

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

Financial Statements and
Required Supplementary Information

June 30, 2020 and 2019

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

Table of Contents
June 30, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position - Primary Institution	8
Statements of Financial Position - Component Unit	9
Statements of Revenues, Expenses and Changes in Net Position - Primary Institution	10
Statements of Activities and Changes in Net Assets - Component Unit	11
Statements of Cash Flows - Primary Institution	12
Statements of Cash Flows - Component Unit	13
Notes to Financial Statements	14
Required Supplementary Information (Unaudited)	
Schedule of the College's Proportionate Share of the Net Pension Liability	48
Schedule of College Pension Contributions	49
Schedule of Changes in Net Other Post-Employment Benefit Liability and Related Ratios	50
Schedule of the College's Proportionate Share of the PSERS OPEB Liability	51
Schedule of the College's PSERS OPEB Liability Contributions	52

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, 2020 and 2019, 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, 2020 and 2019, and the respective changes in financial position and, where applicable, 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
December 15, 2020

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

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 2020 Financial Highlights

The College's net position increased approximately \$3,500,000 as a result of this year's operations.

During Fiscal 2020, the College realized revenue increases and decreases from the following:

Student tuition and fees increased approximately \$1,952,000 in 2020 as compared to 2019, which was a result of an increase in tuition rates from the prior year despite lower enrollment.

The combined unduplicated headcount for credit and noncredit enrollments for fiscal year 2020 was 15,521, a decrease from 17,258, or 10.1 percent from 2019. The College enrolled 12,518 credit students during fiscal year 2020, representing a decrease of 3.7 percent compared to the previous year. Noncredit FTEs decreased from 4,257 to 3,003, or a 29.5 percent decrease from 2019.

Total operating expenses increased 0.6 percent from the prior year by approximately \$525,000 in 2020, compared to a 0.5 percent increase in 2019, or approximately \$398,000.

During fiscal year 2019 - 2020, the College received approximately \$3.8 million from the Commonwealth for payment of debt service which was an increase of \$253,000 the prior year. Other appropriations from the Commonwealth increased by approximately \$434,000 in 2020 from 2019. Local appropriations remained consistent at \$13.1 million in 2019 and 2020.

The impact of the Covid-19 global pandemic caused the College to make a major shift from on-site to all online teaching in March 2020. Since the Spring class was already set by March, revenue impacts to 2020 were minimal. However, the last quarter of the fiscal year saw a significant decrease in expenses. These expense decreases ranged from reduced utilities, less travel and savings from furloughed employees. Utilities decreased by approximately \$197,000 and supplies expense decreased by approximately \$2,447,000 compared to the prior year.

Condensed Statement of Net Position
(in Millions)
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Assets:			
Current assets	\$ 21.3	\$ 20.6	3.40 %
Noncurrent assets	144.5	148.5	(2.69)
Deferred outflows	<u>3.1</u>	<u>3.3</u>	(6.06)
Total	<u>168.9</u>	<u>172.4</u>	(2.03)
Liabilities:			
Current liabilities	17.2	17.3	(0.58)
Noncurrent liabilities	90.2	96.1	(6.14)
Deferred inflows	<u>2.6</u>	<u>3.6</u>	(27.78)
Total	<u>110.0</u>	<u>117.0</u>	(5.98)
Net position:			
Net investment in capital assets	74.4	72.8	2.20
Unrestricted	<u>(15.5)</u>	<u>(17.4)</u>	(10.92)
Total	<u>\$ 58.9</u>	<u>\$ 55.4</u>	6.32 %

**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, 2020 increased approximately \$3.5 million. The increase in net position is mainly attributable to increases in revenue throughout the year in addition to higher Commonwealth funding. The College's expenditures remained consistent as compared to prior year, due to scheduled increases in salary and benefits offset by decreases in student aid expense. Net student tuition and fees increased approximately 5.65 percent as a result of an overall increase in tuition and fee rates offset by a decrease in enrollment.

Noncurrent assets (including capital assets, net of accumulated depreciation), decreased approximately \$4.0 million. There were also current year asset additions of approximately \$6 million, reduced by current year depreciation expense of approximately \$6.4 million.

Total liabilities overall decreased by approximately \$6.0 million, compared to prior year. During 2020, the College paid approximately \$1.9 million of scheduled principal payments on existing notes payable. Principal payments on capital lease obligations totaled approximately \$4.2 million.

**Condensed Statement of Revenues, Expenses
and Changes in Net Position (in Millions)
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees, net	\$ 35.5	\$ 33.6	5.65 %
Auxiliary enterprises	0.3	0.3	0.00
Other operating revenues	1.4	1.5	(6.67)
Total operating revenues	<u>37.2</u>	<u>35.4</u>	5.08
Operating expenses	<u>85.3</u>	<u>84.8</u>	0.59
Operating loss	<u>(48.1)</u>	<u>(49.4)</u>	(2.63)
Nonoperating revenues (expenses):			
Appropriations	35.0	34.5	1.45
Other gifts, grants and contracts	15.1	14.2	6.34
Interest expense	<u>(2.3)</u>	<u>(1.9)</u>	21.05
Nonoperating revenues, net	<u>47.8</u>	<u>46.8</u>	2.14
Loss before other revenues	(0.3)	(2.6)	(88.46)
Capital and debt service appropriations	<u>3.8</u>	<u>3.6</u>	5.56
Increase in net position	3.5	1.0	250.00
Net position:			
Net position at beginning of year	<u>55.4</u>	<u>54.4</u>	1.84
Net position at end of year	<u>\$ 58.9</u>	<u>\$ 55.4</u>	6.32 %

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 2020 was 15,521, a decrease from 17,258, or 10.1 percent from 2019.

