder and accompanied by indemnity as therein provided must, enforce for the benefit of all holders of such bonds all their rights of bringing suit, action or proceeding at law or in equity and of having a receiver appointed.

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In June 2011, the Authority and the College entered into a \$6,500,000 note payable agreement (Note Two). The proceeds of Note Two were to be used by the College for certain capital improvements to the Newtown campus and the payment of costs of issuance of Note Two.

On the same date, the Authority entered into a Note Purchase and Loan Agreement (Note Purchase Agreement 2) whereas the Authority sold Note Two with the College to a bank for its face amount (\$6,500,000). The Authority used the proceeds of the Note Purchase Agreement 2 to fund the amount advanced to the College under Note Two. The Authority assigned all of its rights under Note Two to the bank and directed the College to make all payments on Note Two directly to the bank. Interest is payable at a rate of 2.919 percent. In the event of any default, the Trustee may enforce, and upon the written request may declare all repayments to be immediately due and payable and the Trustee may pursue any and all remedies not or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the loan agreement or to enforce the performance and observance of any other obligation or agreement of the Participant under the loan agreement.

Principal and interest payments are due in 10 installments of \$373,378 each, payable semi-annually on August 1 and February 1 of each year beginning August 1, 2011. As of June 30, 2021 and 2020, the principal balance due was \$0 and \$730,489, respectively.

**Guarantees**

The above notes payable are secured by pledged revenues of the College, and payments are unconditionally guaranteed in full by the County. Since inception, the College has met each of its scheduled debt service payments on these notes.

The aggregate future principal and interest payments required on the above obligations at June 30, 2021 are as follows:

	<b>Notes From Direct Borrowings</b>		<b>Notes Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
Years ending June 30:					
2022	\$ 675,000	\$ 103,890	\$ 583,321	\$ 139,590	\$ 1,501,801
2023	700,000	75,496	607,026	115,885	1,498,407
2024	726,000	46,049	631,450	91,461	1,494,960
2025	752,000	15,529	657,355	65,556	1,490,440
2026	-	-	684,068	38,843	722,911
2027	-	-	584,416	10,531	594,947
Total	<u>\$ 2,853,000</u>	<u>\$ 240,964</u>	<u>\$ 3,747,636</u>	<u>\$ 461,866</u>	<u>\$ 7,303,466</u>

Interest expense on notes payable and notes from direct borrowings was approximately \$334,000 and \$421,000 in 2021 and 2020, respectively.

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## **9. Retirement Benefits**

Employees of the College are required to enroll in one of three available retirement plans immediately upon employment: the SERS, the PSERS or TIAA.

### **SERS and PSERS**

#### **Plan Descriptions**

SERS is a governmental cost-sharing multiple-employer defined benefit pension plan that was established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads and certain employees in the field of education are not required, but are given the option to participate. SERS issues a publicly available financial report that can be obtained at <http://www.sers.state.pa.us/>

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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 <http://www.psers.state.pa.us/>

#### **Benefits Provided**

SERS provides retirement, death and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Participants in SERS may receive retirement benefits after satisfying age and length of service requirements. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by 2 percent, multiplied by class of service multiplier.

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 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 new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2 percent or 2.5 percent, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times 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 10 years of service.

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PSERS participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final 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.

PSERS 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.

## **Member Contributions**

Employees who participate in SERS, dependent upon membership class, are required to make a contribution equal to 5.00 percent or 9.30 percent of their gross pay.

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

## **Employer Contributions**

Participating employer contributions for SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to members. The College contribution rate at June 30, 2021 and 2020 was 36.84 percent and 36.04 percent of gross pay, respectively. According to the Commonwealth Retirement Code, all obligations of the SERS will be assumed by the Commonwealth should SERS terminate. The contribution to SERS for the years ended June 30, 2021 and 2020 was \$239,785 and \$271,166, respectively.

