

Bucks County Community College

(A Component Unit of the
County of Bucks, Pennsylvania)

Financial Statements and Required
Supplementary Information

Years Ended June 30, 2023 and 2022
with Independent Auditor's Reports

MaherDuessel

The logo for MaherDuessel features the company name in a serif font. The word "Maher" is in black, and "Duessel" is in blue. Below the text is a horizontal bar that is black on the left and blue on the right, matching the color of the text.

BUCKS COUNTY COMMUNITY COLLEGE

YEARS ENDED JUNE 30, 2023 AND 2022

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Independent Auditor's Report

**Board of Trustees
Bucks County Community College**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Bucks County Community College (College), a component unit of the County of Bucks, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Bucks County Community College Foundation (Foundation), which represents 100% of the assets, net assets, and revenues of the discretely presented component unit as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of other auditors.

Basis for Qualified Opinion

Because of the inadequacy of the College's accounting records for the year ended June 30, 2023, we were unable to obtain sufficient appropriate audit evidence regarding certain operating expenses recorded in the accompanying financial statement at June 30, 2023 in the amount of \$2,000,000.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Bucks County Community College Foundation, a component unit, were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in

accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Prior Period Financial Statements

The Financial Statements of the College as of June 30, 2022 were audited by other auditors whose report dated December 29, 2022 expressed an unmodified Opinion on those statements. The other auditors reported on the 2022 financial statements before the restatement.

As discussed above, the financial statements of the College as of June 30, 2022 were audited by other auditors. As described in note 2, these financial statements have been restated. We audited the adjustments described in note 2 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the College other than with respect to such adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements taken as a whole.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2023, the College adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 96, "Subscription-Based Information technology Arrangements". Our Opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic

financial statements. Such information is the responsibility of management and, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
May 30, 2024

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

Fiscal Year 2023 Highlights

The College's net position increased approximately \$2.8 million as a result of this year's operations.

Student tuition and fees of \$30.5 million increased approximately \$1.0 million in 2023 as compared to 2022. The scholarship allowance of \$5.7 million in 2023 rose \$0.7 million from \$5.0 million in the prior year.

The combined unduplicated headcount for credit and noncredit enrollments for Fiscal Year 2023 was 35,977, an increase of 1,895, or 5.7% from 2022. The growth was led by the Non-Credit programs with an 8.0% increase as Credit programs remained stable. Total credits in the College's Credit programs were essentially flat year-over-year at 127,090. Non-Credit seat count increased by 3,933 or 7.3% to 57,945.

Total operating expenses in 2023 decreased by approximately \$1.0 million or 1.1% from the prior year, compared to a \$2.5 million or 3.0% increase in 2022.

During the 2023 Fiscal Year, the College received approximately \$4.8 million from the Commonwealth for debt service payments which was an increase of \$0.5 million from the prior year. Other appropriations from the Commonwealth decreased by approximately \$0.7 million to \$21.1 million in 2023 from \$21.8 million in 2022. Local appropriations of approximately \$13.1 million in Fiscal Year 2023 were essentially flat year-over-year.

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

Condensed Statement of Net Position (in Millions) Years Ended June 30, 2023 and 2022

	2023	2022	Percent Change
Assets:			
Current assets	\$ 18.7	\$ 21.7	-13.72%
Noncurrent assets	149.7	138.8	7.83%
Deferred outflows	3.4	3.2	7.52%
Total assets and deferred outflows of resources	\$ 171.8	\$ 163.7	4.97%
Liabilities:			
Current liabilities	\$ 17.4	\$ 19.0	-8.42%
Noncurrent liabilities	82.3	74.6	10.32%
Deferred inflows	4.9	5.8	-15.45%
Total liabilities and deferred inflows of resources	104.6	99.4	5.24%
Net position:			
Net investment in capital assets	82.9	80.1	3.50%
Unrestricted	(15.6)	(15.7)	-0.64%
Total net position	67.3	64.4	4.47%
Total liabilities, deferred inflows of resources and net position	\$ 171.8	\$ 163.8	4.91%

Total net position at June 30, 2023 increased approximately \$2.8 million. Operating revenues rose approximately \$1.6 million year-over-year largely as a result of higher tuition and fee revenue. The College's operating expenditures decreased about \$1.0 million as compared to prior year, principally reflecting lower student aid expenditures because of declines in Federal funding attributable to the COVID-19 pandemic. Lower State operating appropriations and a decline in Federal grant revenue largely drove the \$1.2 million, decrease in non-operating revenue.

Noncurrent assets (including capital assets, net of accumulated depreciation), increased approximately \$10.9 million. This reflected the increase in restricted deposits associated with the 2022 bond issuance. There were current year assets additions of approximately \$6.8 million, which includes \$2.8 million of assets acquired software as a service lease, \$0.6 million of furniture

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

and equipment, and \$3.7 million of construction in progress. The primary capital addition in construction in progress in 2023 was the ERP implementation project, representing approximately \$1.8 million in expenditures. Capital assets were reduced by depreciation expense of approximately \$6.6 million.

Total liabilities rose by approximately \$6.1 million compared to the prior year. This increase was principally attributable to the issuance of \$12.6 million in bonds for the renovation and retrofit of an existing facility. During the 2023 Fiscal Year, the College paid approximately \$1.3 million of scheduled payments on existing notes payable. In the 2024 Fiscal Year, about \$1.4 million of this debt is scheduled for repayment. Principal payments on bonds payable totaled approximately \$5.5 million during the 2023 Fiscal Year. In 2024, about \$5.1million of this debt is scheduled for repayment. Postemployment benefit liability decreased by about \$0.6 million and net pension liability increased by approximately \$0.4 million.

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

Condensed Statement of Revenues, Expenses and Changes in Net Position (in Millions) Years Ended June 30, 2023 and 2022

	2023	2022	Percent Change
Operating Revenues			
Tuition and fees, net	\$ 30.5	\$ 29.5	3.39%
Auxilliary enterprises	0.3	0.4	-15.93%
Other operating revenues	0.8	0.2	320.36%
Total operating revenues	31.7	30.1	5.24%
Operating expenses	87.6	88.6	-1.13%
Operating loss	(56.0)	(58.5)	-4.27%
Nonoperating revenues (expenses)			
Appropriations	34.2	35.0	-2.29%
Other gifts, grants and contracts	21.1	22.1	-4.52%
Investment income	0.9	0.0	107654.74%
Interest expense	(2.2)	(1.9)	15.03%
Nonoperating revenues	54.0	55.2	-2.20%
Income (loss) before other revenues	(2.0)	(3.3)	-39.39%
Capital and debt service appropriartions	4.8	4.3	11.73%
(Decrease) increase in net position	2.8	1.0	180.00%
Net position:			
Net position at beginning of year	64.4	63.4	1.58%
Net Position at end of year	\$ 67.3	\$ 64.4	4.47%

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

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

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 an 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 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries	\$ 44,943,016	\$ 42,656,912
Benefits	16,057,589	15,097,447
Pension	2,978,937	3,856,028
Supplies, maintenance and other	11,592,785	11,883,989
Student aid	2,334,317	3,075,016
HEERF, student portion	1,778,045	4,365,500
Utilities	1,368,249	1,340,444
Depreciation and amortization	<u>6,584,207</u>	<u>6,329,048</u>
Total	<u>\$ 87,637,145</u>	<u>\$ 88,604,384</u>

The financial report is designed to provide a general overview of the College's financial position.

BUCKS COUNTY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED JUNE 30, 2023 AND 2022

Economic Outlook

Nine months into Fiscal Year 2024 the College is in a similar position to the prior fiscal year. State revenues have increased while County revenues have remained stable.

Management remains focused on expense management as a means of achieving budget goals but has also raised tuition and certain fees for Fiscal Year 2025 to address higher costs. The College is currently preparing the annual operating budget for Fiscal Year 2025. Salary expenses are expected to increase generally in accordance with contractual stipulations. The College expects to present a balanced budget for Fiscal Year 2025 to the Board of Directors.

