

**MIDDLE BUCKS AREA
VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
JAMISON, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2024

MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Middle Bucks Area Vocational-Technical School Authority
Jamison, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the cash basis financial statements of the business-type activities of the Middle Bucks Area Vocational-Technical School Authority (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the Authority, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 the cash basis of accounting described in Note A, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.



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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 opinions. 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 GAAS 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 GAAS, 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 Authority'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 Authority'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 management's discussion and analysis on pages 4 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Authority's basic financial statements. The bond and lease schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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The bond and lease schedules are 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. The 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 [identify accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFSKE AXELROD LLC

December 12, 2024
Jamison, Pennsylvania

**MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Middle Bucks Area Vocational-Technical School Authority's ("the Authority") discussion and analysis offers readers of the Authority's financial statements a narrative overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2024 and June 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements, notes to the financial statements and supplementary information that immediately follow this discussion.

Financial Highlights

The assets of the Authority exceeded its liabilities as of June 30, 2024 and 2023, respectively, by \$5,342 and \$10,050. As of June 30, 2024 the entire net position balance is reported as unrestricted and may be used for Authority operations.

The Authority's net assets decreased by \$4,708 for the fiscal year ended June 30, 2024, compared to a decrease of \$335,230 in the fiscal year ended June 30, 2023. The decrease was due to funds being used to fund professional services fees.

The Authority's long-term debt consists of the Series of 2020 bonds which totaled \$6,885,000 as of June 30, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These basic financial statements are comprised of the government-wide financial statements presented in the statement of net position, similar to businesses in the private sector. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide reader with an overview of the Authority's financial position in a manner similar to a business in the private sector.

The statement of net position-modified cash basis presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. The statement of activities - modified cash basis presents information the Authority's revenues and expenditures, with the difference reported as the change in net position.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes can be found immediately following the basic financial statements in this report.

MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
JUNE 30, 2024

Assets	
Cash - Operating	\$ 5,992
Lease Rentals Receivable	6,885,000
Total Assets	<u>\$ 6,890,992</u>
Liabilities and Net Position	
Current Liabilities:	
Accounts Payable	\$ 650
Bonds Payable - Guaranteed Revenue Bonds	1,335,000
Noncurrent Liabilities:	
Bonds Payable - Guaranteed Revenue Bonds	<u>5,550,000</u>
Total Liabilities	<u>6,885,650</u>
Net Position:	
Unrestricted	<u>5,342</u>
Total Net Position	<u>5,342</u>
Total Liabilities and Net Position	<u>\$ 6,890,992</u>

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

MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2024

Operating Revenue	
Lease Rental Interest Collected	\$ 144,000
Administrative Fees Collected	4,000
	148,000
Total Operating Revenues	148,000
Operating Expenditures	
Advertising	194
Legal and Professional Fees	9,020
Trustee Fees Paid	2,000
Interest Paid on Bonds	144,000
Miscellaneous	925
	156,139
Total Operating Expenditures	156,139
Operating Income (Loss)	(8,139)
Nonoperating Expenses	
Interest	3,431
	3,431
Change in Net Position	(4,708)
Net Position, Beginning of Year	10,050
Net Position, End of Year	\$ 5,342

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

MIDDLE BUCKS VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Middle Bucks Area Vocational-Technical School Authority ("the Authority") was incorporated under the Pennsylvania Municipality Authorities Act of 1945, pursuant to resolutions and agreements adopted by the Middle Bucks Institute of Technology (formerly the Middle Bucks Area Vocational-Technical School) and the Centennial School District, Central Bucks School District, New Hope-Solebury School District and Council Rock School District.

Basis of Accounting

The Authority prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 as business-type activities and the statements are prepared on the modified cash basis that includes the recording of lease rentals receivable and bonds payable. Under the modified cash basis of accounting, revenues and the related assets are generally recognized when received and expenses are generally recognized when paid.

Leases

The Authority uses the "financing method" for accounting for leases. This method considers that capital assets acquired by the Authority are in reality assets of the technical school or the member districts, and that the Authority should include in its assets only that portion of future rentals which will be collected and applied to retire the outstanding debt.

NOTE B CASH FUNDS HELD BY TRUSTEE

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk.

The Authority's cash as of June 30, 2024, had a carrying balance of \$5,992 and bank balance of \$5,992. Cash held in banks is insured up to \$250,000.

NOTE C LEASE AGREEMENTS

On December 30, 2020, the Authority advance refunded the remaining portion of its Series of 2014 bonds. The Authority issued \$9,810,000 of bonds (Guaranteed Revenues Bonds, Series of 2020) to refund \$9,145,000 of the 2014 bonds with higher interest rates and generated excess funds of \$809,758 to use for renovations. Additional lease rental payments will equal the debt service on the new bond issue dated December 30, 2020. This lease has also been assigned as collateral to the indenture trustee, U.S. Bank.