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The College's PSERS contractually required contribution rate for the fiscal years ended June 30, 2021 and 2020 was 33.51 percent and 33.36 percent of covered payroll, respectively, not accounting for a 50 percent reimbursement from the Commonwealth. The rate is 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 PSERS from the College were \$822,360 and \$951,445 for the years ended June 30, 2021 and 2020, respectively.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2021, the College reported a liability of \$3,850,762 and \$9,799,000 for its proportionate share of the SERS and PSERS net pension liabilities, respectively. At June 30, 2020, the College reported a liability of \$4,436,516 and \$9,123,000 for its proportionate share of the SERS and PSERS net pension liabilities, respectively.

The SERS net pension liability as of June 30, 2021 and 2020 was measured as of December 31, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by rolling forward the SERS total pension liability as of December 31, 2018 to December 31, 2019. The College's proportion of the SERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At December 31, 2020, the College's proportion was .0224 percent, which was a decrease from its proportion of .0205 percent, measured as of December 31, 2019.

The PSERS net pension liability as of June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2019 to June 30, 2020. The College's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the College's proportion was .0199 percent, which was an increase from its proportion of .0004 percent measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the College recognized pension expense (benefit) of \$(7,728) and \$(174,694) for the SERS plan, and \$962,000 and \$654,000 for the PSERS plan, respectively.

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At June 30, 2021, the College 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>
Differences between expected and actual experience - SERS	\$ 36,153	\$ 4,319
Differences between expected and actual experience - PSERS	26,000	-
Net difference between projected and actual earnings on pension plan investments - SERS	-	492,686
Net difference between projected and actual earnings on pension plan investments - PSERS	-	235,000
Changes in proportion and differences between College contributions and proportionate share of contributions - SERS	176,405	904,784
Changes in proportion and differences between College contributions and proportionate share of contributions - PSERS	167,000	301,000
Changes of assumptions - PSERS	431,000	-
Changes of assumptions - SERS	428,187	-
College contributions subsequent to the measurement date - SERS	239,785	-
College contributions subsequent to the measurement date - PSERS	<u>822,360</u>	<u>-</u>
Total	<u>\$ 2,326,890</u>	<u>\$ 1,937,789</u>

\$1,062,145 and \$1,222,611 was reported at June 30, 2021 and 2020, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date. The amount recorded at June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The amount recorded at June 30, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience - SERS	\$ 55,319	\$ 31,049
Differences between expected and actual experience - PSERS	50,000	302,000
Net difference between projected and actual earnings on pension plan investments - SERS	-	316,408
Net difference between projected and actual earnings on pension plan investments - PSERS	-	26,000
Changes in proportion and differences between College contributions and proportionate share of contributions - SERS	155,339	746,087
Changes in proportion and differences between College contributions and proportionate share of contributions - PSERS	236,000	602,000
Changes of assumptions - PSERS	87,000	-
Changes of assumptions - SERS	170,961	-
College contributions subsequent to the measurement date - SERS	271,166	-
College contributions subsequent to the measurement date - PSERS	951,445	-
Total	<u>\$ 1,977,230</u>	<u>\$ 2,023,544</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

	<b>SERS</b>	<b>PSERS</b>
Years ending June 30:		
2022	\$ (293,581)	\$ (293,000)
2023	(164,120)	77,000
2024	(219,965)	175,000
2025	(79,018)	129,000
2026	(4,360)	-
Total	<u>\$ (761,044)</u>	<u>\$ 88,000</u>

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**Actuarial Assumptions**

**SERS**

The total pension liability as of June 30, 2021 was determined by rolling forward the total pension liability as of the December 31, 2019 actuarial valuation to December 31, 2020, using the following actuarial assumptions. Any changes from the December 31, 2019 to December 31, 2020 actuarial valuation are noted below, if applicable:

- Actuarial cost method - Entry age
- Amortization method - Straight line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
- Investment return - 7.125 percent net of expenses including inflation
- Salary increases - Average increase of 5.60 percent with range of 3.70 percent - 8.90 percent including inflation
- Mortality rates - Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
- Cost of living adjustments - Ad hoc

The actuarial assumptions used in the December 31, 2020 and 2019 valuations were based on the *19<sup>th</sup> Investigation of Actuarial Experience*, which was published in July 2020, and analyzed experience from 2015 through 2019.