The College enrolled 12,518 credit students during the fiscal year 2020, representing a decrease of 3.7 percent compared to the previous year. Noncredit FTEs decreased from 4,257 to 3,003, or a 29.5 percent decrease from 2019.

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries	\$ 44,609,348	\$ 44,129,474
Benefits	18,621,542	17,614,337
Pension	4,422,164	4,132,471
Supplies, maintenance and other	7,335,756	8,721,618
Student aid	3,004,374	2,806,307
Utilities	879,382	1,062,687
Depreciation and amortization	6,411,122	6,292,167
	<u>\$ 85,283,688</u>	<u>\$ 84,759,061</u>

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)

Management's Discussion and Analysis
(Unaudited)

Economic Outlook

Fiscal year 2019-2020 ended up being an extremely challenging year for the College. The impact of the Covid-19 global pandemic caused the College to make a major shift from on-site to all online teaching in March 2020. Since the Spring class was already set by March, revenue impacts to 2020 were minimal. However, the last quarter of the fiscal year saw a significant decrease in expenses. These expense decreases ranged from reduced utilities, less travel and savings from furloughed employees. These expense decreases resulted in an increase in the College's Net Position and a small cash increase for the fiscal year.

Five months into fiscal year 2020-2021 finds the College still teaching and working remotely. Though Fall enrollment was down approximately 8 percent, continued expense savings 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. The College received approximately \$3,017,000 of CARES act funding on April 24, 2020. The College expended approximately \$1,163,000 as of June 30, 2020, and has approximately \$1,854,000 to expend during FY 2021. At this point in the fiscal year, the College projects to achieve a balanced budget and show a positive improvement over fiscal year 2019-2020.

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 2021-2022. 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 6,588,376	\$ 7,046,601
Investments, short-term	10,647,182	9,511,795
Receivables, net:		
Student	991,068	1,034,133
Federal and state agencies	1,387,676	1,238,418
Third-party tuition	458,989	738,648
Other	875,182	771,167
Prepaid expenses	324,332	261,216
	<u>21,272,805</u>	<u>20,601,978</u>
Noncurrent Assets		
Student loans and interest receivable, net	-	40,605
Restricted deposits held by Authority	21,031,159	25,602,744
Capital assets, net	123,461,433	122,811,508
	<u>165,765,397</u>	<u>169,056,835</u>
Deferred Outflows of Resources		
Other postemployment benefits	1,149,179	657,265
Pension	1,977,230	2,681,334
	<u>3,126,409</u>	<u>3,338,599</u>
Total deferred outflows of resources	<u>3,126,409</u>	<u>3,338,599</u>
Total assets and deferred outflows of resources	<u>\$ 168,891,806</u>	<u>\$ 172,395,434</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 742,599	\$ 511,621
Accounts payable, construction	523,601	287,424
Accrued compensation and benefits	4,505,775	4,870,315
Unearned revenue	3,944,694	4,561,252
Other liabilities	605,692	599,843
Notes payable, current portion	1,942,031	1,875,566
Lease obligations, current portion	4,866,207	4,601,278
	<u>17,130,599</u>	<u>17,307,299</u>
Noncurrent Liabilities		
Notes payable	6,605,880	8,547,911
Lease obligations	56,112,536	60,628,521
Postemployment benefit liability	13,997,691	12,574,766
Net pension liability	13,559,516	14,339,161
	<u>107,406,222</u>	<u>113,397,658</u>
Deferred Inflows of Resources		
Other postemployment benefits	560,710	630,122
Pension	2,023,544	2,959,152
	<u>2,584,254</u>	<u>3,589,274</u>
Total deferred inflows of resources	<u>2,584,254</u>	<u>3,589,274</u>
Net Position		
Net investment in capital assets	74,442,337	72,760,976
Unrestricted	(15,541,007)	(17,352,474)
	<u>58,901,330</u>	<u>55,408,502</u>
Total net position	<u>58,901,330</u>	<u>55,408,502</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 168,891,806</u>	<u>\$ 172,395,434</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and Cash Equivalents	\$ 547,202	\$ 732,860
Pledges Receivable	116,624	112,906
Investments	<u>8,337,076</u>	<u>7,957,892</u>
Total assets	<u>\$ 9,000,902</u>	<u>\$ 8,803,658</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 714,430	\$ 692,706
Deferred revenue	-	56,887
Present value of gift annuities payable	<u>22,399</u>	<u>25,666</u>
Total liabilities	<u>736,829</u>	<u>775,259</u>
Net Assets		
Without donor restrictions	1,181,190	1,272,119
With donor restrictions	<u>7,082,883</u>	<u>6,756,280</u>
Total net assets	<u>8,264,073</u>	<u>8,028,399</u>
Total liabilities and net assets	<u>\$ 9,000,902</u>	<u>\$ 8,803,658</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Student tuition and fees (net of scholarship allowances of \$6,783,108 in 2020 and \$6,933,050 in 2019)	\$ 35,523,170	\$ 33,571,666
Auxiliary enterprises	282,704	309,061
Other operating revenues	<u>1,418,612</u>	<u>1,509,640</u>
Total operating revenue	<u>37,224,486</u>	<u>35,390,367</u>
Operating Expenses		
Educational and general:		
Instruction	38,353,712	37,479,999
Academic support	7,032,889	7,172,118
Student services	5,224,109	5,422,693
Institutional support	17,123,993	17,294,774
Public support	334,954	313,524
Operation and maintenance of plant	7,268,442	7,413,849
Student aid	3,128,827	2,965,451
Depreciation	6,411,122	6,292,167
Auxiliary services	<u>405,640</u>	<u>404,486</u>
Total operating expenses	<u>85,283,688</u>	<u>84,759,061</u>
Operating loss	<u>(48,059,202)</u>	<u>(49,368,694)</u>
Nonoperating Revenues (Expenses)		
Appropriations:		
Local	13,090,000	13,102,500
Commonwealth	21,867,375	21,432,996
Federal grants and contracts	9,560,367	8,949,639
Commonwealth grants and contracts	1,627,271	990,524
Other gifts, grants and contracts	3,265,255	3,677,148
Investment income	691,406	505,258
Interest on indebtedness	(2,275,439)	(1,864,673)
Loss on retirement of property and equipment	<u>(112,275)</u>	<u>(56,474)</u>
Nonoperating revenues, net	<u>47,713,960</u>	<u>46,736,918</u>
Loss before other revenues	(345,242)	(2,631,776)
Other Revenues		
Capital and debt service appropriations	<u>3,838,070</u>	<u>3,585,000</u>
Change in net position	3,492,828	953,224
Net Position, Beginning	<u>55,408,502</u>	<u>54,455,278</u>
Net Position, Ending	<u><u>\$ 58,901,330</u></u>	<u><u>\$ 55,408,502</u></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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 235,493	\$ 686,038	\$ 921,531	\$ 280,308	\$ 849,270	\$ 1,129,578
Donated services and facility usage	330,377	-	330,377	378,400	-	378,400
Investment income realized	16,754	175,532	192,286	18,496	170,615	189,111
Change in unrealized gains on investments	18,798	184,234	203,032	104,085	182,193	286,278
Net assets released from restriction	849,536	(849,536)	-	915,888	(915,888)	-
Total support and revenue	1,450,958	196,268	1,647,226	1,697,177	286,190	1,983,367
Expenses						
Program services	887,869	-	887,869	926,799	-	926,799
Support services	128,827	-	128,827	102,452	-	102,452
Fundraising	394,856	-	394,856	450,801	-	450,801
Total expenses	1,411,552	-	1,411,552	1,480,052	-	1,480,052
Excess of revenues, gains and other support over expenses before transfers	39,406	196,268	235,674	217,125	286,190	503,315
Transfers	(130,335)	130,335	-	(49,284)	49,284	-
Changes in net assets	(90,929)	326,603	235,674	167,841	335,474	503,315
Net Assets, Beginning	1,272,119	6,756,280	8,028,399	1,104,278	6,420,806	7,525,084
Net Assets, Ending	\$ 1,181,190	\$ 7,082,883	\$ 8,264,073	\$ 1,272,119	\$ 6,756,280	\$ 8,028,399