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022 restated
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,575,454	\$ 10,471,587
Investments, short-term	6,867,909	6,639,507
Receivables, net:		
Student	1,327,693	1,174,784
Federal and state agencies	692,946	1,387,105
Third-party tuition	201,383	725,252
Other	1,218,743	592,211
Prepaid expenses	838,178	743,246
Total current assets	<u>18,722,306</u>	<u>21,733,692</u>
Non-current assets:		
Restricted deposits held by authority	18,184,512	7,508,421
Capital assets, net	131,489,169	131,298,566
Total non-current assets	<u>149,673,681</u>	<u>138,806,987</u>
Total Assets	<u>168,395,987</u>	<u>160,540,679</u>
Deferred Outflows of Resources		
Other postemployment benefits		
Pension	1,016,077	1,176,650
	2,424,482	2,045,085
Total Deferred Outflows of Resources	<u>3,440,559</u>	<u>3,221,735</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 171,836,546</u>	<u>\$ 163,762,414</u>

(Continued)

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

(Continued)

	2023	2022 restated
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 835,860	\$ 651,666
Accounts payable, construction	-	1,117,508
Accrued compensation and benefits	4,161,346	5,827,967
Unearned revenues	3,914,826	3,673,858
Other liabilities	396,313	941,447
Lease obligations, current portion	835,582	950,723
Subscription obligation, current portion	793,516	-
Notes payable, current portion	1,355,386	1,307,026
Bonds payable	5,072,000	4,480,000
Total current liabilities	17,364,829	18,950,195
Non-current liabilities:		
Lease obligations	919,548	1,036,477
Subscription obligation	1,709,777	-
Notes payable	2,674,643	4,035,289
Bonds payable	53,400,762	45,698,458
Postemployment benefit liability	13,092,259	13,701,694
Net pension liability	10,491,935	10,139,836
Total non-current liabilities	82,288,924	74,611,754
Total Liabilities	99,653,753	93,561,949
Deferred Inflows of Resources		
Other postemployment benefits	2,372,370	2,096,352
Pension	2,531,374	3,673,054
Total Deferred Inflows of Resources	4,903,744	5,769,406
Net Position		
Net position:		
Net investment in capital assets	82,912,467	80,181,506
Unrestricted	(15,633,418)	(15,750,447)
Total Net Position	67,279,049	64,431,059
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 171,836,546	\$ 163,762,414

The accompanying notes are an integral part of these financial statements. (Concluded)

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022 restated</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$5,710,607 in 2023 and \$4,964,015 in 2022)	\$ 30,498,765	\$ 29,483,908
Auxiliary enterprises	336,280	381,839
Other operating revenues	840,711	254,211
Total operating revenues	<u>31,675,756</u>	<u>30,119,958</u>
Operating Expenses:		
Educational and general:		
Instruction	29,585,852	27,145,693
Academic support	14,220,057	14,366,075
Student services	6,126,810	5,180,151
Institutional support	19,581,970	20,159,565
Public services	833,044	898,606
Operation and maintenance of plant	6,567,476	6,747,262
Student aid	3,712,375	7,440,516
Depreciation	6,584,207	6,329,048
Auxiliary enterprises	425,354	337,468
Total operating expenses	<u>87,637,145</u>	<u>88,604,384</u>
Operating loss	<u>(55,961,389)</u>	<u>(58,484,426)</u>

(Continued)

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

(Continued)

	2023	2022 Restated
Non-operating Revenues (Expenses):		
Appropriations:		
Local	13,102,500	13,152,500
Commonwealth	21,136,018	21,825,897
Federal grants and contracts	12,595,407	16,133,416
Commonwealth grants and contracts	5,111,179	3,106,788
Other gifts, grants, and contracts	3,381,458	2,899,309
Investment income	864,193	802
Interest on indebtedness	(2,185,556)	(1,899,658)
Net non-operating revenues	54,005,199	55,219,054
Net loss before other revenues	(1,956,190)	(3,265,372)
Other Revenues:		
Capital and debt service appropriations	4,804,180	4,336,455
Change in Net Position	2,847,990	1,071,083
Net Position:		
Beginning, restated	64,431,059	63,359,976
End of year	\$ 67,279,049	\$ 64,431,059

(Concluded)

The accompanying notes are an integral part of these financial statements.

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 restated
Cash Flows From Operating Activities:		
Student tuition and fees	\$ 29,498,274	\$ 29,087,895
Payments to:		
Suppliers	(15,138,704)	(12,330,264)
Utilities	(1,368,249)	(1,340,444)
Employees	(44,858,582)	(43,628,099)
Benefits	(19,418,874)	(18,719,453)
Student aid	(3,712,375)	(7,440,516)
Auxiliary enterprises	336,280	381,839
Other receipts	840,711	254,211
Net cash provided by (used in) operating activities	(53,821,519)	(53,734,831)
Cash Flows From Non-Capital Financing Activities:		
Commonwealth appropriations	26,247,197	23,932,194
Federal appropriations	12,595,407	16,283,736
Local appropriations	14,280,832	13,152,500
Grants, gifts and contracts for other than capital purposes	2,203,126	3,397,925
Net cash provided by (used in) non-capital financing activities	55,326,562	56,766,355
Cash Flows From Capital Financing Activities:		
Purchases of capital assets	(6,066,955)	(8,979,519)
Principal paid on capital leases and debt	(4,577,946)	(7,043,644)
Commonwealth capital and debt service appropriations	4,804,180	4,336,455
Interest paid on capital leases and debt	(2,185,556)	(1,974,580)
Net cash provided by (used in) capital financing activities	(8,026,277)	(13,661,288)
Cash Flows From Investing Activities:		
Withdrawals for construction from deposits held by Authority	4,007,901	7,397,038
Withdrawals from investments	-	4,000,000
Interest on income	(382,800)	16,773
Net cash provided by (used in) investing activities	3,625,101	11,413,811
Net Increase (Decrease) in Cash and Cash Equivalents	(2,896,133)	784,047
Cash and Cash Equivalents:		
Beginning of year	10,471,587	9,687,540
End of year	\$ 7,575,454	\$ 10,471,587

(Continued)

The accompanying notes are an integral part of these financial statements.

BUCKS COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

(Continued)

	2023	2022 restated
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (55,961,389)	\$ (58,484,426)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	6,584,207	6,329,048
Bad debt expense	168,730	400,877
Changes in assets and liabilities:		
Student receivables	(152,909)	(734,763)
Other receivables	(556,131)	(395,003)
Prepaid expenses	(94,932)	169,141
Deferred outflows - OPEB	160,573	117,573
Deferred outflows - pension	(379,397)	281,805
Accounts payable and accrued liabilities	184,194	62,005
Accrued compensation and benefitis	(1,230,314)	(273,280)
Unearned revenue	240,968	(68,001)
Other liabilites	(1,662,121)	39,723
Postemployment benefit liability	(609,435)	(1,009,923)
Net pension liability	352,099	(3,509,926)
Deferred inflows - OPEB	276,018	1,605,054
Deferred inflows - pension	(1,141,680)	1,735,265
Net cash provided by (used in) operating activities	\$ (53,821,519)	\$ (53,734,831)
Supplemental Disclosure of Noncash Capital and Financing Activity:		
Fixed asset additions in accounts payable	\$ -	\$ 1,117,508
Assets acquired via capital leases, including restricted deposits	\$ -	\$ 1,352,858
		(Concluded)

The accompanying notes are an integral part of these financial statements.

BUCKS COUNTY COMMUNITY COLLEGE

COMPONENT UNIT - BUCKS COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,325,718	\$ 854,740
Promises to give, net	82,293	90,053
Investments	10,481,318	9,422,697
Total Assets	\$ 11,889,329	\$ 10,367,490
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 675,644	\$ 595,518
Deferred revenue	41,118	-
Present value of gift annuities payable	46,366	48,150
Total Liabilities	763,128	643,668
Net Assets:		
Without donor restrictions	1,077,829	1,171,773
With donor restrictions	10,048,372	8,552,049
Total Net Assets	11,126,201	9,723,822
Total Liabilities and Net Assets	\$ 11,889,329	\$ 10,367,490

The accompanying notes are an integral part of these financial statements.

BUCKS COUNTY COMMUNITY COLLEGE

COMPONENT UNIT - BUCKS COUNTY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	\$ 156,534	\$ 1,327,458	\$ 1,483,992	\$ 307,493	\$ 989,586	\$ 1,297,079
Donated services and facility usage	221,825	-	221,825	243,773	-	243,773
Investment income realized	21,650	213,719	235,369	17,239	234,907	252,146
Change in unrealized (losses) gains on investments	-	837,902	837,902	-	(1,837,112)	(1,837,112)
Net assets released from restriction	882,756	(882,756)	-	641,225	(641,225)	-
Total support and revenue	<u>1,282,765</u>	<u>1,496,323</u>	<u>2,779,088</u>	<u>1,209,730</u>	<u>(1,253,844)</u>	<u>(44,114)</u>
Expenses:						
Program services	921,958	-	921,958	714,621	-	714,621
Support services	136,404	-	136,404	121,257	-	121,257
Fundraising	318,347	-	318,347	375,286	-	375,286
Total expenses	<u>1,376,709</u>	<u>-</u>	<u>1,376,709</u>	<u>1,211,164</u>	<u>-</u>	<u>1,211,164</u>
(Loss) excess of revenues, gains and other support over expenses before transfers	(93,944)	1,496,323	1,402,379	(1,434)	(1,253,844)	(1,255,278)
Transfers	-	-	-	(60,000)	60,000	-
Change in net assets	(93,944)	1,496,323	1,402,379	(61,434)	(1,193,844)	(1,255,278)
Net Assets, Beginning	<u>1,171,773</u>	<u>8,552,049</u>	<u>9,723,822</u>	<u>1,233,207</u>	<u>9,745,893</u>	<u>10,979,100</u>
Net Assets, Ending	<u>\$ 1,077,829</u>	<u>\$ 10,048,372</u>	<u>\$ 11,126,201</u>	<u>\$ 1,171,773</u>	<u>\$ 8,552,049</u>	<u>\$ 9,723,822</u>

BUCKS COUNTY COMMUNITY COLLEGE

COMPONENT UNIT - BUCKS COUNTY

COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,402,379	\$ (1,255,278)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization on promise to give	-	-
Realized and unrealized loss (gain) on investments	(837,062)	1,828,468
Effects of change in operating assets and liabilities:		
Unconditional promise to give	7,760	12,146
Accounts payable	80,126	(15,156)
Present value of gift annuities payable	(1,784)	26,009
Deferred revenue	41,118	(9,500)
Net cash provided by (used in) operating activities	<u>692,537</u>	<u>586,689</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(247,825)	(519,299)
Sale of investment	26,266	28,172
Net cash provided by (used in) investing activities	<u>(221,559)</u>	<u>(491,127)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>470,978</u>	<u>95,562</u>
Cash and Cash Equivalents:		
Beginning of year	<u>854,740</u>	<u>759,178</u>
End of year	<u>\$ 1,325,718</u>	<u>\$ 854,740</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

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

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

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) guidance, 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, which 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, 2023 and 2022.