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

The target allocation and best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table (including inflation at 2.5 percent per year):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	14.0 %	6.25 %
Private credit	4.0	4.25
Real estate	8.0	5.60
U.S. equity	25.0	4.90
International developed markets equity	13.0	4.75
Emerging markets equity	4.0	5.00
Fixed income - core	22.0	1.50
Fixed income - opportunistic	4.0	3.00
Inflation protection (TIPS)	4.0	1.50
Cash	2.0	0.25
	100.0 %	

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**PSERS**

The total pension liability as of June 30, 2020 was determined by rolling forward the total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement. Any changes from the prior actuarial valuation are noted below, if applicable:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.25 percent, includes inflation at 2.75 percent
- Salary increases - Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth and merit or seniority increases of 2.25 percent
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables (male and female) with a modified version of the MP-2015 Mortality Improvement Scale.

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

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

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

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

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**Discount Rate**

The SERS discount rate used to measure the total pension liability was 7.00 percent and 7.12 percent at December 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and nonactive SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The PSERS discount rate used to measure the total pension liability was 7.25 percent at June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the College's proportionate share of the SERS and PSERS net pension liability, calculated using the discount rate of 7.00 percent and 7.25 percent respectively, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2021:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
	<b>(6.25%)</b>	<b>7.25%</b>	<b>8.25%</b>
College's proportionate share of the SERS net pension liability	\$ 5,113,164	\$ 3,850,762	\$ 3,230,659
College's proportionate share of the PSERS net pension liability	12,123,000	9,799,000	7,830,000

The following presents the College's proportionate share of the SERS and PSERS net pension liability, calculated using the discount rate of 7.25 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2020:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
College's proportionate share of the SERS net pension liability	\$ 5,637,320	\$ 4,436,516	\$ 3,408,486
College's proportionate share of the PSERS net pension liability	11,363,000	9,123,000	7,225,000

# **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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## **TIAA**

The TIAA is a contributory defined contribution plan administered by the College. Plan contributions are invested, at the direction of the participant, in one or more of the funding vehicles available to the participant under the plan. The College is the authority under which plan provisions are established or may be amended.

The employer obligation to contribute is established by a collective bargaining agreement between the College and Bucks County Community College Federation of Teachers Local 2238, American Federation of Teachers dated August 15, 1992 and subsequently amended February 13, 1997, August 15, 2000 and August 15, 2010. The College's contribution rate is 2.37 percent of covered payroll. The employees' contribution rate is established by the administrator (the College) and is 6.25 percent. Contributions made by the College were approximately \$2,522,000 in 2021 and \$2,824,000 in 2020.

Contributions made by the employees were approximately \$1,493,000 in 2021, \$1,672,000 in 2020.

## **10. Tuition Equalization**

Under the provision of the Pennsylvania Code for Community Colleges, tuition revenue charged to students is limited to one-third of operating expenses of the College. Tuition equalization amount represents the accumulation of tuition charges to students in excess of one-third of the operating expenses of the College over time and is only to be used in a manner that will directly benefit the students. At June 30, 2021 and 2020, the tuition equalization was approximately \$48,102,000 and \$49,152,000, respectively.

## **11. Early Retirement Programs**

The College paid approximately \$262,533 and \$235,200 in 2021 and 2020, respectively, to employees who retired in connection with the College's early retirement incentive programs. The amount payable pursuant to this program was \$632,081 at June 30, 2021 and \$232,848 at June 30, 2020, which is included in accrued compensation and benefits in the statements of net position. The amounts payable are calculated at the discounted present value of future benefit payments.