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Student tuition and fees	\$ 35,397,446	\$ 34,062,782
Payments to suppliers	(11,859,586)	(14,306,641)
Payments for utilities	(844,039)	(1,041,284)
Payments to employees	(44,643,499)	(43,889,637)
Payments for benefits	(19,088,434)	(17,459,188)
Payments for student aid	(3,128,827)	(2,965,451)
Auxiliary services	282,704	309,061
Other receipts	<u>1,698,271</u>	<u>1,515,640</u>
Net cash used in operating activities	<u>(42,185,964)</u>	<u>(43,774,718)</u>
Cash Flows From Noncapital Financing Activities		
Local appropriations	13,090,000	13,102,500
Commonwealth appropriations	23,515,299	22,417,512
Federal appropriations	9,680,185	9,065,975
Grants, gifts and contracts for other than capital purposes	<u>2,871,511</u>	<u>3,414,736</u>
Net cash provided by noncapital financing activities	<u>49,156,995</u>	<u>48,000,723</u>
Cash Flows From Capital Financing Activities		
Commonwealth capital and debt service appropriations	3,838,070	3,585,000
Purchases of capital assets	(5,952,961)	(5,661,747)
Principal paid on capital leases and debt	(7,110,806)	(5,891,482)
Interest paid on capital leases and debt	<u>(2,371,768)</u>	<u>(1,977,507)</u>
Net cash used in capital financing activities	<u>(11,597,465)</u>	<u>(9,945,736)</u>
Cash Flows From Investing Activities		
Withdrawals for construction from deposits held by Authority	4,571,585	2,048,690
Proceeds from maturities of investments	-	850,000
Purchases of investments	(1,135,387)	(198,973)
Repayments of student loans	40,605	50
Interest income	<u>691,406</u>	<u>505,258</u>
Net cash provided by investing activities	<u>4,168,209</u>	<u>3,205,025</u>
Net decrease in cash and cash equivalents	(458,225)	(2,514,706)
Cash and Cash Equivalents, Beginning	<u>7,046,601</u>	<u>9,561,307</u>
Cash and Cash Equivalents, Ending	<u>\$ 6,588,376</u>	<u>\$ 7,046,601</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (48,059,202)	\$ (49,368,694)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,411,122	6,292,167
Bad debt expense	447,769	416,151
Changes in assets and liabilities:		
Student receivables	(354,902)	(244,676)
Other receivables	229,857	(290,378)
Prepaid expenses	(63,116)	148,939
Deferred outflows, pension	704,104	200,386
Deferred outflows, other postemployment benefits	(491,914)	(82,323)
Accounts payable and accrued liabilities	327,307	(474,236)
Accrued compensation and benefits	(364,540)	317,275
Unearned revenue	(616,558)	199,868
Other liabilities	5,849	(158,959)
Postemployment benefit liability	1,422,925	471,495
Net pension liability	(779,645)	(402,345)
Deferred inflows, other postemployment benefits	(69,412)	(60,412)
Deferred inflows, pension	<u>(935,608)</u>	<u>(738,976)</u>
Net cash used in operating activities	<u>\$ (42,185,964)</u>	<u>\$ (43,774,718)</u>
Supplemental Disclosure of Noncash Capital and Financing Activity		
Fixed asset additions in accounts payable	<u>\$ 523,601</u>	<u>\$ 287,424</u>
Capital lease proceeds retained by Authority	<u>\$ -</u>	<u>\$ 23,208,747</u>
Assets acquired via capital leases, including restricted deposits	<u>\$ 984,184</u>	<u>\$ 1,214,244</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 235,674	\$ 503,315
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization on promise to give	(5,073)	(3,866)
Realized and unrealized gain on investments	(203,031)	(285,874)
Effects of change in operating assets and liabilities:		
Unconditional promise to give	1,355	71,180
Accounts payable	21,724	85,298
Present value of gift annuities payable	(3,267)	(3,266)
Deferred revenue	(56,887)	13,677
Net cash provided by (used in) operating activities	<u>(9,505)</u>	<u>380,464</u>
Cash Flows From Investing Activities		
Purchase of investments	(198,509)	(205,634)
Sale of investments	22,356	21,460
Net cash used in investing activities	<u>(176,153)</u>	<u>(184,174)</u>
Net decrease in cash and cash equivalents	(185,658)	196,290
Cash and Cash Equivalents, Beginning	<u>732,860</u>	<u>536,570</u>
Cash and Cash Equivalents, Ending	<u>\$ 547,202</u>	<u>\$ 732,860</u>