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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 (GAAP), 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.

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.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Net Position

The College maintains the following net position classifications:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt, net of restricted cash, attributable to the acquisition, construction, repair or improvement of those assets.

Restricted, Nonexpendable – Net position subject to externally imposed conditions requiring that they be maintained by the College in perpetuity. The College had no such net position at June 30, 2023 or 2022.

Restricted, expendable – Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time. The College had no such net position at June 30, 2023 or 2022.

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.

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.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 \$400,000 and \$500,000 as of June 30, 2023 and 2022, 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:

Building 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 \$555,969 and \$844,188 at June 30, 2023

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

and 2022, respectively, and are recorded in other liabilities in the statements of net position upon employees' electing participation in the early retirement programs.

Retirement Benefits

The Teachers Insurance & Annuity Association (TIAA) plan 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 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.

Leases

The College entered in various equipment lease purchase agreements from other entities. The leases include copiers, computers and various other equipment. The obligations associated with these leases have been recognized as a liability in the statements of net position based on future lease payments, discounted by the incremental borrowing rate.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

The College has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the College has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Subscription Liabilities

The College is a lessee for noncancellable software subscriptions. The College recognizes subscription obligation and an intangible right-to-use subscription asset (subscription asset) as part of capital assets, net of accumulated depreciation on the statement of net position.

At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the commencement date, plus certain direct costs. Subsequently, the subscription asset is amortized on the straight-line basis over its useful life.

Key estimates and judgments related to subscription liabilities include how the College determines (1) the discount rate it uses to discount the expected contract payments to present value, (2) subscription term, and (3) subscription payments.

- The College uses the interest rate charged by the lessor as the discount rate. When interest rates charged by the lessor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for subscription contracts.
- The subscription term includes the noncancellable period of the subscription. If a subscription automatically renews after the initial term, the College uses a period of 3 years to record the subscription liability for automatic renewals. Subscription payments included in the measurement of the liability are composed of fixed payments and purchase options price the College is reasonably certain to exercise.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The College monitors changes in circumstances that would require remeasurements of its subscription liability and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital assets and subscription liabilities are reported with long term liabilities on the statement of net position.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications were made to the 2022 financial statements to conform to the 2023 presentation.

Adopted Pronouncements

GASB has issued the following statement that has become effective for the year ended June 30, 2023 shown below.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*," provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users and requires recognition of certain subscription assets and liabilities based on the contract provisions. As a result of this implementation, net position as of July 1, 2022 was restated with a decrease totaling \$436,305.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The following GASB Statements were also adopted for the year ended June 30, 2023: Statement Nos. 91 (Conduit Debt Obligations) and 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements). These statements had no significant impact on the College's financial statements for the year ended June 30, 2023.

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below.

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

2. Restatement

The College did not properly report a Governor's Emergency Education Relief Fund grant. The Grant should have been recorded in the previously issued financial statements as revenue and receivables in the amount of \$1,000,491. The state grant was a reimbursement basis grant, and the expenditures of the grant were recognized in the prior period, however corresponding revenues and receivables were not recognized. Commonwealth grants have been restated on the statement of revenues, expenses, and change in net position and federal and state agencies receivables have been restated on the statement of net position for the grant noted above.

In addition, the College did not properly report accrued compensation and related expense and net position in the previously issued financial statements. Accrued compensation and expense was overstated by \$1,233,625. The prior year balance has been restated on the statement of net position and statement of revenues, expenses and changes in net position.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

3. Deposits and Investments

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

- United States Treasury Bills.
- Short-term obligations of the United States government or its agencies and instrumentalities.
- Deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- 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% of a bank's total capital surplus or 20% 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.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The carrying amount of the College's deposits was \$7,575,454 and \$10,471,587 as of June 30, 2023 and 2022, respectively. The bank balance totaled \$8,291,219 and \$9,557,346 as of June 30, 2023 and 2022, respectively. The difference represents outstanding checks payable and normal reconciling items.

The following is the fair value of deposits and investments at June 30, 2023:

	<u>College</u>	<u>Component Unit Foundation</u>
Deposits:		
Demand deposits	\$ 7,575,454	\$ 1,325,718
Investments:		
Cash equivalents	3,208,808	-
Certificates of deposits	717,416	-
Agency bonds	2,941,685	-
Mutual funds, equities	-	7,597,915
Mutual funds, fixed income	-	2,883,403
Total deposits and investments	<u>\$ 14,443,363</u>	<u>\$ 11,807,036</u>

The following is the fair value of deposits and investments at June 30, 2022:

	<u>College</u>	<u>Component Unit Foundation</u>
Deposits:		
Demand deposits	\$ 10,471,587	\$ 854,740
Investments:		
Cash equivalents	1,039,732	-
Commercial paper	986,243	-
Certificates of deposits	731,849	-
Municipal bonds	3,881,683	-
Mutual funds, equities	-	6,525,191
Mutual funds, fixed income	-	2,897,506
Total deposits and investments	<u>\$ 17,111,094</u>	<u>\$ 10,277,437</u>

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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

equivalents. Bond proceeds available for construction as of June 30, 2023 and 2022 are \$18,184,512 and \$7,508,421, respectively, which are reported as restricted deposits held by Authority in the accompanying statements of net position.

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

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

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

	<u>2023</u>	<u>2022</u>
Insured (FDIC)	\$ 721,442	\$ 2,114,533
Collateralized:		
Collateral held by pledging bank's trust department not in College's name	<u>7,569,777</u>	<u>7,442,813</u>
Total	<u>\$ 8,291,219</u>	<u>\$ 9,557,346</u>

Included in cash and cash equivalents in 2023 and 2022 is \$716,978 and \$769,887, respectively, of cash and cash equivalents held in a custodial capacity.

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% or more of total College investments are as follows as of June 30, 2023:

<u>Issuer</u>	<u>Maturity</u>	<u>Investment Type</u>	<u>Reported Amount</u>
US Treasury	12/7/2023	Agency Bonds	\$ 488,655
FHLB	9/5/2023	Agency Bonds	991,110
FHLB	9/18/203	Agency Bonds	494,760
FHLB	2/28/2024	Agency Bonds	967,160
GS Financial Sol			
Treasury Sol	N/A	Cash equivalents	3,208,808

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, respectively, the College had the following investments and maturities:

	June 30, 2023			
	Total	Fair Value	Less than 1 year	1 - 2 years
Investment Type:				
Investments:				
Cash equivalents	\$ 3,208,808	\$ 3,208,808	\$ -	\$ -
Certificates of deposit	717,416	717,416	717,416	-
Agency bonds	2,941,685	2,941,685	2,941,685	-
Total investments	<u>\$ 6,867,909</u>	<u>\$ 6,867,909</u>	<u>\$ 3,659,101</u>	<u>\$ -</u>
	June 30, 2022			
	Total	Fair Value	Less than 1 year	1 - 2 years
Investment Type:				
Investments:				
Cash equivalents	\$ 1,039,732	\$ 1,039,732	\$ -	\$ -
Commerical paper	986,243	986,243	986,243	-
Certificates of deposit	731,849	731,849	731,849	-
Municipal bonds	3,881,683	3,881,683	3,881,683	-
Total investments	<u>\$ 6,639,507</u>	<u>\$ 6,639,507</u>	<u>\$ 5,599,775</u>	<u>\$ -</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

4. 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:

	<u>2023</u>	<u>2022</u>
Accounts receivable, student	\$ 1,727,693	\$ 1,674,784
Less allowance for doubtful accounts	<u>(400,000)</u>	<u>(500,000)</u>
Total	<u>\$ 1,327,693</u>	<u>\$ 1,174,784</u>

5. 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 GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022 by caption on the statements of net position:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Cash equivalents	\$ 3,208,808	\$ 3,208,808	\$ -	\$ -
Certificates of deposit	717,416	-	717,416	-
Agency bonds	2,941,685	-	2,941,685	-
Total investments	<u>\$ 6,867,909</u>	<u>\$ 3,208,808</u>	<u>\$ 3,659,101</u>	<u>\$ -</u>
	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Cash equivalents	\$ 1,039,732	\$ 1,039,732	\$ -	\$ -
Commerical paper	986,243	-	986,243	-
Certificates of deposit	731,849	-	731,849	-
Municipal bonds	3,881,683	2,485,115	1,396,568	-
Total investments	<u>\$ 6,639,507</u>	<u>\$ 3,524,847</u>	<u>\$ 3,114,660</u>	<u>\$ -</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Component Unit

The following table presents financial instruments of the Foundation measured at fair value at June 30, 2023 and 2022 by caption on the statements of net position:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Equities:				
Mutual funds	\$ 7,597,915	\$ 7,597,915	\$ -	\$ -
Fixed income:				
Mutual funds	2,883,403	2,883,403	-	-
Total investments	<u>\$ 10,481,318</u>	<u>\$ 10,481,318</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Equities:				
Mutual funds	\$ 6,525,191	\$ 6,525,191	\$ -	\$ -
Fixed income:				
Mutual funds	2,897,506	2,897,506	-	-
Total investments	<u>\$ 9,422,697</u>	<u>\$ 9,422,697</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

6. Capital Assets, Net

Capital asset activity for the year ended June 30, 2023 consisted of the following:

	Balance July 1, 2022	Additions	Retirement and Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 4,839,020	\$ -	\$ -	\$ 4,839,020
Construction in progress	20,930,957	3,859,886	(11,997,274)	12,793,569
Total non-depreciable assets	25,769,977	3,859,886	(11,997,274)	17,632,589
Depreciable assets:				
Building improvements	172,715,666	11,520,676	-	184,236,342
Leased capital equipment	6,730,130	-	-	6,730,130
Subscription asset	-	2,823,601	-	2,823,601
Furniture and equipment	22,646,673	567,919	(1,955)	23,212,637
Library equipment	4,186,427	-	-	4,186,427
Total depreciable assets	206,278,896	14,912,196	(1,955)	221,189,137
Less: accumulated depreciation	100,750,307	6,582,250	-	107,332,557
Net	\$ 131,298,566	\$ 12,189,832	\$ (11,999,229)	\$ 131,489,169

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Capital assets activity for the year ended June 30, 2022 consisted of the following:

	Balance July 1, 2021	Additions	Retirement and Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land	\$ 4,839,020	\$ -	\$ -	\$ 4,839,020
Construction in progress	12,439,338	8,681,882	(190,263)	20,930,957
Total non-depreciable assets	17,278,358	8,681,882	(190,263)	25,769,977
Depreciable assets:				
Building improvements	172,182,906	363,484	169,276	172,715,666
Leased capital equipment	5,377,272	1,352,858	-	6,730,130
Furniture and equipment	22,092,596	533,090	20,987	22,646,673
Library equipment	4,182,381	4,046	-	4,186,427
Total depreciable assets	203,835,155	2,253,478	190,263	206,278,896
Less: accumulated depreciation	94,421,259	6,329,048	-	100,750,307
Net	\$ 126,692,254	\$ 4,606,312	\$ -	\$ 131,298,566

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

7. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2023 and 2022 was as follows:

	Balance July 1, 2022	Additions	Payments/ Settlements	Balance June 30, 2023	Current Portion
Lease obligations	\$ 1,987,200	\$ 988,162	\$ (1,220,232)	\$ 1,755,130	\$ 835,582
Notes payable	3,164,315	-	(586,286)	2,578,029	629,386
Notes from direct borrowing	2,178,000	-	(726,000)	1,452,000	726,000
Bonds payable	50,178,458	13,782,806	(5,488,502)	58,472,762	5,072,000
Software lease	-	3,259,906	(756,613)	2,503,293	793,516
Postemployment benefit liability	13,701,694	-	(609,435)	13,092,259	-
Net pension liability	10,139,836	352,099	-	10,491,935	-
Total	\$ 81,349,503	\$ 18,382,973	\$ (9,387,068)	\$ 90,345,408	\$ 8,056,484

	Balance July 1, 2021	Additions	Payments/ Settlements	Balance June 30, 2022	Current Portion
Lease obligations	\$ 1,712,364	\$ 1,352,858	\$ (1,078,022)	\$ 1,987,200	\$ 950,723
Notes payable	3,747,636	-	(583,321)	3,164,315	607,026
Notes from direct borrowing	2,853,000	-	(675,000)	2,178,000	700,000
Bonds payable	54,885,759	-	(4,707,301)	50,178,458	4,480,000
Postemployment benefit liability	14,711,617	-	(1,009,923)	13,701,694	-
Net pension liability	13,649,762	-	(3,509,926)	10,139,836	-
Total	\$ 91,560,138	\$ 1,352,858	\$ (11,563,493)	\$ 81,349,503	\$ 6,737,749

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

8. Lease Liability

The College entered in various equipment lease purchase agreements since 2017. The leases include copiers, computers, and various other equipment. The College makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The College uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments. The College has recognized capitalized lease equipment included in net capital assets.

<u>Lease Liability Description</u>	<u>Lease Term (Years)</u>	<u>Interest Rates (%)</u>	<u>Outstanding Balance</u>
Computer equipment	3	2 - 5 %	\$ 1,136,365
Copiers	5	2 - 8	242,840
Various other furniture and equipment	5 - 6	3 - 7	375,925

Debt service requirements to maturity for the College are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 835,582	\$ 58,239	\$ 893,821
2025	611,929	27,024	638,953
2026	184,924	9,049	193,973
2027	67,879	4,449	72,328
2028	54,816	1,149	55,965
	<u>\$ 1,755,130</u>	<u>\$ 99,910</u>	<u>\$ 1,855,040</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

9. Subscription Asset

The College has one subscription software asset under a noncancelable lease which extended their accounting software through September 30, 2026. The College recognizes a lease liability and an intangible lease asset in the financial statements. The lease expires in fiscal year 2026.

The following is summary of capital assets activity at June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Subscription asset				
Asset being amortized:				
Software	\$ -	\$2,823,601	\$ -	\$2,823,601
Total	-	2,823,601	-	2,823,601
Less: accumulated depreciation	-	(705,900)	-	(705,900)
Net subscription asset				<u>\$2,117,701</u>

The College has determined the lease interest rate percent for the software subscription as 5% to discount the lease liabilities. Annual requirements to amortize the lease liability and related interest are as follows:

<u>For the year ending June 30,</u>	<u>Total</u>
2024	\$ 911,997
2025	911,997
2026	911,997
Less: interest	<u>(232,698)</u>
	<u>\$ 2,503,293</u>

10. 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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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% on the Series A and 4.53% on the Series B. Series A was paid off during 2017. The principal balance due on Series B was \$1,452,000 and \$2,178,000 at June 30, 2023 and 2022, 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%, are due and payable monthly through maturity, April 2027. The principal balance due was \$2,559,273 and \$3,164,315 at June 30, 2023 and 2022, respectively. In the event of any default, the Trustee may enforce, and upon the written request of the holders of 25% 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.

Guarantees

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

The aggregate future principal and interest payments required on the above obligations at June 30, 2023 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,355,386	\$ 154,567	\$ 1,509,953
2025	1,381,206	98,763	1,479,969
2026	681,832	41,079	722,911
2027	611,605	12,688	624,293
	<u>\$ 4,030,029</u>	<u>\$ 307,097</u>	<u>\$ 4,337,126</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Interest expense on notes from direct borrowing was approximately \$200,678 and \$255,000 in 2023 and 2022, respectively.

11. Bonds Payable – Conduit Debt

The College has entered into the following conduit debt obligation arrangements with the Authority.

	<u>2023</u>	<u>2022</u>
College Building Revenue Bonds, Series 2014, payable in annual installments ranging from \$1,180,000 in 2023 to \$1,825,000, maturing in 2034, plus interest payable semiannually at rates ranging from 2% to 5%.	\$ 16,840,000	\$ 18,020,000
College Building Revenue Bonds, Series 2016, payable in annual installments ranging from \$1,285,000 in 2023 to \$1,530,000, maturing in 2028, plus interest payable semiannually at rates ranging from 1.75% to 5%.	7,120,000	8,405,000
College building Revenue Bonds, Series 2017, payable in annual installments ranging from \$720,000 in 2023 to \$791,000, maturing in 2027, plus interest payable annually at a fixed rate of 2.28%.	3,054,000	3,774,000
College Building Revenue Bonds, Series 2019, payable in semiannual installments of \$1,295,000 in 2023 to \$955,000, maturing in 2039, plus interest payable semiannually at rates ranging from 2.40% to 5%.	15,540,000	16,835,000
College Building Revenue Bonds, Series 2022, payable in semiannual installments of \$520,000 in 2023 to \$915,000, maturing in 2042, plus interest payable semiannually at rates ranging from 4% to 5%.	12,060,000	-
Total	<u>54,614,000</u>	<u>47,034,000</u>
Original issue premiums and loss on refinancing, net	<u>3,858,762</u>	<u>3,144,458</u>
Bonds payable	<u>\$ 58,472,762</u>	<u>\$ 50,178,458</u>

In December 2014, the Authority issued \$25,585,000 College Building Revenue Bonds, Series of 2014 (the 2014 Bonds). The proceeds of the 2014 Bonds were used to fund construction including renovations to Founders Hall, additions to the Science Building at the College's main campus, and costs of issuance of the bonds.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

In October 2016, the Authority issued \$13,845,000 Guaranteed College Building Revenue Bonds, Series of 2016 (the 2016 Bonds). The 2016 Bonds were issued to advance refund the Authority's obligations related to the 2008 College Revenue Bonds. The proceeds from the 2016 bonds were placed in an escrow account that will be used for the sole purpose to pay the 2008 bond obligations. The refinancing resulted in a gain of approximately \$56,000 and is recorded as a deferred inflow on the combined statement of fiduciary net position. The gain is being amortized to interest expense over the remaining term of the 2016 Bonds. Amortization was approximately \$4,700 in 2023.

The College Building Revenue Bonds, Series of 2017 (the 2017 Bonds) issue of \$7,500,000 to complete the Capital Improvement Program which includes replacement of roofs, generators, energy sources, signage, HVAC upgrades and elevator upgrades.

