

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

Combined Financial Statements and
Supplementary Information

June 30, 2020

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

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Independent Auditors' Report

To the Members of the Board of
Bucks County Community College Authority

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Bucks County Community College Authority (the Authority), a component unit of the County of Bucks, Pennsylvania, which comprise the combined statement of fiduciary net position as of June 30, 2020, and the related combined statement of changes in fiduciary net position for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of Bucks County Community College Authority, a component unit of the County of Bucks, Pennsylvania, as of June 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of changes in fiduciary net position on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining schedule of changes in fiduciary net position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of changes in fiduciary net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 18, 2020

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

Management's Discussion and Analysis
June 30, 2020
(Unaudited)

The Bucks County Community College Authority (the Authority) was created by resolution of the Board of Commissioners of the County of Bucks (the County). The purpose of the Authority is to acquire, hold, construct, improve, maintain and operate, own and lease, either in the capacity of lessor or lessee, buildings to be devoted wholly or partially for public uses, and all facilities necessary or incidental thereto, for furthering public post-secondary education and training.

A Certificate of Incorporation dated March 16, 1965 was issued to the Authority by the Secretary of the Commonwealth of Pennsylvania. Pursuant to the Amendment of the Authority's Articles of Incorporation, the corporate life of the Authority has been extended to September 27, 2046.

The governing board of the Authority (the Board) consists of five members appointed by the County Board of Commissioners for staggered terms of five years. Members of the Board may be reappointed. None of the members of the Board are members of the Board of Commissioners of the County.

From time to time the Authority issues bonds, the proceeds of which are utilized for the construction of new facilities and the installation of new equipment for use by the Bucks County Community College (the College). The College currently maintains three campuses, two of which are owned by the Authority. The two campuses owned by the Authority are the Newtown Campus and the Upper Bucks Campus, located in Perkasio. Both campuses are leased by the Authority to the County which in turn subleases the facilities and properties to the College.

The lease agreements between the Authority and the County provide for the payment by the County of semi-annual fixed rental payments, from its tax and other general revenues, in the amounts and on the dates as set forth in each lease agreement. The County's sublease agreements with the College provide for payment of the same amounts to the County as is required in the County's lease agreement with the Authority. The fixed rental payments are set in amounts sufficient in each year to pay the applicable administration expenses of the Authority, including the compensation and expenses of the trustee of any outstanding bonds, and in the aggregate, to pay an amount sufficient to pay the interest on and principal of any outstanding bonds over the life thereof calculated upon the respective interest rates and on a cumulative basis, sufficient to pay the principal of and interest on all bonds on the respective maturity dates thereof.

Currently the Authority does not perform any significant role in connection with the operations of the College outside of issuing and monitoring the bonds issued as set forth above. The primary responsibilities of the Authority in this regard are set forth in the Trust Indentures (Indentures) issued in connection with the bonds. The Indentures are between the Authority and the trustee, Bank of New York Mellon (the Trustee). The funds held by the Authority under the Indentures consist of the Construction Fund, Revenue Fund, Debt Service and Sinking Fund and Bond Redemption and Improvement Fund. Transfers to and from each of the funds are made in accordance with the provisions of the Indentures.

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

Management's Discussion and Analysis
 June 30, 2020
 (Unaudited)

Fiscal Year 2020 Financial Highlights

In May 2019, the Authority issued new bonds of approximately \$20 million. The proceeds are being used for the benefit of the College for construction projects. Debt service payments will continue to be made and rental receivables will continue to be collected in compliance with the respective bond and lease agreements.