See notes to financial statements

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

Notes to Financial Statements
June 30, 2020 and 2019

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 (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, 2020 and 2019.

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)

Notes to Financial Statements
June 30, 2020 and 2019

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.

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.

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)**

Notes to Financial Statements
June 30, 2020 and 2019

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 \$1,012,000 and \$1,001,000 as of June 30, 2020 and 2019, 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 \$232,848 and \$180,867 at June 30, 2020 and 2019, 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)

Notes to Financial Statements
June 30, 2020 and 2019

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.

Adoption of New Accounting Standards

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provision in GASB Statements and Implementation Guides that first became effective for periods after June 15, 2018, and later.

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

Notes to Financial Statements
June 30, 2020 and 2019

Recently Issued Accounting Standards Not Yet Adopted

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. The College is required to adopt Statement No. 84 for its fiscal 2021 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to enhance the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that all long-term leases (those with lease terms greater than 12 months) are financings of the right to use an underlying asset. The College is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

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. To the extent applicable, the College is required to adopt Statement No. 90 for its fiscal year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. To the extent applicable, the College is required to adopt Statement No. 91 for its fiscal year 2022 financial statements.

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.

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

Notes to Financial Statements
June 30, 2020 and 2019

- 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.
- 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 \$6,588,376 and \$7,046,601 as of June 30, 2020 and 2019, respectively. The bank balance totaled \$7,065,022 and \$7,518,825 as of June 30, 2020 and 2019, respectively. The difference represents outstanding checks payable and normal reconciling items.

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
	<u>\$ 17,235,558</u>	<u>\$ 8,884,278</u>
Total deposits and investments		

The following is the fair value of deposits and investments at June 30, 2019:

	<u>College</u>	<u>Component Unit Foundation</u>
Deposits:		
Demand deposits	\$ 7,046,601	\$ 732,860
Investments:		
Cash equivalents	543,810	-
Commercial paper	3,938,077	-
Certificates of deposits	5,029,908	-
Mutual funds, equities	-	5,859,343
Mutual funds, fixed income	-	2,098,549
	<u>\$ 16,558,396</u>	<u>\$ 8,690,752</u>
Total deposits and investments		

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

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 are \$21,031,159 and \$25,602,744, respectively.

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>2020</u>	<u>2019</u>
Insured (FDIC)	\$ 2,405,947	\$ 2,189,235
Collateralized:		
Collateral held by pledging bank's trust department not in College's name	<u>4,659,075</u>	<u>5,329,590</u>
Total	<u>\$ 7,065,022</u>	<u>\$ 7,518,825</u>

Included in cash and cash equivalents in 2020 and 2019 is \$227,503 and \$132,361, 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, 2020:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Santander UK PLC	Commercial Paper	\$ 991,500
Barclays Bank PLC CCP	Commercial Paper	920,837
Sinopec Century Bright	Commercial Paper	948,592
BASF SE	Commercial Paper	874,007
Exxon Mobil Corp	Commercial Paper	994,085
Banco Credito Inverse M	Commercial Paper	548,475
GS Financial Sol Treasury Sol	Cash Equivalents	772,843

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

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, respectively, the College had the following investments and maturities:

		June 30, 2020			
		Total	Fair Value	Less Than 1 Year	1-2 Years
Investment Type					
Investments:					
Cash equivalents	\$	772,968	\$ 772,968	\$ -	\$ -
Commercial paper		5,269,069	5,269,069	5,296,069	-
Certificates of deposit		4,578,145	4,578,145	4,328,326	249,819
Total investments	\$	<u>10,620,182</u>	<u>\$ 10,620,182</u>	<u>\$ 9,624,395</u>	<u>\$ 249,819</u>
		June 30, 2019			
		Total	Fair Value	Less Than 1 Year	1-2 Years
Investment Type					
Investments:					
Cash equivalents	\$	543,810	\$ 543,810	\$ -	\$ -
Commercial paper		3,938,077	3,938,077	3,938,077	-
Certificates of deposit		5,029,908	5,029,908	4,045,383	984,525
Total investments	\$	<u>9,511,795</u>	<u>\$ 9,511,795</u>	<u>\$ 7,983,460</u>	<u>\$ 984,525</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:

	2020	2019
Accounts receivable, student	\$ 1,491,068	\$ 1,572,491
Less allowance for doubtful accounts	(500,000)	(538,358)
Total	<u>\$ 991,068</u>	<u>\$ 1,034,133</u>

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.

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

Notes to Financial Statements
 June 30, 2020 and 2019

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, 2020 and 2019 by caption on the statements of net position:

June 30, 2020				
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Cash equivalents	\$ 772,968	\$ 772,968	\$ -	\$ -
Commercial paper	5,296,069	-	5,296,069	-
Certificates of deposit	4,578,145	-	4,578,145	-
Total investments	<u>\$ 10,647,182</u>	<u>\$ 772,968</u>	<u>\$ 9,874,214</u>	<u>\$ -</u>
June 30, 2019				
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Cash equivalents	\$ 543,810	\$ 543,810	\$ -	\$ -
Commercial paper	3,938,077	-	3,938,077	-
Certificates of deposit	5,029,908	-	5,029,908	-
Total investments	<u>\$ 9,511,795</u>	<u>\$ 543,810</u>	<u>\$ 8,967,985</u>	<u>\$ -</u>

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

Notes to Financial Statements
June 30, 2020 and 2019

5. Capital Assets, Net

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

	Balance July 1, 2019	Additions	Retirements and Adjustments	Balance June 30, 2020
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	5,396,960	5,710,457	(1,359,043)	9,748,374
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	199,873,168	1,459,545	542,355	201,875,068
Less accumulated depreciation	82,458,620	6,411,122	(707,733)	88,162,009
Total	<u>\$ 122,811,508</u>	<u>\$ 758,880</u>	<u>\$ (108,955)</u>	<u>\$ 123,461,433</u>

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	Balance July 1, 2018	Additions	Retirements and Adjustments	Balance June 30, 2019
Nondepreciable assets:				
Land	\$ 4,839,020	\$ -	\$ -	\$ 4,839,020
Construction-in-progress	13,975,410	4,103,955	(17,521,425)	557,940
Total nondepreciable assets	18,814,430	4,103,955	(17,521,425)	5,396,960
Depreciable assets:				
Leasehold improvements	152,775,763	-	17,521,425	170,297,188
Furniture and equipment	24,720,210	1,798,867	(1,125,478)	25,393,599
Library equipment	4,182,381	-	-	4,182,381
Total depreciable assets	181,678,354	1,798,867	16,395,947	199,873,168
Less accumulated depreciation	77,235,457	6,292,167	(1,069,004)	82,458,620
Total	<u>\$ 123,257,327</u>	<u>\$ (389,345)</u>	<u>\$ (56,474)</u>	<u>\$ 122,811,508</u>

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

Notes to Financial Statements
June 30, 2020 and 2019

6. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019 was as follows:

	<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>

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Payments/ Settlements</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Notes payable	\$ 7,497,975	\$ -	\$ 1,206,498	\$ 6,291,477	\$ 1,247,566
Notes from direct borrowing	4,737,000	-	605,000	4,132,000	628,000
Lease obligations	44,886,792	24,422,991	4,079,984	65,229,799	4,601,278
Net pension liability	14,741,506	-	402,345	14,339,161	-
Postemployment benefit liability	12,103,271	471,495	-	12,574,766	-
Total	<u>\$ 83,966,544</u>	<u>\$ 24,894,486</u>	<u>\$ 6,293,827</u>	<u>\$ 102,567,203</u>	<u>\$ 6,476,844</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 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)**

Notes to Financial Statements
June 30, 2020 and 2019

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 \$141,000 and \$10,000 in 2020 and 2019, respectively. The unamortized premium totaled \$2,167,000 and \$2,308,000 at June 30, 2020 and 2019, 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 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 Project. 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 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 and \$132,000 in 2020 and 2019, respectively. The unamortized premium totaled \$1,063,000 and \$1,196,000 at June 30, 2020 and 2019, respectively. The premium is included as a component of lease obligations in the statements of net position.

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

Notes to Financial Statements
June 30, 2020 and 2019

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 \$191,000 and \$180,000 in 2020 and 2019, respectively. The unamortized premium totaled \$1,214,000 and \$1,405,000 at June 30, 2020 and 2019, 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	\$ 4,070,474
Less accumulated depreciation	<u>2,472,757</u>
Total	<u>\$ 1,597,717</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 \$2,383,000 and \$1,750,000 in 2020 and 2019, respectively.