The College Building Revenue Bonds, Series of 2019 (the 2019 Bonds) issue of \$20,890,000 to be used towards the construction of the new Workforce and Economic Development Center, renovation upgrades to the campus core, the acquisition of a new Enterprise Resource Planning (ERP) computer system and the cost of issuance for the 2019 Bonds.

The College Building Revenue Bonds, Series of 2022 (the 2022 bonds), issue of \$12,580,000 to be used towards the renovation of its existing pool facilities building located on the College campus and the retrofitting of same as a welcome center, to be utilized primarily for student services, admissions and financial aid and a student center, as well as other capital improvements.

The future principal and interest payments required on the above obligations at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year ending June 30:</u>			
2024	\$ 5,072,000	\$ 2,172,581	\$ 7,244,581
2025	5,234,000	2,003,701	7,237,701
2026	5,422,000	1,823,934	7,245,934
2027	5,651,000	1,593,935	7,244,935
2028	5,030,000	1,395,890	6,425,890
2029-2033	14,255,000	4,946,513	19,201,513
2034-2038	9,540,000	2,101,438	11,641,438
2039-2043	4,410,000	399,950	4,809,950
Total	<u>\$ 54,614,000</u>	<u>\$ 16,437,942</u>	<u>\$ 71,051,942</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

12. Retirement Benefits

Employees of the College are required to enroll in one of three available retirement plans immediately upon employment: the Pennsylvania State Employees' Retirement Systems (SERS), the Public School Employees' Retirement System (PSERS), or the Teachers Insurance and Annuity Association/College Retirement and Equity Fund (TIAA/CREF).

SERS and PSERS

Summary of Significant Accounting Policies

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

Plan Descriptions

SERS administers a governmental cost-sharing, multiple-employer defined benefit pension plan (SERS Pension) and the State Employees' Defined Contribution Plan (SERS investment plan). The SERS investment plan was established as part of Act 2017-5 and began enrollment on January 1, 2019. Both SERS plans were established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits, including retirement, death, and disability benefits, for employees of state government and certain independent agencies. Membership in SERS is mandatory for most state employees. Members and employees of the Pennsylvania 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 www.sers.pa.gov.

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance), to public school employees of the Commonwealth of Pennsylvania. In addition, PSERS administers the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by participants for the benefit coverage they elect. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits 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.

Retirees who participate in the HOP or a Commonwealth public school employer-sponsored health insurance program are eligible for Premium Assistance if they satisfy the following criteria:

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

For Class DC members (as defined below) to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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 the annual accrual rate. Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. Most employees who entered SERS membership after January 1, 2011, and who retire at age 65, are entitled to a full retirement benefit.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

On June 12, 2017, with the passage of Act 2017-5, two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option were established for all state employees who first enter SERS membership on or after January 1, 2019. Additionally, all current SERS members were given a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019 and March 31, 2019. The newly elected option became effective July 1, 2019, and generally will apply to all future service.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

PSERS members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

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Act 5 of 2017 (Act 5) eliminated the stand-alone defined benefit plan, introduced a hybrid benefit, and introduced a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

PSERS – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive PSERS Premium Assistance payments equal to the lesser of \$100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions

SERS

Employees who participate in SERS are required to make a contribution. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits. For all options under the new defined contribution plan, there is a three-year vesting period for employer contributions and immediate vesting for employee contributions.

The following illustrates the SERS' member's contribution as a percent of the member's gross pay:

- Most members of SERS and all state employees hired after June 30, 2001 and prior to January 1, 2011:
 - Membership Class AA 6.25%
- Members who enter SERS for the first time on or after January 1, 2011:
 - Membership Class A-3 6.25%

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- Membership Class A-4 (optional for A-3 members who elect within 45 days of entering SERS) 9.30%
- Members who enter SERS for the first time on or after January 1, 2019:
 - Membership Class A-5 (hybrid) 8.25% (combined rate)
 - Membership Class A-6 (hybrid) 7.50% (combined rate)
 - Defined Contribution Plan only 7.50%

PSERS

The following illustrates the PSERS' member's contribution as a percent of the member's qualifying compensation:

- Active members who joined PSERS prior to July 22, 1983:
 - Membership Class T-C 5.25%
 - Membership Class T-D 6.50%
- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
 - Membership Class T-C 6.25%
 - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2001, and before July 1, 2011:
 - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2011 and before June 30, 2019:
 - Membership Class T-E* 8.00%
 - Membership Class T-F** 10.80%
- Members who joined PSERS on or after July 1, 2019:
 - Membership Class T-G (hybrid)* 9.00% (combined rate)
 - Membership Class T-H (hybrid)** 8.25% (combined rate)
 - Defined Contribution only 7.50%

* Includes shared risk provision of +0.50% as of July 1, 2021.

** Includes shared risk provision of +0.75% as of July 1, 2021.

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Employer Contributions

Section 5507 of the State Employees' Retirement Code (SERC) (71 Pa. C.S. §5507) requires that all SERS-participating employers make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the SERS board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due.

Employer rates are computed based on SERS fiscal year end of December 31 and differ depending on membership class. For the College's years ended June 30, 2023 and 2022, the employer required contribution rates were as follows:

	<u>2023</u>	<u>2022</u>
Membership Class AA	38.82%	37.46%
Membership Class A-3	26.05%	25.90%
Membership Class A-4	26.05%	25.90%
Membership Class A-5	18.43%	19.93%
Membership Class A-6	18.43%	19.93%
Defined Contribution only	18.37%	19.88%

According to the Commonwealth Retirement Code, all obligations of the SERS will be assumed by the Commonwealth should SERS terminate. The contributions to SERS for the years ended June 30, 2023 and 2022 were \$277,152, and \$214,133, respectively.

On November 27, 2019, Commonwealth of Pennsylvania Act 2019-105 was signed into law. The law allows eligible employers to enter into an agreement with SERS to make a one-time lump sum payment of 75% to 100% of their respective unfunded accrued liability. SERS' actuaries will make the calculation of the portion of the unfunded accrued liability that an eligible employer is liable for based on SERS' most recent valuation report. The eligible employer will receive credit against future actuarially determined contributions on a periodic basis that coincide with its existing schedule for making employer contributions. The lump sum payment covers only liabilities accrued as of the date of the calculation. Future changes in the liability will attach to the employer as if the advance payment was not made. Agreements must be entered into by December 31, 2024, and the lump sum payments must be made by May 1,

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2025. The College has not yet determined if they will enter into an agreement to make a lump sum payment to SERS.

The College's contractually required PSERS contribution rate for fiscal years ended June 30, 2023 and 2022 was 35.26% and 34.94%, respectively, 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. This rate is composed of a 34.31% rate for the Pension Plan, a 0.75% rate for the Premium Assistance, and a 0.20% rate for Act 5 Defined Contribution for fiscal year ended June 30, 2023. This rate is composed of a 33.99% rate for the Pension Plan and a 0.80% rate for the Premium Assistance, and a 0.15% rate for Act 5 Defined Contribution for fiscal year ended June 30, 2022.

The combined rate for the fiscal year ended June 30, 2023 was an increase from the fiscal year ended June 30, 2022 combined rate of 34.94%. The combined rate for the fiscal year ended June 30, 2022 was an increase from the fiscal year ended June 30, 2021 combined rate of 34.51%. The combined contribution rate will decrease to 34.00% in fiscal year 2024 and is projected to grow to 38.35% by fiscal year 2031. Contributions to PSERS from the College were \$916,965 and \$852,356 for the years ended June 30, 2023 and 2022, respectively.

Commonwealth Contributions

SERS

No Commonwealth contributions are made on behalf of the College's participation in SERS.

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PSERS

The Commonwealth of Pennsylvania pays approximately one-half of contributions directly to PSERS on behalf of the College. These contributions qualify as a special funding situation. The PSERS net pension liability recorded by the College reflects a reduction for the Commonwealth's support. The total of the collective net pension liability relative to PSERS that is associated with the College is as follows:

	<u>2023</u>	<u>2022</u>
College's proportionate share of PSERS net pension liability	\$ 6,491,000	\$ 7,103,000
Commonwealth's proportionate share of PSERS net pension liability associated with the College	<u>6,493,000</u>	<u>7,108,000</u>
Total	<u>\$ 12,984,000</u>	<u>\$ 14,211,000</u>

Proportionate Share

SERS

The College's proportion of SERS' net pension liability was calculated utilizing the projected-contribution method. This methodology applies the most recently calculated contribution rates for the Commonwealth's fiscal year 2023, from the December 31, 2022 valuation, to the expected funding payroll.

At December 31, 2022 (measurement date for the net pension liability reported at June 30, 2023), the College's proportion for SERS was 0.0175% which was a decrease of 0.0064% from its proportion measured as of December 31, 2021. At December 31, 2021 (measurement date for the net pension liability reported at June 30, 2022), the College's proportion for SERS was 0.0239%, which was an decrease of 0.0015% from its proportion measured as of December 31, 2020.