## **12. Postemployment Benefits**

### **Plan Description, College Plan**

The College provides postemployment medical, dental, and life insurance benefits to eligible employees through a series of retirement incentive plans approved by the College's Board of Trustees. The plan is single-employer plan administered by the College. The College pays premiums for medical, dental and life insurance on behalf of eligible retirees for a period of ten years, or until the retiree attains age seventy, whichever occurs first. The plan is unfunded and no financial report is prepared.

### **Benefits Provided**

The College's OPEB Plan provides postemployment health insurance benefits to employees upon retirement with 30 years of PSERS service or age 60 with 30 years of service, age 62 with one year of service or 35 years of service regardless of age. Retired employees are allowed to continue coverage for themselves and their dependents in the group health care plan until the retired employee reaches Medicare age, generally 65.

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**Employees Covered by Benefit Terms**

At July 1, 2020, the following employees were covered with benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	45
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	475
Total	520

**Total OPEB Liability**

The College's total OPEB liability of \$14,283,617 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Interest rate	2.16 %	
Salary increases	2.50	Effective average of 5.00 comprised of inflation of 2.75% and 2.25% real wage growth and for merit or seniority increases
Discount rate	2.16	
Healthcare cost trend rates	6.75	6.75% through 2020. Rates gradually decrease from 7.50 % in 2020 to 4.00% in 2029 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs		Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term rate caps

The discount rate was based on the Bond Buyers 20-Bond Index as of June 30, 2020.

For mortality rates, separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined pension plan actuarial valuation. Incorporated in the table are rates projected generationally by the Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2020 to reflect mortality improvement.

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The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period June 2020.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance, July 1, 2019	\$ 12,170,766
Changes for the year:	
Service cost	489,626
Interest	425,977
Changes in assumptions or other inputs	1,299,573
Benefit payments	<u>(803,251)</u>
Net changes	<u>1,411,925</u>
Balance, July 1, 2020	13,582,691
Changes for the year:	
Service cost	736,233
Interest	300,177
Changes in assumptions or other inputs	278,617
Benefit payments	<u>(614,101)</u>
Net changes	<u>700,926</u>
Balance, June 30, 2021	<u>\$ 14,283,617</u>

Changes in assumptions or other inputs reflect the following:

- A change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.
- Updated the mortality improvement scale to MP-2020

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

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

	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB Liability at June 20, 2021	\$ 15,239,720	\$ 14,283,617	\$ 13,395,364
	<b>1% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB Liability at June 20, 2020	\$ 13,792,873	\$ 13,582,691	\$ 13,379,519

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

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a 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>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability at June 30, 2021	\$ 14,036,132	\$ 14,283,617	\$ 14,569,103
Total OPEB Liability at June 30, 2020	\$ 13,357,342	\$ 13,582,691	\$ 13,842,461

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

For the year ended June 30, 2021, the College recognized OPEB expense of \$1,123,571. At June 30, 2021, the College 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>
Differences between expected and actual experience	\$ 397,210	\$ 451,298
Changes of assumptions or other inputs	868,013	-
Total	<u>\$ 1,265,223</u>	<u>\$ 451,298</u>

For the year ended June 30, 2020, the College recognized OPEB expense of \$1,675,850. At June 30, 2020, the College 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>
Differences between expected and actual experience	\$ 441,345	\$ 507,710
Changes of assumptions or other inputs	688,834	-
Total	<u>\$ 1,130,179</u>	<u>\$ 507,710</u>

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

Years ending June 30:	
2022	\$ 87,161
2023	87,161
2024	87,161
2025	87,161
2026	87,161
Thereafter	<u>378,120</u>
Total	<u>\$ 813,925</u>

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**General Information About the PSERS Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which is a governmental cost sharing multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

**Premium Assistance Eligibility Criteria**

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

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

**Employer Contributions**

The College's contractually required contribution rate for the fiscal years ended June 30, 2021 and 2020 was .82 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB Plan from the College are included with the amount disclosed in Note 9, Retirement Benefits.