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

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

Notes to Financial Statements
June 30, 2020 and 2019

The aggregate future principal payments required on the above obligations at June 30, 2020 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:						
2021	\$ 1,892,750	\$ 1,312,913	\$ 804,739	\$ 2,020,641	\$ 975,867	\$ 7,006,910
2022	1,894,250	1,576,375	805,076	2,019,187	641,033	6,935,921
2023	1,893,000	1,575,125	806,047	2,016,135	163,903	6,454,210
2024	1,894,000	1,575,875	806,631	2,022,025	60,892	6,359,423
2025	1,892,000	1,567,250	806,828	2,020,573	29,121	6,315,772
2026-2030	9,461,050	4,730,550	1,616,671	8,064,438	2,655	23,875,364
2031-2035	7,536,882	-	-	5,013,000	-	12,549,882
2036-2039	-	-	-	4,015,750	-	4,015,750
Total	26,463,932	12,338,088	5,645,992	27,191,749	1,873,471	73,513,232
Less amount representing interest	(6,248,932)	(1,763,088)	(481,992)	(7,871,749)	(111,648)	(16,477,409)
Unamortized bond premium	1,214,046	1,062,812	-	2,166,657	-	4,443,515
Unamortized loss on bond refinance	-	(500,595)	-	-	-	(500,595)
Total	<u>\$ 21,429,046</u>	<u>\$ 11,137,217</u>	<u>\$ 5,164,000</u>	<u>\$ 21,486,657</u>	<u>\$ 1,761,823</u>	<u>\$ 60,978,743</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 \$3,504,000 and \$4,132,000 at June 30, 2020 and 2019, 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 \$4,313,422 and \$4,851,590 at June 30, 2020 and 2019, 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.

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

Notes to Financial Statements
 June 30, 2020 and 2019

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, 2020 and 2019, the principal balance due was \$730,489 and \$1,439,887, 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 payments required on the above obligations at June 30, 2020 are as follows:

	Notes From Direct Borrowings		Notes Payable		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2021	\$ 651,000	\$ 131,272	\$ 1,291,031	\$ 178,638	\$ 2,251,941
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
2026-2027	-	-	1,273,728	49,374	1,323,102
Total	\$ 3,504,000	\$ 372,236	\$ 5,043,911	\$ 640,504	\$ 9,560,651

Interest expense on notes payable and notes from direct borrowings was approximately \$421,000 and \$531,000 in 2020 and 2019, respectively.

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

Notes to Financial Statements
June 30, 2020 and 2019

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.

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

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 was 36.04 percent and 34.63 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, 2020 and 2019 was \$271,166 and \$286,313, respectively.

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

Notes to Financial Statements
June 30, 2020 and 2019

The College's PSERS contractually required contribution rate for the fiscal years ended June 30, 2020 and 2019 was 33.43 percent and 32.60 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 \$951,445 and \$900,874 for the years ended June 30, 2020 and 2019, respectively.

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

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. At June 30, 2019, the College reported a liability of \$5,026,161 and \$9,313,000 for its proportionate share of the SERS and PSERS net pension liabilities, respectively.

The SERS net pension liability as of June 30, 2020 and 2019 was measured as of December 31, 2019 and 2018, 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, 2017 to December 31, 2018. 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, 2019, the College's proportion was .0244 percent, which was an increase from its proportion of .0241 percent, measured as of December 31, 2018.

The PSERS net pension liability as of June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, 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, 2018 to June 30, 2019. 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, 2019, the College's proportion was .0195 percent, which was an increase from its proportion of .0194 percent measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the College recognized pension expense (benefit) of \$(174,694) and \$(255,745) for the SERS plan, and \$654,000 and \$750,000 for the PSERS plan, respectively.

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

Notes to Financial Statements
 June 30, 2020 and 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	170,961	-
Changes of assumptions - SERS	87,000	-
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>

\$1,222,611 and \$1,187,187 was reported at June 30, 2020 and 2019, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date. 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. The amount recorded at June 30, 2019 was recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Notes to Financial Statements
June 30, 2020 and 2019

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience - SERS	\$ 142,549	\$ 54,463
Differences between expected and actual experience - PSERS	75,000	-
Net difference between projected and actual earnings on pension plan investments - SERS	-	21,849
Net difference between projected and actual earnings on pension plan investments - PSERS	46,000	144,000
Changes in proportion and differences between College contributions and proportionate share of contributions - SERS	5,675	1,572,840
Changes in proportion and differences between College contributions and proportionate share of contributions - PSERS	428,000	1,166,000
Changes of assumptions - PSERS	622,923	-
Changes of assumptions - SERS	174,000	-
College contributions subsequent to the measurement date - SERS	286,313	-
College contributions subsequent to the measurement date - PSERS	900,874	-
Total	<u>\$ 2,681,334</u>	<u>\$ 2,959,152</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:

	SERS	PSERS
Years ending June 30:		
2021	\$ (312,495)	\$ (45,000)
2022	(206,512)	(448,000)
2023	(63,538)	(80,000)
2024	(144,059)	16,000
2025	14,679	-
Total	<u>\$ (711,925)</u>	<u>\$ (557,000)</u>