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|--|-----------------|-----------------|------------------|
| Assets: | | | |
| Noncurrent assets: | | | |
| Net future rent receivables | \$ 59.58 | \$ 63.92 | \$ (4.34) |
| Other | 25.40 | 30.49 | (5.09) |
| Total assets | 84.98 | 94.41 | (9.43) |
| Deferred outflows | - | - | - |
| Total assets and deferred outflows | <u>\$ 84.98</u> | <u>\$ 94.41</u> | <u>\$ (9.47)</u> |
| Liabilities: | | | |
| Noncurrent liabilities | \$ 84.94 | \$ 94.37 | \$ (9.43) |
| Deferred inflows | .04 | .04 | - |
| Total liabilities and deferred inflows | 84.98 | 94.41 | (9.43) |
| Net position: | | | |
| Held in trust | - | - | - |
| Total liabilities, deferred inflows and net position | <u>\$ 84.98</u> | <u>\$ 94.41</u> | <u>\$ (9.43)</u> |

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

| | <u>2020</u> | <u>2019</u> | <u>Change</u> |
|-----------------------------------|-------------|-------------|---------------|
| Additions: | | | |
| Rentals | \$ 1.37 | \$ 1.26 | \$ 0.11 |
| Interest income | .34 | .11 | 0.23 |
| Total additions | 1.71 | 1.37 | 0.32 |
| Deductions: | | | |
| Debt service | 1.71 | 1.19 | 0.52 |
| Professional fees | - | .18 | (0.18) |
| Change in net position | - | - | - |
| Net position: | | | |
| Net position at beginning of year | - | - | - |
| Net position at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Management's Discussion and Analysis
June 30, 2020
(Unaudited)

Overview of Financial Statements

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

The combined statement of fiduciary net position presents information on the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference between the two reported as net position.

The combined statement of changes in fiduciary net position presents information showing how the Authority's net position changed during the most recent fiscal year.

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

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Administrative Affairs & CFO, Bucks County Community College, 275 Swamp Road, Newtown, Pennsylvania 18940.

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

Combined Statement of Fiduciary Net Position

June 30, 2020

| Assets | |
|---|-----------------------------|
| Future Rentals Receivable | \$ 59,582,763 |
| Due From Bucks County Community College | 4,368,831 |
| Restricted Cash and Cash Equivalents | <u>21,031,159</u> |
| Total assets | <u><u>\$ 84,982,753</u></u> |
| Liabilities, Deferred Inflows and Net Position | |
| Accrued Interest | \$ 84,698 |
| Proceeds Payable to Bucks County Community College | 21,031,159 |
| Funded Debt | <u>63,829,443</u> |
| Total liabilities | 84,945,300 |
| Deferred Inflows | |
| Gain on advance refunding | <u>37,453</u> |
| Total liabilities and deferred inflows | 84,982,753 |
| Net Position | <u>-</u> |
| Total liabilities, deferred inflows and net position | <u><u>\$ 84,982,753</u></u> |

See notes to combined financial statements

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

Combined Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

Additions

| | |
|-----------------|----------------|
| Rentals | \$ 1,373,251 |
| Interest income | <u>337,121</u> |

| | |
|-----------------|------------------|
| Total additions | <u>1,710,372</u> |
|-----------------|------------------|

Deductions

| | |
|------------------------|------------------|
| Debt service, interest | <u>1,710,372</u> |
|------------------------|------------------|

| | |
|------------------------|---|
| Change in net position | - |
|------------------------|---|

| | |
|--------------------------------|----------|
| Net Position, Beginning | <u>-</u> |
|--------------------------------|----------|

| | |
|-----------------------------|--------------------|
| Net Position, Ending | <u><u>\$ -</u></u> |
|-----------------------------|--------------------|

See notes to combined financial statements

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

Notes to Combined Financial Statements
June 30, 2020

1. Nature of Operations and Summary of Significant Accounting Policies

The Bucks County Community College Authority (a component unit of the County of Bucks, Pennsylvania) (the Authority) was incorporated on March 16, 1965 for a term of fifty years, by the Board of County Commissioners of the County of Bucks, Pennsylvania (the County), pursuant to the Municipality Authorities Act of 1945, as amended, of the Commonwealth of Pennsylvania. On August 7, 1996, the County enacted an ordinance amending the Articles of Incorporation of the Authority to extend the life of the Authority to fifty years from the approval of the Articles of Amendment by the Secretary of the Commonwealth of Pennsylvania.