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

At June 30, 2021, the College reported a liability of \$428,000 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 PSERS' total OPEB liability as of June 30, 2019 and June 30, 2020, The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the College's proportion was .0198 percent.

For the year ended June 30, 2021, the College recognized OPEB benefit of \$13,000. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,000	\$ -
Changes of assumptions or other inputs	25,000	40,000
Total	<u>\$ 29,000</u>	<u>\$ 40,000</u>

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At June 30, 2020, the College reported a liability of \$415,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB Liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 and June 30, 2019. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the College's proportion was .0195 percent.

For the year ended June 30, 2020, the College recognized OPEB expense of \$11,000. At June 30, 2020, the College 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>
Differences between expected and actual experience	\$ 2,000	\$ -
Changes of assumptions or other inputs	<u>17,000</u>	<u>53,000</u>
Total	<u>\$ 19,000</u>	<u>\$ 53,000</u>

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

Years ending June 30:	
2022	\$ 1,506
2023	1,400
2024	1,305
2025	4,381
2026	2,797
Thereafter	<u>1,338</u>
Total	<u>\$ 12,727</u>

**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 percent of pay
- Investment Return - 2.66 percent - S&P 20 Year Municipal Bond Rate.
- Salary growth - effective average of 5.00 percent comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50 percent
  - Eligible retirees will elect to participate Post age 65 at 70 percent

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The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63 percent of eligible retirees are summed 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 disables 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 percent males and 75 percent 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 reach asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

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

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

**Discount Rate**

The discount rate used to measure the Total OPEB liability decreased from 2.79 percent as of June 30, 2019 to 2.66 percent as of June 30, 2020. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a pay-as-you-go plan. A discount rate of 2.79 percent which represent 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.

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**Sensitivity of PSERS 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. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents PSERS net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
PSERS Net OPEB Liability at June 30, 2021	\$ 428,000	\$ 428,000	\$ 428,000
PSERS Net OPEB Liability at June 30, 2020	\$ 415,000	\$ 415,000	\$ 415,000

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

The following presents the net OPEB liability, calculated using the discount rate in effect at the measurement date, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (1.66%)</b>	<b>Discount Rate (2.66%)</b>	<b>1% Increase (3.66%)</b>
College's proportionate share of the net OPEB liability at June 30, 2021	\$ 488,000	\$ 428,000	\$ 378,000
	<b>1% Decrease (1.79%)</b>	<b>Discount Rate (2.79%)</b>	<b>1% Increase (3.79%)</b>
College's proportionate share of the net OPEB liability at June 30, 2020	\$ 472,000	\$ 415,000	\$ 367,000

**OPEB Plan Fiduciary Net Position**

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

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**13. Commitments and Contingencies**

DVRFA was formed for the purpose of establishing a pooled loan program for the benefit of local governmental units in the Delaware Valley region. The College has entered into guaranteed revenue notes with DVRFA of which approximately \$2,853,000 and \$3,504,000 in principal is outstanding at June 30, 2021 and 2020, respectively (Note 8).

DVRFA has entered into interest rate swap agreements with third party financial institution counterparties related to the bonds DVRFA issued, the proceeds of which fund the pooled loan program. If the swap agreements were terminated, DVRFA would receive or be obligated to pay the market value of the swap agreements at the termination date. If DVRFA were obligated to make a payment and sufficient funds were not available, each borrower would be assessed its allocable share of the termination payment. Borrowers are not entitled to any payments DVRFA would receive from a counterparty as a result of a termination. A related interest rate swap agreement may be terminated under the following circumstances 1) DVRFA and the counterparty mutually consent to the termination, 2) the borrower defaults on its loan, or 3) DVRFA or the counterparty default or their financial conditions deteriorate to make a default imminent. DVRFA would seek to replace the terminated underlying swap agreement with a new agreement with similar terms and conditions upon termination.