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

Notes to Financial Statements
June 30, 2020 and 2019

Actuarial Assumptions

SERS

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the December 31, 2018 actuarial valuation to December 31, 2019, using the following actuarial assumptions. Any changes from the December 31, 2018 to December 31, 2019 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, 2019 and 2018 valuations were based on the *18th Investigation of Actuarial Experience*, which was published in March 2016, and analyzed experience from 2011 through 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 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, 2018 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	13.1 %	7.25 %
Global public equity	55.2	5.15
Real estate	6.9	5.26
Multi strategy	5.9	4.44
Legacy hedge funds	0.1	-
Fixed income	14.1	1.26
Cash	4.7	-
	<u>100.0 %</u>	

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

Notes to Financial Statements
June 30, 2020 and 2019

PSERS

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 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, 2019 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	20.0 %	5.6 %
Fixed income	36.0	1.9
Alternative investments	15.0	7.4
Real estate	10.0	4.1
Cash	3.0	0.3
Absolute return	10.0	3.4
Risk parity	10.0	4.1
Infrastructure/MLPs	8.0	5.5
Commodities	8.0	2.7
Financing (LIBOR)	(20.0)	0.7
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 and 2018.

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

Notes to Financial Statements
June 30, 2020 and 2019

Discount Rate

The SERS discount rate used to measure the total pension liability was 7.25 percent at December 31, 2019 and 2018. 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, 2019 and 2018. 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate at June 30, 2020:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
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

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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate at June 30, 2019:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the SERS net pension liability	\$ 6,171,715	\$ 5,026,161	\$ 4,044,484
College's proportionate share of the PSERS net pension liability	11,544,000	9,313,000	7,426,000

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

Notes to Financial Statements
June 30, 2020 and 2019

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 \$2,824,000 in 2020 and \$2,556,000 in 2019.

Contributions made by the employees were approximately \$2,210,000 in 2020, \$1,665,000 in 2019.

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, 2020 and 2019, the tuition equalization was approximately \$49,152,000 and \$46,477,000, respectively.

11. Early Retirement Programs

The College paid approximately \$235,200 and \$179,200 in 2020 and 2019, respectively, to employees who retired in connection with the College's early retirement incentive programs. The amount payable pursuant to this program was \$232,848 at June 30, 2020 and \$180,867 at June 30, 2019, 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.

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

Notes to Financial Statements
June 30, 2020 and 2019

Employees Covered by Benefit Terms

At July 1, 2019, 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	<u>475</u>
Total	<u><u>520</u></u>

Total OPEB Liability

The College's total OPEB liability of \$13,582,691 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 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	3.50 %	
Salary increases	2.50	Cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	2.21	
Healthcare cost trend rates	6.75	6.75% through 2020. Rates gradually decrease from 6.75% in 2021 to 4.50% 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 Projection Scale MP-2019 to reflect mortality improvement.

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

Notes to Financial Statements
June 30, 2020 and 2019

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, July 1, 2018	\$ 11,700,271
Changes for the year:	
Service cost	467,592
Interest	452,800
Changes in assumptions or other inputs	135,916
Benefit payments	<u>(585,813)</u>
Net changes	<u>470,495</u>
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, June 30, 2020	<u>\$ 13,582,691</u>

Changes in assumptions or other inputs reflect the following:

- A change in the discount rate from 3.5 percent in 2019 to 2.21 percent in 2020.
- Updated the mortality improvement scale to MP-2019
- Updated the mortality table to Pri.H-2012
- Updated the assumed medical trend rates.

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:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability at June 20, 2020	\$ 13,792,873	\$ 13,582,691	\$ 13,379,519
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability at June 30, 2019	\$ 12,479,868	\$ 12,170,766	\$ 11,674,270

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

Notes to Financial Statements
 June 30, 2020 and 2019

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, 2020	\$ 13,357,342	\$ 13,582,691	\$ 13,842,461
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability at June 30, 2019	\$ 11,896,913	\$ 12,170,766	\$ 12,484,543

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

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:	
2021	\$ 61,832
2022	61,832
2023	61,832
2024	61,832
2025	61,832
Thereafter	<u>313,309</u>
Total	<u>\$ 622,469</u>

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

Notes to Financial Statements
June 30, 2020 and 2019

General Information About the Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost sharing 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, 2020 and 2019 was .83 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, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,000	\$ -
Changes of assumptions or other inputs	17,000	53,000
Total	<u>\$ 19,000</u>	<u>\$ 53,000</u>

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

Notes to Financial Statements
June 30, 2020 and 2019

At June 30, 2019, the College reported a liability of \$404,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB Liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2017 and June 30, 2018, 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, 2019, the College's proportion was 0.0194 percent.

For the year ended June 30, 2018, the College recognized OPEB benefit of \$13,000. At June 30, 2019, 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	\$ 4,000	\$ -
Changes of assumptions or other inputs	6,000	66,000
Total	<u>\$ 10,000</u>	<u>\$ 66,000</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:

2021	\$ (9,000)
2022	(9,000)
2023	(10,000)
2024	(10,000)
2025	2,000
Thereafter	<u>2,000</u>
Total	<u>\$ (34,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment Return - 2.79 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

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

Notes to Financial Statements
June 30, 2020 and 2019

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63 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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2 %	0.2 %
Fixed income, Non-US Developed	3.7	-
Fixed income, US Core	83.1	1.0
	<u>100.0 %</u>	

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

Discount Rate

The discount rate used to measure the Total OPEB liability decreased from 2.98 percent as of June 30, 2018 to 2.79 percent as of June 30, 2019. 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, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Notes to Financial Statements
June 30, 2020 and 2019

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, 2019, 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, 2019, calculated using current Healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
PSERS Net OPEB Liability at June 30, 2020	\$ 472,000	\$ 415,000	\$ 367,000
PSERS Net OPEB Liability at June 30, 2019	\$ 404,000	\$ 404,000	\$ 404,000

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:

	<u>1% Decrease (1.79%)</u>	<u>Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
College's proportionate share of the net OPEB liability at June 30, 2020	\$ 415,000	\$ 415,000	\$ 415,000
	<u>1% Decrease (1.98%)</u>	<u>Discount Rate (2.98%)</u>	<u>1% Increase (3.98%)</u>
College's proportionate share of the net OPEB liability at June 30, 2019	\$ 459,000	\$ 404,000	\$ 358,000

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.

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

Notes to Financial Statements
June 30, 2020 and 2019

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 \$3,504,000 and \$4,132,000 is outstanding at June 30, 2020 and 2019, 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, 2020, the market value of interest rate swap agreements related to outstanding guaranteed revenue notes outstanding are as follows:

Guaranteed Revenue Note Year of Issue	Balance Outstanding	Market Value of Related Allocable Interest Rate Swap	Market Value of Related Fixed Loan Swap
2004B	\$ 3,504,000	\$ 639,931	\$ (350,842)

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 30.0 percent and 29.7 percent of the College's total revenue for the years ended June 30, 2020 and 2019, 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.

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

Notes to Financial Statements
June 30, 2020 and 2019

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. Currently, no vaccine has been made available to the public. 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. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the College's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. For the Fall 2020 semester, most courses are being held remotely or online. Students are allowed on campus for courses that have a required hands-on component. Furthermore, the extent of the impact of COVID-19 on the College's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development of a vaccine, impact on customers, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and the College's management are monitoring the outbreak and potential financial impact, which are currently uncertain.

The Coronavirus Aid, Relief and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately \$14.25 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution 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 as of June 30, 2020. As of June 30, 2020, approximately \$865,000 of the student relief portion of the grant was expended and recognized as federal grants and contracts and instruction expense and approximately \$298,000 of the institutional portion of the grant was expended and recognized as federal grants and contracts and instruction expenses. As restrictions were met in the same period, these grants were reported as changes in unrestricted net assets.

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, 2020, 2019, 2018, 2017, 2016 and 2015
 (Unaudited)

	SERS	PSERS
	2020	
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%
	2019	
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%
	2018	
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%
	2017	
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%
	2016	
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%
	2015	
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%

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, 2020, 2019, 2018, 2017, 2016 and 2015
(Unaudited)

	SERS	PSERS
	2020	
Contractually required contribution	\$ 582,024	\$ 951,445
Contributions in relation to the contractually required contribution	<u>582,024</u>	<u>951,445</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 1,428,278	\$ 2,695,485
Contributions as a percentage of covered-employee payroll	40.75%	35.30%
	2019	
Contractually required contribution	\$ 572,200	\$ 900,874
Contributions in relation to the contractually required contribution	<u>572,200</u>	<u>900,874</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 1,416,655	\$ 2,608,666
Contributions as a percentage of covered-employee payroll	40.39%	34.53%
	2018	
Contractually required contribution	\$ 547,850	\$ 855,303
Contributions in relation to the contractually required contribution	<u>547,850</u>	<u>855,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 1,654,353	\$ 2,637,980
Contributions as a percentage of covered-employee payroll	33.12%	32.42%
	2017	
Contractually required contribution	\$ 514,347	\$ 788,192
Contributions in relation to the contractually required contribution	<u>514,347</u>	<u>788,192</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 1,709,982	\$ 2,925,089
Contributions as a percentage of covered-employee payroll	30.08%	26.95%
	2016	
Contractually required contribution	\$ 449,511	\$ 661,767
Contributions in relation to the contractually required contribution	<u>449,511</u>	<u>661,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 1,943,480	\$ 2,608,323
Contributions as a percentage of covered-employee payroll	23.13%	25.37%
	2015	
Contractually required contribution	\$ 417,494	\$ 555,370
Contributions in relation to the contractually required contribution	<u>417,494</u>	<u>555,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
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
Year Ended June 30, 2020
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB Liability, College Plan			
Service cost	\$ 489,626	\$ 467,592	\$ 647,987
Interest cost	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	115,678	135,916	627,209
Benefit payments	<u>(803,251)</u>	<u>(585,813)</u>	<u>(784,896)</u>
Net change in total OPEB liability	1,411,925	470,495	270,543
Total OPEB Liability, Beginning	<u>12,170,766</u>	<u>11,700,271</u>	<u>11,429,728</u>
Total OPEB Liability, Ending	<u>\$ 13,582,691</u>	<u>\$ 12,170,766</u>	<u>\$ 11,700,271</u>
Covered-Employee Payroll (Estimated)	\$ 29,841,736	\$ 28,267,586	\$ 27,578,133
College's Net Pension Liability as a Percentage of Covered-Employee Payroll	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
 Year Ended June 30, 2020
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net pension liability	0.0195%	0.0194%	0.0198%
College's proportionate share of the net OPEB liability	\$ 415,000	\$ 404,000	\$ 403,000
College's covered-employee payroll	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	15.40%	15.49%	15.28%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

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, 2020

(Unaudited)

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