PSERS

The College's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the College's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. This method was changed beginning with PSERS' fiscal year ended June 30, 2020. In prior years, the proportion of PSERS' net pension liability was

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calculated utilizing the College's one-year reported covered payroll as it related to PSERS' total one-year reported covered payroll. At June 30, 2022 (measurement date for PSERS' net pension liability and net OPEB liability reported at June 30, 2023), the College's proportion for PSERS was 0.0146%, which was a decrease of 0.0027% change from its proportion measured as of June 30, 2021. At June 30, 2021 (measurement date for PSERS' net pension liability and net OPEB liability reported at June 30, 2022), the College's proportion for PSERS was 0.0173% which was an increase of 0.0026% from its proportion measured as of June 30, 2020.

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

At June 30, 2023 and 2022, the College reported a liability of \$4,000,935 and \$3,036,836, respectively, for its proportionate share of the SERS net pension liability. At June 30, 2023 and 2022, the College reported a liability of \$6,491,000 and \$7,103,000, respectively, for its proportionate share of the PSERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2022 to June 30, 2023.

For the years ended June 30, 2023 and 2022, the College recognized pension expense of \$9,783 and \$(504,254), respectively, for the SERS plan. For the years ended June 30, 2023 and 2022, the College recognized pension expense of \$15,356 and \$(932,996), respectively, for the PSERS plan.

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At June 30, 2023, 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	\$ 58,143	\$ 11,104
Differences between expected and actual experience - PSERS	3,000	56,000
Net difference between projected and actual earnings on pension plan investments - SERS	543,449	-
Net difference between projected and actual earnings on pension plan investments - PSERS	-	110,000
Changes in proportion and differences between College contributions and proportionate share of contribution-SERS	175,931	795,270
Changes in proportion and differences between College contributions and proportionate share of contribution-PSERS	48,000	1,559,000
Change of assumptions - PSERS	194,000	-
Change of assumptions - SERS	269,845	-
College contributions subsequent to the measurement date - SERS	215,149	-
College contributions subsequent to the measurement date - PSERS	916,965	-
Total	<u>\$ 2,424,482</u>	<u>\$ 2,531,374</u>

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At June 30, 2022, 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	\$ 20,051	\$ 17,478
Differences between expected and actual experience - PSERS	5,000	93,000
Net difference between projected and actual earnings on pension plan investments - SERS	187,102	878,634
Net difference between projected and actual earnings on pension plan investments - PSERS	-	1,131,000
Changes in proportion and differences between College contributions and proportionate share of contribution-SERS	21,890	868
Changes in proportion and differences between College contributions and proportionate share of contribution-PSERS	107,000	938,000
Change of assumptions - PSERS	345,000	-
Change of assumptions - SERS	312,553	614,074
College contributions subsequent to the measurement date - SERS	214,133	-
College contributions subsequent to the measurement date - PSERS	832,356	-
Total	<u>\$ 2,045,085</u>	<u>\$ 3,673,054</u>

\$1,132,114 and \$1,066,489 was reported at June 30, 2023 and 2022, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date. The amount recorded at June 30, 2023 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The amount recorded at June 30, 2022 was recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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Other amounts reported at June 30, 2023 as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending June 30:</u>	<u>SERS</u>	<u>PSERS</u>
2024	\$ (95,635)	\$ (554,000)
2025	25,536	(601,000)
2026	100,695	(480,000)
2027	216,733	155,000
2028	(6,335)	-
	<u>\$ 240,994</u>	<u>\$ (1,480,000)</u>

Actuarial Assumptions

SERS

The following methods and assumptions were used in the actuarial valuation for the December 31, 2022 measurement date:

- Actuarial valuation date - December 31, 2022
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 6.875% includes inflation at 2.50%
- Salary growth – Effective average of 4.55%, with range of 3.30% - 6.95% and comprised of 2.50% for inflation
- Mortality rates were based on the PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement.
- Experience study – January 1, 2015 through December 31, 2019

Changes in Assumptions

The assumed investment rate of return was reduced from 7.00% to 6.875% for the December 31, 2022 valuation. In addition, reduced rates of career salary growth were included in the December 31, 2022 valuation

There were no changes in assumptions for the December 31, 2021 measurement date.

There were no changes in benefit terms for the December 31, 2022 or 2021 measurement dates.

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PSERS

The following methods and assumptions were used in the actuarial valuation for the June 30, 2022 measurement date:

- Actuarial valuation date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and merit or seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- Experience study – July 1, 2015 through June 30, 2020

Changes in Assumptions

There were no changes in assumptions affecting the June 30, 2022 measurement date. The discount rate decreased from 7.25% to 7.00% and the inflation assumption was decreased from 2.75% to 2.50% for the actuarial valuation used for the June 30, 2021 measurement date. Salary growth decreased from 5.00% to 4.50%.

There were no changes in benefit terms affecting the June 30, 2022 and June 30, 2021 measurement dates.

Pension Plan Investments

SERS

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 manager fees 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 SERS 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.

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The target allocation and best estimates of geometric real rates of return as of December 31, 2022, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16%	5.75%
Real Estate	7%	5.12%
U.S. Equity	31%	4.35%
International developed markets equity	14%	4.25%
Emerging markets equity	5%	4.65%
Fixed income	22%	-0.50%
Inflation protection (TIPS)	3%	-1.00%
Cash	2%	-1.05%
Total	<u>100%</u>	

For SERS' years ended December 31, 2022 and 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was (12.2%) and 17.2%, respectively.

PSERS

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.

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The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
Total	<u>100%</u>	

For PSERS' years ended June 30, 2022 and 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 2.40% and 24.58%, respectively.

Discount Rate

The discount rate used to measure the total pension liability for SERS was 6.875% for the College's fiscal year ended June 30, 2023 and 7.00% for the College's fiscal year ended June 30, 2022. The discount rate used to measure the total pension liability for PSERS was 7.00% for the College's fiscal years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the 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.

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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 SERS' and PSERS' net pension liabilities calculated using the discount rates described above, as well as what the College's proportionate share of SERS' and PSERS' net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate as of June 30, 2023:

	1% Decrease SERS (5.875%) PSERS (6.00%)	Current Rate SERS (6.875%) PSERS (7.00%)	1% Increase SERS (7.875%) PSERS (8.00%)
College's proportionate share of the SERS net pension liability	\$ 4,717,072	\$ 4,000,935	\$ 2,803,930
College's proportionate share of the PSERS net pension liability	\$ 8,396,000	\$ 6,491,000	\$ 4,885,000

The following presents the College's proportionate share of the SERS and PSERS net pension liability, calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate at June 30, 2022:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the SERS net pension liability	\$ 5,467,113	\$ 3,036,836	\$ 3,454,295
College's proportionate share of the PSERS net pension liability	\$ 9,323,000	\$ 7,103,000	\$ 5,230,000

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TIAA

The TIAA is a contributory defined contribution plan administered by the College. 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% of covered payroll. The employees' contribution rate is established by the administrator (the College) and is 6.25%. Contributions made by the College were approximately \$2,953,800 in 2023 and \$2,787,000 in 2022.

Contributions made by the employees were approximately \$780,000 in 2023, \$1,650,000 in 2022.

13. Early Retirement Programs

The College paid \$451,750 and \$457,317 in 2023 and 2022, respectively, to employees who retired in connection with the College's early retirement incentive programs. The amount payable pursuant to this program was \$555,302 at June 30, 2023 and \$844,188 at June 30, 2022, 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.

14. Postemployment Benefits

College Plan and PSERS Health Insurance Premium Assistance Program

Plan Description

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.

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PSERS provides Premium Assistance which is a governmental cost sharing multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2021, 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 PSERS Premium Assistance program for the fiscal years ended June 30, 2023 and 2022 was .80% 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 made by the College were approximately \$25,000 in 2023 and \$20,000 in 2022.

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

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continue coverage for themselves and their dependents in the group health care plan until the retired employee reaches Medicare age, generally 65.

Employees Covered by Benefit Terms

At July 1, 2023, the following employees were covered in the College's OPEB with benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	62
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	<u>429</u>
Total plan members	<u><u>491</u></u>

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

At June 30, 2023, total OPEB liability of \$12,823,259 and \$269,000 was measured for its proportionate share of the College's OPEB and PSERS OPEB, respectively. At June 30, 2022, the College reported a total OPEB liability of \$13,286,694 and \$415,000 for its proportionate share of the College's OPEB and PSERS OPEB, respectively.

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College OPEB - Actuarial Assumptions and Other Inputs

The College OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3.00%	
Salary increases	2.50%	Effective average of 5.00 comprised of inflation of 2.75% and 2.25% real wage growth and for merit or seniority increases
Discount rate	4.13%	
Healthcare cost trend rates	7.00%	7.00% through 2023. Rates gradually decrease from 7.00% in 2023 to 4.50% in 2032 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

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index.

For mortality rates, separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined pension plan actuarial valuation. Incorporated in the table are rates projected generationally by the Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021 to reflect mortality improvement.

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	<u>College OPEB Plan Liability</u>
Balance, July 1, 2021	<u>\$ 14,283,617</u>
Changes for the year:	
Service cost	768,059
Interest	308,526
Changes of benefit terms	957,651
Differences between expected and actual experiences	(752,052)
Changes in assumptions or other inputs	(1,044,760)
Benefit payments	<u>(1,234,347)</u>
Net changes	<u>(996,923)</u>
Balance, July 1, 2022	<u>13,286,694</u>
Changes for the year:	
Service cost	571,190
Interest	470,349
Changes of benefit terms	-
Differences between expected and actual experiences	-
Changes in assumptions or other inputs	(443,054)
Benefit payments	<u>(1,061,920)</u>
Net changes	<u>(463,435)</u>
Balance, June 30, 2023	<u><u>\$ 12,823,259</u></u>

Changes in assumptions or other inputs reflect the following:

- A change in the discount rate from 3.54% in 2022 to 4.13% in 2023.

PSERS OPEB - Actuarial Assumptions and Other Inputs

The Total OPEB Liability as of June 30, 2022 was determined by rolling forward the System's Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 4.09% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year

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- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Experience study – July 1, 2015 through June 30, 2020
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

Changes in Assumptions

The discount rate increased from 2.18% to 4.09% for the June 30, 2022 measurement date.

The discount rate decreased from 2.66% to 2.18% for the June 30, 2021 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the June 30, 2022 and June 30, 2021 measurement dates.

OPEB Plan Investments

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.50%

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For PSERS' years ended June 30, 2022 and 2021, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 0.35% and 0.31%, respectively.

Discount Rate

The discount rate used to measure the total OPEB liability for PSERS was 4.09% for the June 30, 2022 measurement date and 2.18% for the June 30, 2021 measurement date. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the 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 the 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 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability as of the June 30, 2022 measurement date. A discount rate of 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability as of the June 30, 2021 measurement date.

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 3.13%/3.09%	Discount Rate 4.13%/4.09%	1% Increase 5.13%/5.09%
College OPEB liability at June 30, 2023	\$ 13,592,766	\$ 12,823,259	\$ 12,111,222
College's proportionate share of the net PSERS OPEB liability at June 30, 2023	304,000	269,000	239,000

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	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
College OPEB liability at June 30, 2022	\$ 14,039,969	\$ 13,286,694	\$ 12,588,893
College's proportionate share of the net PSERS OPEB liability at June 30, 2022	476,000	415,000	364,000

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

PSERS net OPEB liability healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, 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 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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
College OPEB Liability at June 30, 2023	\$ 12,823,259	\$ 12,823,259	\$ 12,823,259
PSERS Net OPEB Liability at June 30, 2023	269,000	269,000	269,000

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

PSERS net OPEB liability healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, 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.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
College OPEB Liability at June 30, 2022	\$ 13,092,692	\$ 13,286,694	\$ 13,509,234
PSERS Net OPEB Liability at June 30, 2022	415,000	415,000	415,000

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

For the year ended June 30, 2023, the College recognized OPEB expense of \$925,076 and \$(18,000) for the College plan and the PSERS plan, respectively. At June 30, 2023, 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 - College	\$ 308,940	\$ 953,790
Differences between expected and actual experience - PSERS	2,000	1,000
Change of assumptions - College	669,137	1,257,580
Change of assumptions - PSERS	36,000	160,000
Total	<u>\$ 1,016,077</u>	<u>\$ 2,372,370</u>

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

For the year ended June 30, 2022, the College recognized OPEB expense of \$1,958,051 and \$9,000 for the College plan and the PSERS plan, respectively. At June 30, 2022, 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 - College	\$ 353,075	\$ 1,078,570
Differences between expected and actual experience - PSERS	4,000	-
Change of assumptions - College	768,575	949,782
Change of assumptions - PSERS	51,000	68,000
Total	\$ 1,176,650	\$ 2,096,352

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

	College Plan	PSERS
<u>Year Ending June 30:</u>		
2024	\$ (116,463)	\$ (33,000)
2025	(116,463)	(22,000)
2026	(116,463)	(22,000)
2027	(116,463)	(23,000)
2028	(116,463)	(25,000)
Thereafter	(650,978)	2,000
Total	\$ (1,233,293)	\$ (123,000)

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

15. Commitments and Contingencies

Delaware Valley Regional Financing Authority (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 \$1,452,000 and \$2,178,000 in principal is outstanding at June 30, 2023 and 2022, respectively (Note 10).

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, 2023, the market value of interest rate swap agreements related to outstanding guaranteed revenue notes outstanding are as follows:

<u>Guaranteed Revenue Note Year of Issue</u>	<u>Balance Outstanding</u>	<u>Market Value of Related Allocable Interest Rate Swap</u>	<u>Market Value of Related Fixed Loan Swap</u>
2004B	\$ 1,452,000	\$ 66,123	\$ (10,055)
2017 bonds	3,054,000	139,363	90,277

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 33.3% and 31.2% of the College's total revenue for the years ended June 30, 2023 and 2022, 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.

16. Coronavirus Disease (COVID-19) and Emergency Relief Funding

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

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

Under CARES, the College received one grant comprised of two parts. Under the legislation, no less than 50% 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

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

\$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.

The Higher Education Emergency Relief Fund II (HEERF II) is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260, signed into law on December 27, 2020. In total, the CRRSAA authorizes \$81.88 billion in support for education, in addition to the \$30.75 billion expeditiously provided through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136. The College was allocated approximately \$6,658,000 of HEERF II funding on January 19, 2021.

The Higher Education Emergency Relief Fund III (HEERF III) is authorized by the American Rescue Plan (ARP), Public Law 117-2, signed into law on March 11, 2021, providing \$39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. The College was awarded approximately \$11,769,000 of HEERF III funding on May 12, 2021. Approximately \$6,020,000 of the HEERF III funding will be awarded directly to students in the form of emergency grants to assist with expenses associated with the COVID-19.

Approximately \$1,778,000 and \$4,366,000 of the student relief portion of the HEERF grants was expended and recognized as federal grants revenue and student aid expense in June 30, 2023 and 2022, respectively. Approximately \$3,285,000 and \$4,023,000 of the institutional portion of the HEERF grants was expended and recognized as federal grants revenue, respectively. As of June 30, 2023, the College has no further available funding under the student or institutional portion of the HEERF grants.

17. Subsequent Events

On November 15, 2023 the College entered into a loan agreement with the State Public School Building Authority in the amount of \$3,000,000 for the benefit of the College. The net proceeds will be used by the College for environmental remediation projects in Grupp and Founders Halls and other buildings on campus where issues are identified. The loan will bear interest at a fixed rate of 3.5% and matures on December 15, 2033.

In January 2024, the College defeased the Guaranteed College Building Revenue Bonds, Series of 2022 by placing the proceeds of the original issue in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased obligation will not be included in the College's future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years¹

PSERS:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.0146%	0.0173%	0.0198%	0.0195%	0.0194%	0.0198%	0.0259%	0.0203%	0.0234%
College's proportionate share of the net pension liability	\$ 6,491,000	\$ 7,103,000	\$ 9,799,000	\$ 9,123,000	\$ 9,313,000	\$ 9,779,000	\$ 11,200,000	\$ 8,793,000	\$ 9,262,000
State's proportionate share of the net pension liability associated with the College	-	-	-	-	-	-	-	-	-
Total	<u>\$ 6,491,000</u>	<u>\$ 7,103,000</u>	<u>\$ 9,799,000</u>	<u>\$ 9,123,000</u>	<u>\$ 9,313,000</u>	<u>\$ 9,779,000</u>	<u>\$ 11,200,000</u>	<u>\$ 8,793,000</u>	<u>\$ 9,262,000</u>
College's covered payroll	\$ 2,000,361	\$ 2,439,485	\$ 2,777,479	\$ 2,695,485	\$ 2,608,666	\$ 2,637,980	\$ 2,925,089	\$ 2,608,323	\$ 2,982,500
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	324.49%	291.17%	352.80%	338.45%	357.00%	370.70%	382.89%	337.11%	310.54%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

(Continued)

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years¹

SERS:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.0175%	0.0239%	0.0210%	0.0244%	0.0241%	0.0287%	0.0296%	0.0328%	0.0456%
College's proportionate share of the net pension liability	\$ 4,000,935	\$ 3,036,836	\$ 3,850,762	\$ 4,436,516	\$ 5,026,161	\$ 4,962,506	\$ 5,695,315	\$ 5,972,203	\$ 6,782,340
College's covered payroll	\$ 1,214,317	\$ 1,210,158	\$ 1,239,711	\$ 1,428,278	\$ 1,416,655	\$ 1,654,353	\$ 1,709,982	\$ 1,943,480	\$ 2,640,515
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	329.48%	250.95%	310.62%	310.62%	354.79%	299.97%	333.06%	307.29%	256.86%
SERS' plan fiduciary net position as a percentage of SERS' total pension liability	61.50%	76.00%	67.00%	63.10%	56.40%	63.00%	63.00%	57.80%	58.98%

¹The amounts presented for each fiscal year were determined as of the measurement date, which is as of the end of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

(Concluded)

See accompanying notes to required supplementary information.

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

Last 10 Fiscal Years¹

PSERS:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 916,965	\$ 852,356	\$ 822,360	\$ 951,445	\$ 900,874	\$ 855,303	\$ 788,192	\$ 661,767	\$ 555,370
Contributions recognized by PSERS	<u>916,965</u>	<u>852,356</u>	<u>822,360</u>	<u>951,445</u>	<u>900,874</u>	<u>855,303</u>	<u>788,192</u>	<u>661,767</u>	<u>555,370</u>
Difference between contractually required employer contribution and contributions recognized by PSERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 2,000,361	\$ 2,439,485	\$ 2,777,479	\$ 2,695,485	\$ 2,608,666	\$ 2,637,980	\$ 2,925,089	\$ 2,608,323	\$ 2,982,500
Contributions as a percentage of covered-employee payroll	45.84%	34.94%	29.61%	35.30%	34.53%	32.42%	26.95%	25.37%	18.62%

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

(Continued)

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

Last 10 Fiscal Years¹

SERS:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contribution	\$ 277,152	\$ 531,857	\$ 527,912	\$ 582,024	\$ 572,200	\$ 547,850	\$ 514,347	\$ 449,511	\$ 417,494
Contributions recognized by SERS	<u>277,152</u>	<u>531,857</u>	<u>527,912</u>	<u>582,024</u>	<u>572,200</u>	<u>547,850</u>	<u>514,347</u>	<u>449,511</u>	<u>417,494</u>
Difference between contractually required employer contribution and contributions recognized by SERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,214,317	\$ 1,210,158	\$ 1,239,711	\$ 1,428,278	\$ 1,416,655	\$ 1,654,353	\$ 1,709,982	\$ 1,943,480	\$ 2,640,515
Contributions as a percentage of covered-employee payroll	22.82%	43.95%	42.58%	40.75%	40.39%	33.12%	30.08%	23.13%	15.81%

¹ The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

(Concluded)

See accompanying notes to required supplementary information.

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:						
Service cost	\$ 571,190	\$ 768,059	\$ 736,233	\$ 489,626	\$ 467,592	\$ 647,987
Interest	470,349	308,526	300,177	425,977	452,800	457,189
Changes of benefit terms	-	957,651	-	698,415	-	-
Differences between actual and expected experience	-	(752,052)	-	485,480	-	(676,946)
Changes of assumptions	(443,054)	(1,044,760)	278,617	115,678	135,916	627,209
Benefit payments	(1,061,920)	(1,234,347)	(614,101)	(803,251)	(585,813)	(784,896)
Net Changes in Total OPEB Liability	(463,435)	(996,923)	700,926	1,411,925	470,495	270,543
Total OPEB Liability - Beginning	<u>13,286,694</u>	<u>14,283,617</u>	<u>13,582,691</u>	<u>12,170,766</u>	<u>11,700,271</u>	<u>11,429,728</u>
Total OPEB Liability - Ending	<u>\$ 12,823,259</u>	<u>\$ 13,286,694</u>	<u>\$ 14,283,617</u>	<u>\$ 13,582,691</u>	<u>\$ 12,170,766</u>	<u>\$ 11,700,271</u>
Covered Payroll	<u>\$ 29,136,683</u>	<u>\$ 28,426,032</u>	<u>\$ 30,587,779</u>	<u>\$ 29,841,736</u>	<u>\$ 28,267,586</u>	<u>\$ 27,578,133</u>
Total OPEB Liability as a Percentage of Covered Payroll	44.01%	46.74%	46.70%	45.52%	43.06%	42.43%

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE PSERS OPEB LIABILITY

Last 10 Fiscal Years¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the PSERS OPEB	0.0146%	0.0241%	0.0198%	0.0195%	0.0194%	0.0198%
College's proportionate share of the net OPEB liability	\$ 269,000	\$ 415,000	\$ 736,233	\$ 489,626	\$ 467,592	\$ 647,987
College's covered-employee payroll	2,000,361	2,480,865	-	698,415	-	-
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	13.45%	16.73%	15.41%	15.40%	15.49%	15.28%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF COLLEGE'S PSERS OPEB LIABILITY CONTRIBUTIONS

Last 10 Fiscal Years¹

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 24,801	\$ 20,343	\$ 23,053	\$ 22,373	\$ 21,652	\$ 21,895
Contributions in relation to the contractually required contribution	24,801	20,343	23,053	22,373	21,652	21,895
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 2,000,361	\$ 2,480,865	\$ 2,777,479	\$ 2,695,485	\$ 2,608,666	\$ 2,637,980
Contributions as a percentage of covered-employee payroll	1.24%	0.82%	0.83%	0.83%	0.83%	0.83%

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for those years only for which information is available.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

1. Factors and Trends in Actuarial Assumptions Used Under GASB No. 68 for the PSERS Pension Plan

Actuarial Valuation Date/ Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
College Fiscal Year In Which NPL is Recorded	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.00%	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	4.50%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	50% PubT-2010 and 50% PubG-2010	50% PubT-2010 and 50% PubG-2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000
Changes in Benefits	None	None	None	A new hybrid defined benefit/defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	33.09%	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
College Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

2. Factors and Trends in Actuarial Assumptions Used Under GASB No. 68 for the SERS Pension Plan

Actuarial Valuation Date/ Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
College Fiscal Year In Which NPL is Recorded	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	6.875%	7.00%	7.00%	7.125%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	4.55%	4.60%	4.60%	5.60%	5.60%	5.60%	5.60%	5.70%	6.10%
Mortality	PubG-2010 and PubNS-2010	PubG-2010 and PubNS-2010	PubG-2010 and PubNS-2010	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000
Changes in Benefits	None	None	None	A new hybrid defined benefit/ defined contribution plan is applicable for new SERS members on January 1, 2019 and thereafter	None	None	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above ¹	35.27%	34.10%	33.76%	33.45%	33.53%	32.90%	33.22%	29.50%	25.00%
College Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

¹ – Information was obtained from the SERS Annual Comprehensive Financial Report (SERS Report) for the respective year. Contribution rate information for each individual service class was not presented within the SERS Report; thus, this represents a blended rate for all membership classes.

BUCKS COUNTY COMMUNITY COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

3. OPEB

Actuarial Methods and Assumptions under GASB Statement No. 75

The methods and assumptions used to determine contributions rates are as follows:

Actuarial valuation date	July 1, 2023
Actuarial cost method	Entry Age Normal Percentage of Pay
Amortization Period	30 years
Asset valuation method	Market Value
Inflation	3.00%
Wage Inflation	3.50%
Healthcare cost trend rates	8% increase in the first year, decreasing by 0.5% per year to an ultimate rate of 5% Dental and vision claims assumed to increase by 4% per year
Salary increases	4.00%, average, including inflation
Investment rate of return	3.65% (6/30/2023 Bond Buyer Index AA) 3.54% (6/30/2022 Bond Buyer Index AA)
Retirement age	10% at ages 62-64, 30% at 65, 25% at 66, 35% at 67, 40% at 68, 50% at 69, 100% at age 70
Mortality	RP-2000 Combined Healthy with Scale AA

Changes of Assumptions

In 2022, the investment rate of return was updated by the Actuary to reflect current market conditions. The long-term investment rate of return increased from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

In 2023, the investment rate of return was updated by the Actuary to reflect current market conditions. The long-term investment rate of return increased from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023.

**Bucks County
Community College**

Independent Auditor's Reports in
Accordance with Government Auditing Standards

Year Ended June 30, 2023

**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

**Board of Trustees
Bucks County Community College**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bucks County Community College (College), which comprise the College’s statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2024. Our report includes a reference to other auditors who audited the financial statements of Bucks County Community College Foundation (Foundation), the discretely presented component unit, as described in our report on the College’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the

accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
May 30, 2024

BUCKS COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

Finding 2023-001: Financial Reporting (Material Weakness)

Criteria: Internal control is a process which captures and properly records transactions, safeguards assets and assures compliance with laws and regulations. One critical element of internal control includes periodic reconciliations of accounts to supporting documentation to ensure accurate periodic and year-end financial reporting.

Condition/Context: Material audit adjustments were proposed in connection with the June 30, 2023 financial statement audit, affecting the College's cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses, net position (equity) revenue and expenses. Such adjustments increased in both number and dollar value as compared with fiscal year 2022.

Cause: The College has experienced turnover in the accounting department in the midst of upgrading to Workday's Enterprise Resource Planning (ERP) system.

Effect: The above constitutes a material weakness in internal control over financial reporting.

Recommendation: As management continues to acclimate itself with the College's various processes and the new ERP system, we recommend working with the external auditors to gain a more thorough understanding of the types of adjustments that were proposed and incorporating these concepts into its year-end closing process going forward. Achieving full complement in terms of accounting department personnel will also be beneficial to this process.

View of responsible officials and planned corrective actions: Bucks County Community College agrees with the finding. The board of trustees is engaged in active oversight of the Accounting and Finance function to support management's efforts to address the finding. This is accomplished via finance and Operations committee and also with a distinct Audit Committee.

The Audit Committee is supplementing the efforts of the Finance Committee to review information from the external auditors and support the initiatives undertaken by management to address the finding.

Actions authorized and taken include the following:

- Additional resources have been engaged to strengthen the capabilities of the accounting and finance staff with respect to their knowledge of relevant Governmental Accounting

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Standards and the Workday ERP system and additional resources, such as the employment of a well-qualified fulltime Controller are actively being sought.

- Reviews of specific task level capabilities amount the accounting and finance staff are ongoing and steps have been taken to eliminate certain non-core tasks and responsibilities so that work may be realigned as necessary to optimize the team's performance.
- The College continues to actively recruit for open positions in the accounting and finance team, including most notably a controller as mentioned above, to achieve a full complement what will support efficient execution of the department's operations
- Management has met and continues to meet with the external auditors, understands the nature and basis for the adjusting entries, and is incorporating this understanding into the closing process.
- A regular communication schedule with the external auditors has been established. We will schedule a planning meeting and regular meetings throughout the fiscal year 2024 audit cycle with the external auditors to ensure timely completion of the audit and prompt resolution of any questions or issues that arise.