The Authority was created for the purpose of acquiring, holding, constructing, improving, maintaining and operating, owning, leasing, either in the capacity of lessor or lessee, buildings to be devoted wholly or partially for public uses and all facilities necessary or incidental thereto, for furthering public post-secondary education and training.

The Authority is authorized to borrow money, make and issue negotiable notes, bonds and other evidences of indebtedness, and to secure the payment thereof, to the extent provided in the trust indentures between the Authority and Bank of New York Mellon (the Trustee), by the pledge of any or all of the receipts and revenues of the Authority from the Bucks County Community College (the College) buildings. It is provided, however, that the Authority shall have no power at any time or in any manner to pledge the credit or taxing power of the Commonwealth of Pennsylvania, the County, or any political subdivision of said Commonwealth.

The powers of the Authority are exercised by a board of five members.

When the Authority issues funded debt, lease agreements are entered into between the Authority and the County for the rental of facilities by the County. Concurrently with these agreements, the County, under lease agreements with the College, subleases the property to the College for the same rentals. Rights to rentals under all lease agreements were assigned to the Trustee under the terms of the trust indentures.

The trust fund assets are maintained by the Trustee and accounted for in various funds restricted for specific uses as designated by the trust indentures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The combined financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of money market accounts and highly liquid U.S. Treasury securities with original maturities of less than 90 days.

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

Notes to Combined Financial Statements
June 30, 2020

Recently Issued Accounting Standards Not Yet Adopted

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. To the extent applicable, the Authority is required to adopt Statement No. 91 for its fiscal year 2021 financial statements.

2. Future Rentals Received

Under the terms of the lease agreement between the Authority and the County and the sublease between the College and the County, the Authority is to receive monthly rentals of amounts sufficient to pay the debt service due on the outstanding bonds and pay the annual administrative expenses of the Authority.

Aggregate rentals receivable over the term of the sublease have been discounted to the present value which represents the portion of such rentals applicable to the retirement of the bonds. Payments and discount rates related to these future rentals are described in Note 4.

3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents balances represent funds whose use is restricted by the Trust Indenture and include a construction fund, revenue fund, debt service and sinking funds. Transfers to and from each of the funds are made in accordance with provisions of the applicable Trust Indenture. At June 30, 2020, approximately \$21,000,000 of the Authority's restricted cash and cash equivalents were uninsured but collateralized by assets held by the bank's trust department on a pooled basis, not in the Authority's name.

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

Notes to Combined Financial Statements
June 30, 2020

4. Funded Debt

Funded debt consists of the following at June 30, 2020:

| | |
|---|-----------------------------|
| College Building Revenue Bonds, Series 2019, payable in semiannual installments of \$1,190,000 in 2020 to \$2,024,650, maturing in 2039, plus interest payable semiannually at rates ranging from 2.40% to 5% | \$ 19,320,000 |
| College Building Revenue Bonds, Series 2017, payable in annual installments ranging from \$671,000 in 2020 to \$791,000, maturing in 2027, plus interest payable annually at a fixed rate of 2.28% | 5,164,000 |
| College Building Revenue Bonds, Series 2016, payable in annual installments ranging from \$905,000 in 2020 to \$1,530,000, maturing in 2028, plus interest payable semiannually at rates ranging from 1.75% to 5% | 10,575,000 |
| College Building Revenue Bonds, Series 2014, payable in annual installments ranging from \$1,030,000 in 2020 to \$1,825,000, maturing in 2034, plus interest payable semiannually at rates ranging from 2% to 5% | 20,215,000 |
| Revenue Note Payable, Series 2007, payable in monthly installments of \$60,243, including interest at 3.99% with final maturity in 2027 | <u>4,308,763</u> |
| Total | 59,582,763 |
| Original issue premiums | <u>4,246,680</u> |
| Funded debt | <u><u>\$ 63,829,443</u></u> |

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

Notes to Combined Financial Statements
June 30, 2020

In May 2007, the Authority issued a \$9,950,000 Revenue Note Payable, Series of 2007 (the 2007 Note) to finance a portion of the construction project at the College's Lower County Campus in Bristol, Pennsylvania. This note is secured by pledged revenues of the College and payments are guaranteed by the County.