DVRFA enters into interest rate swap agreements to provide fixed interest rates to borrowers. The agreement would normally only be terminated if the borrower requested it, including prepayment of the outstanding note, or if the borrower defaulted on its loan. The borrower would be responsible for any termination payment. The borrower is not entitled to receive any payments DVRFA would receive from the counterparty as a result of a termination.

As of June 30, 2021, the market value of interest rate swap agreements related to outstanding guaranteed revenue notes outstanding are as follows:

<b>Guaranteed Revenue Note Year of Issue</b>	<b>Balance Outstanding</b>	<b>Market Value of Related Allocable Interest Rate Swap</b>	<b>Market Value of Related Fixed Loan Swap</b>
2004B	\$ 2,853,000	\$ 404,001	\$ (219,802)

The College is a defendant in a number of legal actions resulting in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the College's financial statements.

The use of grant monies received is subject to compliance audits by the disbursing governmental agency. The College believes it is in compliance with all significant grant requirements.

Approximately 29.0 percent and 30.0 percent of the College's total revenue for the years ended June 30, 2021 and 2020, respectively, was provided by appropriations and contracts with the Commonwealth. A significant reduction in the amounts provided by the Commonwealth could have an adverse impact on the College's operations.

The projected cost to complete the Workforce and Economic Development Center, which includes construction, technology, furniture, and equipment costs is estimated at \$6,122,000, of which \$2,090,000 has been incurred as of June 30, 2021. The College plans to fund the remaining portion through the proceeds of the 2019 Revenue Bonds held by the Authority.

## **Bucks County Community College (a Component Unit of the County of Bucks, Pennsylvania)**

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Notes to Financial Statements  
June 30, 2021 and 2020

### **14. Coronavirus Disease (COVID-19) and Emergency Relief Funding**

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Tom Wolf, students, staff and faculty were transitioned to remote operations. The COVID-19 pandemic has affected operations and the financial circumstances of colleges and universities across the country, including Bucks County Community College. The Board of Trustees and the College's management are monitoring the outbreak and potential financial impact, which are currently uncertain.

As a response to COVID-19, the government approved three relief packages between April 2020 and March 2021. Congress set aside approximately \$76.6 billion between the Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) to be allotted to the Educational Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF).

Under CARES, the College received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Institutions were given 1 calendar year from the date of award in their HEERF Grant Award Notification to complete the performance of their HEERF grant.

The College received approximately \$3,017,000 of HEERF funding on April 24, 2020. Institutions may recognize the institutional portion of the grant to the extent the grant was expended on student relief. Approximately \$640,000 and \$868,000 of the student relief portion of the grant was expended and recognized as federal grants revenue and student aid expense in June 30, 2021 and 2020, respectively. Approximately \$1,211,000 and \$298,000 of the institutional portion of the grant was expended and recognized as federal grants revenue, respectively.

The Higher Education Emergency Relief Fund II (HEERF II) is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260, signed into law on December 27, 2020. In total, the CRRSAA authorizes \$81.88 billion in support for education, in addition to the \$30.75 billion expeditiously provided last spring through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136.

The College was allocated approximately \$6,658,000 of HEERF II funding on January 19, 2021. As of June 30, 2021, approximately \$1,389,000 of the student relief portion of the grant was expended and recognized as federal grants revenue and student aid expense, and approximately \$3,552,000 of the institutional portion of the grant was recognized as federal grants revenue based on lost revenue incurred from March 13, 2020 through June 30, 2021.

The Higher Education Emergency Relief Fund III (HEERF III) is authorized by the American Rescue Plan (ARP), Public Law 117-2, signed into law on March 11, 2021, providing \$39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic.

The College was awarded approximately \$11,769,000 of HEERF III funding on May 12, 2021. Approximately \$6,020,000 of the HEERF III funding will be awarded directly to students in the form of emergency grants to assist with expenses associated with the COVID-19. At June 30, 2021, the College has not spent any ARP funding, therefore no revenue was recorded.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Schedule of the College's Proportionate Share of the Net Pension Liability  
Years Ended June 30  
(Unaudited)

	<b>SERS</b>	<b>PSERS</b>
	<b>2021</b>	
College's proportion of the net pension liability	0.0210%	0.0198%
College's proportionate share of the net pension liability	\$ 3,850,762	\$ 9,799,000
College's covered-employee payroll	1,239,711	2,777,479
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.62%	352.80%
Plan fiduciary net position as a percentage of the total pension liability	67.00%	63.67%
	<b>2020</b>	
College's proportion of the net pension liability	0.0244%	0.0195%
College's proportionate share of the net pension liability	\$ 4,436,516	\$ 9,123,000
College's covered-employee payroll	1,428,278	2,695,485
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.62%	338.45%
Plan fiduciary net position as a percentage of the total pension liability	63.10%	54.32%
	<b>2019</b>	
College's proportion of the net pension liability	0.0241%	0.0194%
College's proportionate share of the net pension liability	\$ 5,026,161	\$ 9,313,000
College's covered-employee payroll	1,416,655	2,608,666
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	354.79%	357.00%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	55.66%
	<b>2018</b>	
College's proportion of the net pension liability	0.0287%	0.0198%
College's proportionate share of the net pension liability	\$ 4,962,506	\$ 9,779,000
College's covered-employee payroll	1,654,353	2,637,980
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	299.97%	370.70%
Plan fiduciary net position as a percentage of the total pension liability	63.00%	54.00%
	<b>2017</b>	
College's proportion of the net pension liability	0.0296%	0.0259%
College's proportionate share of the net pension liability	\$ 5,695,315	\$ 11,200,000
College's covered-employee payroll	1,709,982	2,925,089
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333.06%	382.89%
Plan fiduciary net position as a percentage of the total pension liability	63.00%	51.84%
	<b>2016</b>	
College's proportion of the net pension liability	0.0328%	0.0203%
College's proportionate share of the net pension liability	\$ 5,972,203	\$ 8,793,000
College's covered-employee payroll	1,943,480	2,608,323
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	307.29%	337.11%
Plan fiduciary net position as a percentage of the total pension liability	57.80%	50.14%
	<b>2015</b>	
College's proportion of the net pension liability	0.0456%	0.0234%
College's proportionate share of the net pension liability	\$ 6,782,340	\$ 9,262,000
College's covered-employee payroll	2,640,515	2,982,500
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.86%	310.54%
Plan fiduciary net position as a percentage of the total pension liability	58.90%	54.36%

Note: The College adopted GASB Statement No. 68 for their fiscal year ended June 30, 2015. Information prior to 2015 is not available.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Schedule of College Pension Contributions  
 Years Ended June 30  
 (Unaudited)

	<b>SERS</b>	<b>PSERS</b>
	<b>2021</b>	
Contractually required contribution	\$ 527,912	\$ 822,360
Contributions in relation to the contractually required contribution	527,912	822,360
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,239,711	\$ 2,777,479
Contributions as a percentage of covered-employee payroll	42.58%	29.61%
	<b>2020</b>	
Contractually required contribution	\$ 582,024	\$ 951,445
Contributions in relation to the contractually required contribution	582,024	951,445
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,428,278	\$ 2,695,485
Contributions as a percentage of covered-employee payroll	40.75%	35.30%
	<b>2019</b>	
Contractually required contribution	\$ 572,200	\$ 900,874
Contributions in relation to the contractually required contribution	572,200	900,874
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,416,655	\$ 2,608,666
Contributions as a percentage of covered-employee payroll	40.39%	34.53%
	<b>2018</b>	
Contractually required contribution	\$ 547,850	\$ 855,303
Contributions in relation to the contractually required contribution	547,850	855,303
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,654,353	\$ 2,637,980
Contributions as a percentage of covered-employee payroll	33.12%	32.42%
	<b>2017</b>	
Contractually required contribution	\$ 514,347	\$ 788,192
Contributions in relation to the contractually required contribution	514,347	788,192
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,709,982	\$ 2,925,089
Contributions as a percentage of covered-employee payroll	30.08%	26.95%
	<b>2016</b>	
Contractually required contribution	\$ 449,511	\$ 661,767
Contributions in relation to the contractually required contribution	449,511	661,767
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 1,943,480	\$ 2,608,323
Contributions as a percentage of covered-employee payroll	23.13%	25.37%
	<b>2015</b>	
Contractually required contribution	\$ 417,494	\$ 555,370
Contributions in relation to the contractually required contribution	417,494	555,370
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 2,640,515	\$ 2,982,500
Contributions as a percentage of covered-employee payroll	15.81%	18.62%

Note: The College adopted GASB Statement No. 68 for their fiscal year ended June 30, 2015. Information prior to 2015 is not available.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Schedule of Changes in Net Other Post-Employment Benefit Liability and Related Ratios

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>OPEB Liability, College Plan</b>				
Service cost	\$ 736,233	\$ 489,626	\$ 467,592	\$ 647,987
Interest cost	300,177	425,977	452,800	457,189
Changes of benefit terms	-	698,415	-	-
Differences between expected and actual experience	-	485,480	-	(676,946)
Changes of assumptions or other inputs	278,617	115,678	135,916	627,209
Benefit payments	(614,101)	(803,251)	(585,813)	(784,896)
Net change in total OPEB liability	700,926	1,411,925	470,495	270,543
<b>Total OPEB Liability, Beginning</b>	<u>13,582,691</u>	<u>12,170,766</u>	<u>11,700,271</u>	<u>11,429,728</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 14,283,617</u>	<u>\$ 13,582,691</u>	<u>\$ 12,170,766</u>	<u>\$ 11,700,271</u>
<b>Covered-Employee Payroll (Estimated)</b>	\$ 30,587,779	\$ 29,841,736	\$ 28,267,586	\$ 27,578,133
<b>College's Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	46.70%	45.52%	43.06%	42.43%

**Notes to Schedule:**

The College implemented GASB Statement No. 75 during its year ended June 30, 2018. Information prior to 2018 is not available.

The College does not accumulate assets in a trust to pay related benefits under the other postemployment benefit plan.

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Schedule of College's Proportionate Share of the PSERS OPEB Liability

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net pension liability	0.0198%	0.0195%	0.0194%	0.0198%
College's proportionate share of the net OPEB liability	\$ 428,000	\$ 415,000	\$ 404,000	\$ 403,000
College's covered-employee payroll	2,777,479	2,695,485	2,608,666	2,637,980
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.41%	15.40%	15.49%	15.28%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%

**Notes to Schedule:**

The College implemented GASB Statement No. 75 during its year ended June 30, 2018.  
Information prior to 2018 is not available.

Covered-employee payroll above represents the amount for the year coinciding  
with the measurement date

**Bucks County Community College**  
**(a Component Unit of the County of Bucks, Pennsylvania)**

Schedule of the College's PSERS OPEB Liability Contributions

Year Ended June 30, 2021

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 23,053	\$ 22,373	\$ 21,652	\$ 21,895
Contributions in relation to the contractually required contribution	<u>23,053</u>	<u>22,373</u>	<u>21,652</u>	<u>21,895</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 2,777,479	\$ 2,695,485	\$ 2,608,666	\$ 2,637,980
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.83%	0.83%

Note: The College adopted GASB Statement No. 75 for their fiscal year ended June 30, 2018. Information prior to 2018 is not available.