As of June 2024, the remaining rentals to be paid under the leases total \$6,885,000 plus \$4,000 annually for administrative expenses, as follows:

MIDDLE BUCKS VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

	Lease Dated December 30, 2020
Total minimum lease payments to be received	\$ 7,289,650
Less: Unearned income	(404,650)
Net investment in direct financing lease	<u>\$ 6,885,000</u>

At June 30, 2024, minimum lease payments for the succeeding fiscal years are as follows:

Year Ending June 30,	
2025	\$ 1,459,350
2026	1,456,000
2027	1,459,100
2028	1,456,600
2029	<u>1,458,600</u>
	<u>\$ 7,289,650</u>

The rental payments necessary to service the Authority's bond issue are shared by the four participating School Districts on the basis of real estate market values furnished by the Pennsylvania Tax Equalization Division, formerly known as the State Tax Equalization Board.

For the year ending June 30, 2024, the estimated base rental distribution for the four participating School Districts were:

	Proportionate Share of Real Estate Market Value	Lease Dated December 30, 2020
Centennial	28.93%	\$ 422,190
Central Bucks	49.69%	725,151
Council Rock	18.81%	274,504
New Hope-Solebury	<u>2.57%</u>	<u>37,505</u>
	<u>100.00%</u>	<u>\$ 1,459,350</u>

Series of 2020

On December 30, 2020, the Authority authorized the issuance of Guaranteed Revenue Bonds, Series of 2020, totaling \$9,810,000. The purpose of the issue was to finance the refund of \$9,145,000 of outstanding guaranteed Lease Revenue Bonds, Series of 2014 and generate excess funds of \$809,758 to use for renovations. These bonds were issued pursuant to and secured by the Authority's Trust Indenture dated December 30, 2020.

MIDDLE BUCKS VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

The Series of 2020 bonds are dated December 30, 2020 and pay interest semi-annually on February 15 and August 15 of each year until maturity or redemption. The bonds carry interest rates ranging from 1.0% to 2.0%. They will mature on various dates between February 15, 2021 and February 15, 2029. The bonds maturing on and after February 15, 2027 are subject to early redemption.

Maturities for future years are as follows:

<u>Maturing on February 15,</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	\$ 1,335,000	\$ 124,350	\$ 1,459,350
2026	1,345,000	111,000	1,456,000
2027	1,375,000	84,100	1,459,100
2028	1,400,000	56,600	1,456,600
2029	<u>1,430,000</u>	<u>28,600</u>	<u>1,458,600</u>
	<u>\$ 6,885,000</u>	<u>\$ 404,650</u>	<u>\$ 7,289,650</u>

NOTE E SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2024, which is the date the financial statements were available to be issued.

**MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
SUMMARY OF REMAINING OBLIGATIONS UNDER THE BOND ISSUE
GUARANTEED REVENUE BONDS - SERIES OF 2020
JUNE 30, 2024**

Original Amount	Maturing on February 15 of Year	Interest Rate	Interest Due For Year-End June 30
\$ 1,335,000	2025	1.00%	\$ 124,350
1,345,000	2026	2.00%	111,000
1,375,000	2027	2.00%	84,100
1,400,000	2028	2.00%	56,600
1,430,000	2029	2.00%	28,600
\$ 6,885,000			\$ 404,650

MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
SUMMARY OF REMAINING OBLIGATIONS UNDER THE BOND ISSUE
GUARANTEED REVENUE BONDS - SERIES OF 2020
JUNE 30, 2024

Date of Final Maturity	February 15, 2029
Obligations to be met	
Bonds Outstanding	\$ 6,885,000
Interest payments due to final maturity	404,650
Estimated Authority expenses to final maturity	<u>20,000</u>
Total obligations to be met	<u>7,309,650</u>
Less amount to be provided	
Rents to be collected to final maturity	7,289,650
Additional rents to be collected for administration expenses	<u>20,000</u>
Total deductions	<u>7,309,650</u>
Excess of amounts to be provided over obligations to be met	<u><u>\$ -</u></u>

**MIDDLE BUCKS AREA VOCATIONAL-TECHNICAL SCHOOL AUTHORITY
SUMMARY OF LEASE PAYMENTS DUE
GUARANTEED REVENUE BONDS - SERIES OF 2020
JUNE 30, 2024**

School Year Ending June 30	August 15	February 15	Annual Rentals
2025	\$ 62,175	\$ 1,397,175	\$ 1,459,350
2026	55,500	1,400,500	1,456,000
2027	42,050	1,417,050	1,459,100
2028	28,300	1,428,300	1,456,600
2029	14,300	1,444,300	1,458,600
			<u>\$ 7,289,650</u>