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. The 2014 Bonds are secured by the lease rentals payable by the College to the Authority under the Second Supplemental Lease and Sublease, and payments are guaranteed by the County.

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 2020. The 2016 Bonds are secured by the lease rentals payable by the College to the Authority under the Third Supplemental Lease and Sublease, and payments are guaranteed by the County.

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 2017 Bonds are secured by the lease rentals payable by the College to the Authority under the Fourth Supplemental Lease and Sublease, and payments are guaranteed by the County.

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 2019 Bonds are secured by the lease rentals payable by the College to the Authority under the Fifth Supplemental Lease and Sublease, and payments are guaranteed by the County.

The 2007 Note, 2014 Bonds, 2016 Bonds, 2017 Bonds and 2019 Bonds are guaranteed in full by the County. Since inception, the Authority has met each of its debt service payment requirements on these obligations.

The following is a summary of changes in funded debt for the year ended June 30, 2020:

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2020</u> |
|-------------|----------------------|------------------|---------------------|----------------------|
| Funded debt | \$ 63,919,055 | \$ - | \$ 4,336,292 | \$ 59,582,763 |
| Premiums | 4,755,023 | - | 508,343 | 4,246,680 |
| Total | <u>\$ 68,674,078</u> | <u>\$ -</u> | <u>\$ 4,844,635</u> | <u>\$ 63,829,443</u> |

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

Notes to Combined Financial Statements
 June 30, 2020

The principal and interest payments required under the funded debt obligations are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|----------------------|----------------------|----------------------|
| Years ending June 30: | | | |
| 2021 | \$ 4,487,542 | \$ 2,266,412 | \$ 6,753,954 |
| 2022 | 4,896,321 | 2,121,478 | 7,017,799 |
| 2023 | 5,087,026 | 1,926,192 | 7,013,218 |
| 2024 | 5,303,450 | 1,717,992 | 7,021,442 |
| 2025 | 5,466,355 | 1,543,207 | 7,009,562 |
| 2026 - 2030 | 20,297,069 | 4,894,083 | 25,191,152 |
| 2031 - 2035 | 10,485,000 | 2,099,100 | 12,584,100 |
| 2036 - 2039 | 3,560,000 | 455,750 | 4,015,750 |
| | <u>\$ 59,582,763</u> | <u>\$ 17,024,214</u> | <u>\$ 76,606,977</u> |
| Total | | | |

5. Insurance Coverage

Insurance providing fire and extended coverage protection on all College buildings and contents amounted to approximately \$245,000,000 at June 30, 2020. The policy is written with a 90 percent co-insurance clause.

6. Subsequent Events

Subsequent events have been evaluated through December 18, 2020, the date the financial statements were available to be issued.

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

Combining Schedule of Changes in Fiduciary Net Position
Year Ended June 30, 2020

| | <u>Total</u> | <u>2014 Bonds</u> | <u>2016 Bonds</u> | <u>2017 Bonds</u> | <u>2019 Bonds</u> |
|--------------------------------|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Additions | | | | | |
| Rentals | \$ 1,373,251 | \$ 671,494 | \$ 209,804 | \$ 105,736 | \$ 386,217 |
| Interest income | 337,121 | 95 | 10,246 | 27,415 | 299,365 |
| Total additions | 1,710,372 | 671,589 | 220,050 | 133,151 | 685,582 |
| Deductions | | | | | |
| Debt service, interest | 1,710,372 | 671,589 | 220,050 | 133,151 | 685,582 |
| Change in net position | - | - | - | - | - |
| Net Position, Beginning | - | - | - | - | - |
| Net Position, Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |