



**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2013

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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January 10, 2014

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Delco School District (the "District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated January 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 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 opinions on the financial statements that collectively comprise Southeast Delco School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements.

Board of School Directors
Southeast Delco School District

The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Southeast Delco School District'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 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 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 District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2013**

This discussion and analysis of the financial performance of Southeast Delco School District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Total net position for the District increased by \$676,567. Net position of governmental activities increased by \$846,979 and net position of business-type activities decreased by \$170,412. Program revenues accounted for \$17.9 million, or 26 percent of total revenues (\$67.8 million); and general revenues accounted for \$49.9 million, or 74 percent of the total.

As of June 30, 2013, the general fund reported a positive fund balance of \$7.8 million, of which \$5.7 million is unassigned, \$2.0 million is committed for capital projects, \$29 thousand is classified as nonspendable and \$10 thousand is assigned to athletic purposes. The capital projects fund reported a \$2.3 million fund balance restricted for capital purposes.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all the assets, deferred outflows of resources and liabilities of the District (except for fiduciary funds held in trust for student purposes) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at a conclusion regarding the overall health of the District.

The entity-wide financial statements of the District are divided into two categories:

- **Governmental Activities:** All the District's basic services are included here, such as instruction, administration and community services. Property taxes, state and federal subsidies and grants finance most of these activities.
- **Business-type Activities:** The District operates a food service function and charges fees to staff, students and visitors. The food service function also is subsidized through state and federal subsidies.

The reader is invited to review additional tax, enrollment, budget and financial information at the District's business office located in the administrative offices, which are located at 1560 Delmar Drive, Folcroft, Pennsylvania. Also available for review are official offering statements of recent District bond issues that contain related housing, commercial and demographic information about Southeast Delco School District.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$24.8 million at the close of the most recent fiscal year. In the prior year, assets and deferred outflows of resources exceeded liabilities by \$24.1 million.

A portion of the District's total net position (63.1 percent) reflects its net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table is a comparative analysis of fiscal year 2013 to 2012:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$22,571,382	\$32,176,032	\$ 88,873	\$ 242,307	\$22,660,255	\$32,418,339
Capital assets	69,370,394	60,836,189	68,791	70,307	69,439,185	60,906,496
Total Assets	<u>91,941,776</u>	<u>93,012,221</u>	<u>157,664</u>	<u>312,614</u>	<u>92,099,440</u>	<u>93,324,835</u>
Deferred charges on bond refunding	97,860	107,663	-	-	97,860	107,663
Total Deferred Outflows of Resources	<u>97,860</u>	<u>107,663</u>	<u>-</u>	<u>-</u>	<u>97,860</u>	<u>107,663</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$92,039,636</u>	<u>\$93,119,884</u>	<u>\$ 157,664</u>	<u>\$ 312,614</u>	<u>\$92,197,300</u>	<u>\$93,432,498</u>
LIABILITIES AND NET POSITION						
Current liabilities	\$12,940,514	\$11,654,703	\$ 32,405	\$ 16,943	\$12,972,919	\$11,671,646
Long-term liabilities	54,425,423	57,638,461	-	-	54,425,423	57,638,461
Total Liabilities	<u>67,365,937</u>	<u>69,293,164</u>	<u>32,405</u>	<u>16,943</u>	<u>67,398,342</u>	<u>69,310,107</u>
NET POSITION:						
Net investment in capital assets	15,576,779	4,372,503	68,791	70,307	15,645,570	4,442,810
Restricted for capital projects	2,285,300	12,136,817	-	-	2,285,300	12,136,817
Unrestricted	6,811,620	7,317,400	56,468	225,364	6,868,088	7,542,764
Total Net Position	<u>24,673,699</u>	<u>23,826,720</u>	<u>125,259</u>	<u>295,671</u>	<u>24,798,958</u>	<u>24,122,391</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$92,039,636</u>	<u>\$93,119,884</u>	<u>\$ 157,664</u>	<u>\$ 312,614</u>	<u>\$92,197,300</u>	<u>\$93,432,498</u>

Unrestricted accumulated net position represents resources to be used for unanticipated fluctuations in expenditures and/or revenues that can occur after the Board of School Directors approves an annual budget. Such fluctuations can result in expenditures that are greater than current year revenues. At such times, the District must rely on its accumulated fund balance (unrestricted accumulated net position) to make up the difference. Additionally, for certain categories of expenditures, the District may realize cost-saving opportunities if it prepays these expenses. If these prepayments are greater than currently realized revenues, then the District must rely on its unrestricted

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

accumulated net position in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net position as an important criterion when establishing the bond rating for a public school district.

Total net position of the District's governmental activities increased by \$846,979 and overall unrestricted net position reflects a positive balance of \$6,811,620. The District's net investment in capital assets increased by \$11,204,276. Total long-term liabilities decreased \$3,213,038, mainly attributable to principal paid on general obligation debt during the current year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities.

STATEMENT OF ACTIVITIES

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 42,514,505	\$(31,518,045)	\$ 42,020,158	\$(31,548,591)
Instructional support staff	4,980,751	(4,609,135)	4,405,316	(4,112,098)
Administration	4,967,926	(4,668,832)	4,923,327	(4,676,594)
Maintenance	4,644,596	(4,365,964)	4,585,485	(4,355,936)
Pupil transportation	3,733,205	(2,253,275)	3,786,994	(2,443,205)
Student activities	666,222	(610,556)	590,610	(549,759)
Community services	167,103	(148,803)	63,432	(54,857)
Interest and fiscal charges	3,420,661	(837,618)	3,691,535	(1,198,826)
Total Governmental Activities	<u>\$ 65,094,969</u>	<u>\$(49,012,228)</u>	<u>\$ 64,066,857</u>	<u>\$(48,939,866)</u>
Business-type Activities:				
Food service	<u>\$ 2,035,066</u>	<u>\$ (170,416)</u>	<u>\$ 1,993,259</u>	<u>\$ (92,532)</u>

The net cost of services for instructional support staff increased \$497 thousand as the District made significant computer and technology purchases in the current year. The net cost for interest and fiscal charges decreased to \$838 thousand from a net cost of \$1.2 million in 2012, which included \$503 thousand in issuance costs related to general obligation debt.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for services	\$ 82,970	\$ 83,708	\$ 477,774	\$ 480,243	\$ 560,744	\$ 563,951
Operating grants/contributions	14,395,516	13,543,985	1,386,876	1,420,484	15,782,392	14,964,469
Capital grants/contributions	1,604,255	1,499,298	-	-	1,604,255	1,499,298
Total Program Revenues	<u>16,082,741</u>	<u>15,126,991</u>	<u>1,864,650</u>	<u>1,900,727</u>	<u>17,947,391</u>	<u>17,027,718</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

CHANGES IN NET POSITION

(continued)	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Revenues:						
Property and other taxes	33,594,877	32,974,114	-	-	33,594,877	32,974,114
Grants and entitlements	16,132,278	16,134,189	-	-	16,132,278	16,134,189
Investment earnings	29,497	28,745	4	5	29,501	28,750
Miscellaneous	102,555	125,470	-	-	102,555	125,470
Total General Revenues	<u>49,859,207</u>	<u>49,262,518</u>	<u>4</u>	<u>5</u>	<u>49,859,211</u>	<u>49,262,523</u>
TOTAL REVENUES	65,941,948	64,389,509	1,864,654	1,900,732	67,806,602	66,290,241
EXPENSES						
Program Expenses:						
Instruction	42,514,505	42,020,158	-	-	42,514,505	42,020,158
Support Services:						
Instructional support staff	4,980,751	4,405,316	-	-	4,980,751	4,405,316
Administration	4,967,926	4,923,327	-	-	4,967,926	4,923,327
Maintenance	4,644,596	4,585,485	-	-	4,644,596	4,585,485
Pupil transportation	3,733,205	3,786,994	-	-	3,733,205	3,786,994
Student activities	666,222	590,610	-	-	666,222	590,610
Community services	167,103	63,432	-	-	167,103	63,432
Interest and fiscal charges	3,420,661	3,691,535	-	-	3,420,661	3,691,535
Food service	-	-	2,035,066	1,993,259	2,035,066	1,993,259
TOTAL EXPENSES	65,094,969	64,066,857	2,035,066	1,993,259	67,130,035	66,060,116
CHANGE IN NET POSITION	\$ 846,979	\$ 322,652	\$ (170,412)	\$ (92,527)	\$ 676,567	\$ 230,125

Governmental Activities

The cost of all governmental activities in 2012-2013 was \$65.1 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$33.6 million, or 51.6 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$32.1 million, or 49.3 percent. As indicated by the governmental program expenses, instructional programs account for approximately 65.3 percent of the total expenses of the District's governmental activities.

Business-type Activities

Business-type activities include the food service program. This program had a decrease in net position of \$170 thousand for the fiscal year.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary funds - Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements; therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary funds - The District is the trustee, or fiduciary, for its scholarship program and other items listed as private-purpose trusts. In addition, the District accounts for funds held on behalf of students of the District. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The District excludes these activities from its other financial statements because the assets cannot be used by the District to finance its operations.

Fund Financial Statements

The fund financial statements of the District's major funds provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$10.0 million, which is a decrease from the previous year's total by \$11.1 million. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2012 to June 30, 2013.

	<u>Fund Balance June 30, 2013</u>	<u>Fund Balance June 30, 2012</u>	<u>Decrease</u>
General Fund	\$ 7,757,583	\$ 8,989,931	\$ (1,232,348)
Capital Projects Fund	<u>2,285,300</u>	<u>12,136,817</u>	<u>(9,851,517)</u>
	<u>\$ 10,042,883</u>	<u>\$ 21,126,748</u>	<u>\$ (11,083,865)</u>

The decrease in fund balance for the general fund can be attributed to the budgeted use of fund balance of \$562 thousand, which was assigned in 2012 for purchases in the current year. In addition, the general fund also transferred \$695 thousand to the capital projects fund for renovation projects completed at various buildings.

The capital projects fund balance decreased as the District spent down capital project funds for ongoing renovations at Academy Park High School. The ending fund balance was \$2.3 million at June 30, 2013.

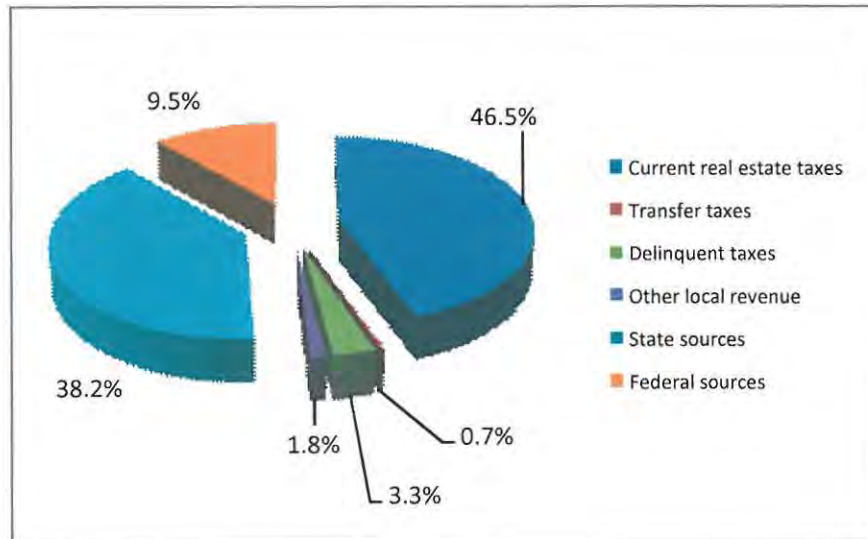
**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

REVENUES

	Fiscal Year		Variance	
	2013	2012	Amount	%
General Fund:				
Current real estate taxes	\$ 30,555,091	\$ 30,311,733	\$ 243,358	0.80%
Transfer taxes	438,078	174,705	263,373	150.75%
Delinquent taxes	2,199,557	2,440,443	(240,886)	-9.87%
Other local revenue	1,157,041	839,779	317,262	37.78%
State sources	25,056,403	24,270,350	786,053	3.24%
Federal sources	6,220,785	6,142,496	78,289	1.27%
TOTAL REVENUE	<u>\$ 65,626,955</u>	<u>\$ 64,179,506</u>	<u>\$ 1,447,449</u>	<u>2.26%</u>

Total general fund expenditures and other financing uses exceeded revenues by \$1.2 million. The millage rate for 2012-2013 was 36.8246 mills. The current year collection rate for 2012-2013 was 91.5 percent. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

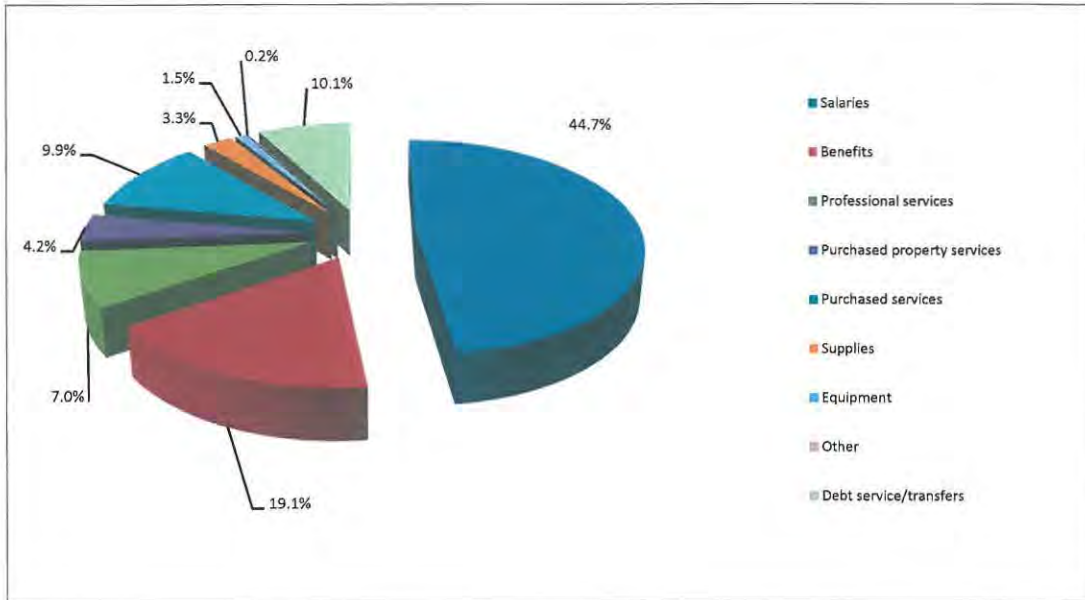


The District's current real estate tax revenue accounts for 46.5 percent of total funding, as illustrated in the above graph. State sources which include grants and subsidies accounted for 38.2 percent of District revenue.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

As the graph below illustrates, the largest portion of general fund expenditures are for salaries and fringe benefits. The District is a service entity and, as such, is labor-intensive.



EXPENDITURES

Object	Fiscal Year		Variance	
	2013	2012	Amount	%
Salaries	\$ 29,894,049	\$ 30,225,787	\$ (331,738)	-1.1%
Benefits	12,750,692	10,971,165	1,779,527	16.2%
Professional services	4,649,119	5,175,344	(526,225)	-10.2%
Purchased property services	2,812,506	2,595,280	217,226	8.4%
Purchased services	6,640,412	6,820,383	(179,971)	-2.6%
Supplies	2,196,122	1,574,103	622,019	39.5%
Equipment	1,023,676	553,592	470,084	84.9%
Other	130,334	70,655	59,679	84.5%
Debt service/transfers	6,762,393	4,864,637	1,897,756	39.0%
Total Expenditures by Object	\$ 66,859,303	\$ 62,850,946	\$ 4,008,357	6.4%

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

General fund expenditures increased \$4.0 million, or 6.4 percent, and there were significant increases compared to the prior year for supplies, equipment, debt service and transfers to other funds. These increases were for District-wide curriculum materials, computer and technology purchases, and increased principal and interest payments on general obligation debt. These increases were offset by decreases in professional services for special education and decreases in purchased professional services due to a District effort to reduce these expenditures.

General Fund Budget Information

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

The final budget amounts for expenditures reflect required changes in functional categories due to spending patterns.

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Instruction:				
1100	Regular programs	\$ 26,135,023	\$ 25,381,441	\$ (753,582)	-2.9%
1200	Special programs	11,964,665	11,964,665	-	0.0%
1300	Vocational programs	945,696	945,696	-	0.0%
1400	Other instructional programs	1,447,988	1,484,370	36,382	2.5%
1600	Higher education programs	332,221	332,221	-	0.0%
	Total Instruction	<u>40,825,593</u>	<u>40,108,393</u>	<u>(717,200)</u>	<u>-1.8%</u>
	Support Services:				
2100	Pupil personnel services	1,845,724	2,115,724	270,000	14.6%
2200	Instructional staff support	1,278,125	1,893,125	615,000	48.1%
2300	Administrative services	3,546,555	3,546,555	-	0.0%
2400	Pupil health	589,279	589,279	-	0.0%
2500	Business office	1,124,234	1,124,234	-	0.0%
2600	Maintenance and facilities	4,749,703	4,749,703	-	0.0%
2700	Student transportation services	3,579,362	3,353,362	(226,000)	-6.3%
2800	Information services	390,113	433,913	43,800	11.2%
2900	Other support services	29,550	29,550	-	0.0%
	Total Support Services	<u>17,132,645</u>	<u>17,835,445</u>	<u>702,800</u>	<u>4.1%</u>
	Operation of Noninstructional Services:				
3200	Student activities	546,987	561,387	14,400	2.6%
3300	Community services	125,000	125,000	-	0.0%
	Total Operation of Noninstructional Services	<u>671,987</u>	<u>686,387</u>	<u>14,400</u>	<u>2.1%</u>
5110	Debt service	6,188,296	6,188,296	-	0.0%
5200	Transfers out	47,000	47,000	-	0.0%
	TOTAL EXPENDITURES	<u>\$ 64,865,521</u>	<u>\$ 64,865,521</u>	<u>\$ -</u>	<u>0.0%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

Using spending variances in excess of \$50,000 and using 10 percent as a spending tolerance, the most significant changes in the District's original versus final budgeted expenditures were as follows:

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
2100	Pupil personnel services	\$ 1,845,724	\$ 2,115,726	\$ 270,000	14.6%
2200	Instructional staff support	1,278,125	1,893,125	615,000	48.1%

The District made budgetary transfers from regular instruction to pupil personnel services and instructional staff support to reflect revised budgets for the school improvement and 21st century federal programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$69.4 million invested in capital assets, net of accumulated depreciation; \$68.8 thousand of capital assets were allocated to the Food Service Fund. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At June 30, 2013, the District had \$53.4 million in outstanding bonds and notes payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The District's property tax base is relatively flat and has remained so for a number of years. Assessed market values of taxable real estate increased slightly over the previous year. Very little new housing or industrial development is occurring within the District, which will ultimately create an increased burden on taxpayers in future years as education costs continue to rise.

The District's student enrollment for 2012-2013 was 3,976 and is projected to increase to 4,125 in 2013-2014.

Future costs for the employer portion of the Pennsylvania School Employees' Retirement System are expected to increase and significantly impact future budgets. In addition, escalating health care premiums and contractual wage increases will increase expenditures in future periods.

The District will continue to benefit from notably low interest rates on newly refinanced general obligation debt, as well as from the federally subsidized Qualified Zone Academy Bonds and Qualified School Construction Bonds.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2013**

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Vanessa R. Scott, Business Manager, at Southeast Delco School District, 1560 Delmar Drive, Folcroft, PA 19032, 610-522-4300.

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013
(With Summarized Comparative Data for June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 16,859,006	\$ -	\$ 16,859,006	\$ 27,170,072
Internal balances	176,454	(176,454)	-	-
Taxes receivable	3,237,429	-	3,237,429	2,922,888
Due from other governments	2,234,780	229,397	2,464,177	2,227,863
Other receivables	34,887	21,185	56,072	16,191
Prepaid expenses	28,826	-	28,826	66,580
Inventories	-	14,745	14,745	14,745
Land	60,811	-	60,811	60,811
Land improvements	3,858,833	-	3,858,833	3,776,915
Construction-in-progress	28,634,254	-	28,634,254	18,668,274
Buildings and improvements	54,134,540	-	54,134,540	53,635,510
Furniture and equipment	5,941,132	294,100	6,235,232	6,785,436
Accumulated depreciation	(23,259,176)	(225,309)	(23,484,485)	(22,020,450)
TOTAL ASSETS	91,941,776	157,664	92,099,440	93,324,835
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	97,860	-	97,860	107,663
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 92,039,636	\$ 157,664	\$ 92,197,300	\$ 93,432,498
LIABILITIES AND NET POSITION				
LIABILITIES:				
Cash overdraft	\$ -	\$ 23,079	\$ 23,079	\$ -
Accounts payable	3,808,022	9,326	3,817,348	2,976,670
Accrued salaries and benefits	5,186,693	-	5,186,693	4,866,110
Accrued interest	1,172,278	-	1,172,278	1,148,992
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	1,026,838	-	1,026,838	1,027,754
Notes payable	1,666,847	-	1,666,847	1,594,376
Capital leases payable	79,836	-	79,836	57,744
Portion due or payable after one year:				
Bonds payable, net	21,413,596	-	21,413,596	22,440,434
Notes payable	28,902,777	-	28,902,777	30,569,624
Capital leases payable	801,581	-	801,581	881,417
Other post-employment benefits	1,636,171	-	1,636,171	1,365,715
Compensated absences/early retirement incentive plan	1,671,298	-	1,671,298	2,381,271
TOTAL LIABILITIES	67,365,937	32,405	67,398,342	69,310,107
NET POSITION:				
Net investment in capital assets	15,576,779	68,791	15,645,570	4,442,810
Restricted for capital projects	2,285,300	-	2,285,300	12,136,817
Unrestricted	6,811,620	56,468	6,868,088	7,542,764
TOTAL NET POSITION	24,673,699	125,259	24,798,958	24,122,391
TOTAL LIABILITIES AND NET POSITION	\$ 92,039,636	\$ 157,664	\$ 92,197,300	\$ 93,432,498

* - Restated (see note 16)

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 42,514,505	\$ 10,967,934	\$ -	\$ (31,518,045)	\$ -	\$ (31,518,045)
Instructional student support	4,980,751	371,616	-	(4,609,135)	-	(4,609,135)
Administrative and financial support services	4,967,926	299,094	-	(4,668,832)	-	(4,668,832)
Operation and maintenance of plant services	4,644,596	278,632	-	(4,365,964)	-	(4,365,964)
Pupil transportation	3,733,205	1,459,630	-	(2,253,275)	-	(2,253,275)
Student activities	666,222	39,822	-	(610,556)	-	(610,556)
Community services	167,103	-	-	(148,803)	-	(148,803)
Interest on long-term debt	3,420,661	978,788	1,604,255	(837,618)	-	(1,198,826)
TOTAL GOVERNMENTAL ACTIVITIES	65,094,969	14,395,516	1,604,255	(49,012,228)	-	(48,939,866)
BUSINESS-TYPE ACTIVITIES						
Food service	2,035,066	1,386,876	-	-	(170,416)	(92,532)
TOTAL BUSINESS-TYPE ACTIVITIES	2,035,066	1,386,876	-	-	(170,416)	(92,532)
TOTAL PRIMARY GOVERNMENT	\$ 67,130,035	\$ 15,782,392	\$ 1,604,255	(49,012,228)	(170,416)	(49,032,398)
GENERAL REVENUES						
Property taxes levied for general purposes				33,156,799	-	33,156,799
Taxes levied for specific purposes				438,078	-	438,078
Grants and entitlements not restricted to specific programs				16,132,278	-	16,132,278
Investment earnings				29,497	4	29,501
Miscellaneous				102,555	-	102,555
TOTAL GENERAL REVENUES				49,859,207	4	49,859,211
CHANGE IN NET POSITION				846,979	(170,412)	676,567
NET POSITION, BEGINNING OF YEAR				23,826,720	295,671	24,122,391
NET POSITION, END OF YEAR				\$ 24,673,699	\$ 125,259	\$ 24,798,958

* - Restated (see note 16)

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

(With Summarized Comparative Data for June 30, 2012)

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2013	2012
	Fund	Fund		
ASSETS				
Cash and cash equivalents	\$ 12,694,877	\$ 4,164,129	\$ 16,859,006	\$ 27,004,629
Taxes receivable	3,237,429	-	3,237,429	2,922,888
Due from other funds	176,454	-	176,454	270,048
Due from other governments	1,731,970	-	1,731,970	1,354,658
Other receivables	34,887	-	34,887	6,506
Prepaid items	28,826	-	28,826	66,580
TOTAL ASSETS	\$ 17,904,443	\$ 4,164,129	\$ 22,068,572	\$ 31,625,309
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,929,193	\$ 1,878,829	\$ 3,808,022	\$ 2,959,727
Accrued salaries and benefits	5,186,693	-	5,186,693	4,866,110
TOTAL LIABILITIES	7,115,886	1,878,829	8,994,715	7,825,837
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	3,030,974	-	3,030,974	2,672,724
TOTAL DEFERRED INFLOWS OF RESOURCES	3,030,974	-	3,030,974	2,672,724
FUND BALANCES:				
Nonspendable	28,826	-	28,826	66,580
Restricted for capital projects	-	2,285,300	2,285,300	12,136,817
Committed for capital projects	2,047,676	-	2,047,676	2,742,623
Assigned for athletic purposes	10,284	-	10,284	23,177
Assigned for future expenditures	-	-	-	561,585
Unassigned	5,670,797	-	5,670,797	5,595,966
TOTAL FUND BALANCES	7,757,583	2,285,300	10,042,883	21,126,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,904,443	\$ 4,164,129	\$ 22,068,572	\$ 31,625,309

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

**SOUTHEAST DELCO SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES \$ 10,042,883

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 60,811	
Land improvements	3,858,833	
Construction-in-progress	28,634,254	
Buildings and improvements	54,134,540	
Furniture and equipment	5,941,132	
Accumulated depreciation	<u>(23,259,176)</u>	69,370,394

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable, net	(22,440,434)	
Notes payable	(30,569,624)	
Capital leases payable	(881,417)	
Other post-employment benefits	(1,636,171)	
Accumulated compensated absences/early retirement incentive plan	(1,671,298)	
Accrued interest	<u>(1,172,278)</u>	(58,371,222)

The issuance of debt resulted in deferred charges which will be amortized over the life of the new debt but do not represent current rights. 97,860

Other assets related to long-term debt are not available to pay for current-period expenditures and are, therefore, not reported in the funds. 502,810

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 3,030,974

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 24,673,699

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2013	2012
REVENUES:				
Local sources	\$ 34,349,767	\$ 4,656	\$ 34,354,423	\$ 33,775,817
State sources	25,056,403	-	25,056,403	24,270,350
Federal sources	6,220,785	-	6,220,785	6,142,496
TOTAL REVENUES	<u>65,626,955</u>	<u>4,656</u>	<u>65,631,611</u>	<u>64,188,663</u>
EXPENDITURES:				
Current:				
Instruction	41,388,315	-	41,388,315	40,264,756
Support services	17,870,243	-	17,870,243	17,106,763
Operation of noninstructional services	811,438	-	811,438	634,233
Capital outlay	-	10,551,120	10,551,120	15,946,348
Debt issuance costs	-	-	-	503,292
Debt service	6,067,446	-	6,067,446	4,317,162
TOTAL EXPENDITURES	<u>66,137,442</u>	<u>10,551,120</u>	<u>76,688,562</u>	<u>78,772,554</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(510,487)</u>	<u>(10,546,464)</u>	<u>(11,056,951)</u>	<u>(14,583,891)</u>
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	-	-	22,420,000
Debt discount	-	-	-	(258,885)
Transfers in	-	694,947	694,947	457,377
Transfers out	(694,947)	-	(694,947)	(457,377)
Refund of prior year receipts	(26,914)	-	(26,914)	(70,655)
Payment to refunding agent	-	-	-	(13,632,663)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(721,861)</u>	<u>694,947</u>	<u>(26,914)</u>	<u>8,457,797</u>
NET CHANGE IN FUND BALANCES	<u>(1,232,348)</u>	<u>(9,851,517)</u>	<u>(11,083,865)</u>	<u>(6,126,094)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>8,989,931</u>	<u>12,136,817</u>	<u>21,126,748</u>	<u>27,252,842</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,757,583</u>	<u>\$ 2,285,300</u>	<u>\$ 10,042,883</u>	<u>\$ 21,126,748</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (11,083,865)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures, either as District-wide (capital outlay) or function-specific (i.e. instruction, pupil services.) However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay (\$10,569,048) exceeded depreciation (\$2,034,843).	8,534,205
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	358,250
Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurring debt increases liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	2,703,423
Governmental funds report bond discounts as expenditures and deferred bond refunding option proceeds and bond premiums as revenue. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt.	(33,352)
In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) other post-employment benefits ("OPEB") and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the net effect of the differences in the treatment of these items.	439,517
Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service-related payments are recognized as expenditures in the funds when they are due, therefore, the related subsidy reimbursements are recognized as the related debt payment is accrued, regardless of when it is due.	(47,913)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(23,286)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 846,979</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 33,639,037	\$ 33,639,037	\$ 34,349,767	\$ 710,730
State sources	24,618,182	24,618,182	25,056,403	438,221
Federal sources	6,046,717	6,046,717	6,220,785	174,068
TOTAL REVENUES	<u>64,303,936</u>	<u>64,303,936</u>	<u>65,626,955</u>	<u>1,323,019</u>
EXPENDITURES				
Instruction:				
Regular programs	26,135,023	25,381,441	26,290,208	(908,767)
Special programs	11,964,665	11,964,665	12,029,953	(65,288)
Vocational programs	945,696	945,696	945,696	-
Other instructional programs	1,447,988	1,484,370	1,786,652	(302,282)
Community/Junior college educational programs	332,221	332,221	335,806	(3,585)
Total Instruction	<u>40,825,593</u>	<u>40,108,393</u>	<u>41,388,315</u>	<u>(1,279,922)</u>
Support services:				
Pupil personnel services	1,845,724	2,115,724	2,153,039	(37,315)
Instructional staff services	1,278,125	1,893,125	2,095,871	(202,746)
Administrative services	3,546,555	3,546,555	3,465,802	80,753
Pupil health	589,279	589,279	603,013	(13,734)
Business services	1,124,234	1,124,234	913,398	210,836
Operation and maintenance of plant services	4,749,703	4,749,703	4,520,698	229,005
Student transportation services	3,579,362	3,353,362	3,658,193	(304,831)
Central	390,113	433,913	431,691	2,222
Other support services	29,550	29,550	28,538	1,012
Total Support Services	<u>17,132,645</u>	<u>17,835,445</u>	<u>17,870,243</u>	<u>(34,798)</u>
Operation of noninstructional activities:				
Student activities	546,987	561,387	644,335	(82,948)
Community services	125,000	125,000	167,103	(42,103)
Total Operation of Noninstructional Services	<u>671,987</u>	<u>686,387</u>	<u>811,438</u>	<u>(125,051)</u>
Debt service	6,188,296	6,188,296	6,067,446	120,850
TOTAL EXPENDITURES	<u>64,818,521</u>	<u>64,818,521</u>	<u>66,137,442</u>	<u>(1,318,921)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(514,585)</u>	<u>(514,585)</u>	<u>(510,487)</u>	<u>4,098</u>
OTHER FINANCING USES				
Transfers out	(47,000)	(47,000)	(694,947)	(647,947)
Refund of prior year receipts	-	-	(26,914)	(26,914)
TOTAL OTHER FINANCING USES	<u>(47,000)</u>	<u>(47,000)</u>	<u>(721,861)</u>	<u>(674,861)</u>
NET CHANGE IN FUND BALANCE	<u>(561,585)</u>	<u>(561,585)</u>	<u>(1,232,348)</u>	<u>(670,763)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>8,989,931</u>	<u>8,989,931</u>	<u>8,989,931</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,428,346</u>	<u>\$ 8,428,346</u>	<u>\$ 7,757,583</u>	<u>\$ (670,763)</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2013
(With Comparative Data for June 30, 2012)

	Major Fund	
	Food Service Fund	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ -	\$ 165,443
Due from other governments	229,397	322,482
Other receivables	21,185	9,685
Inventories	14,745	14,745
Total Current Assets	265,327	512,355
CAPITAL ASSETS:		
Furniture and equipment	294,100	282,112
Accumulated depreciation	(225,309)	(211,805)
Capital Assets, Net	68,791	70,307
TOTAL ASSETS	\$ 334,118	\$ 582,662
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Cash overdraft	\$ 23,079	\$ -
Accounts payable	9,326	16,943
Due to other funds	176,454	270,048
Total Current Liabilities	208,859	286,991
Net investment in capital assets	68,791	70,307
Unrestricted	56,468	225,364
Total Net Position	125,259	295,671
TOTAL LIABILITIES AND NET POSITION	\$ 334,118	\$ 582,662

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Data for the Year Ended June 30, 2012)

	Major Fund	
	Food Service Fund	
	2013	2012
OPERATING REVENUES		
Food service revenues	\$ 477,774	\$ 480,243
Total Operating Revenues	<u>477,774</u>	<u>480,243</u>
OPERATING EXPENSES		
Salaries	750,116	766,861
Employee benefits	238,563	210,168
Supplies	996,676	959,338
Equipment repairs	25,750	23,945
Other expenses	10,457	19,942
Depreciation	13,504	13,005
Total Operating Expenses	<u>2,035,066</u>	<u>1,993,259</u>
OPERATING LOSS	<u>(1,557,292)</u>	<u>(1,513,016)</u>
NONOPERATING REVENUES		
Earnings on investments	4	5
State sources	70,891	71,226
Federal sources	1,315,985	1,349,258
Total Nonoperating Revenues	<u>1,386,880</u>	<u>1,420,489</u>
CHANGE IN NET POSITION	(170,412)	(92,527)
NET POSITION, BEGINNING OF YEAR	<u>295,671</u>	<u>388,198</u>
NET POSITION, END OF YEAR	<u>\$ 125,259</u>	<u>\$ 295,671</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Data for the Year Ended June 30, 2012)**

	Major Fund	
	Food Service Fund	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 466,274	\$ 676,412
Payments to suppliers	(1,062,319)	(643,286)
Payments to employees	(988,679)	(977,029)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,584,724)</u>	<u>(943,903)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	75,604	57,024
Federal sources	1,332,582	1,006,877
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,408,186</u>	<u>1,063,901</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(11,988)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,988)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	4	5
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4</u>	<u>5</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(188,522)	120,003
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	165,443	45,440
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (23,079)</u>	<u>\$ 165,443</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,557,292)	\$ (1,513,016)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,504	13,005
Donated commodities	71,775	83,049
(Increase) Decrease in:		
Due from other funds	-	205,854
Other receivables	(11,500)	(9,685)
Increase (Decrease) in:		
Accounts payable	(7,617)	6,842
Due to other funds	(93,594)	270,048
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,584,724)</u>	<u>\$ (943,903)</u>
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	<u>\$ 71,775</u>	<u>\$ 83,049</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013**

	Private - Purpose Trust	Agency
ASSETS:		
Cash and cash equivalents	<u>\$ 14,335</u>	<u>\$ 101,278</u>
TOTAL ASSETS	<u><u>\$ 14,335</u></u>	<u><u>\$ 101,278</u></u>
 LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	\$ 101,278
NET POSITION:		
Reserved for trust	<u>14,335</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 14,335</u></u>	<u><u>\$ 101,278</u></u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
 STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013
 (With Comparative Data for the Year Ended June 30, 2012)**

	Private-Purpose Trust	
	2013	2012
ADDITIONS		
Local sources	\$ 4,412	\$ 6,343
TOTAL ADDITIONS	4,412	6,343
DEDUCTIONS		
Operation of non-instructional activities	20,459	4,550
TOTAL DEDUCTIONS	20,459	4,550
CHANGE IN NET POSITION	(16,047)	1,793
NET POSITION, BEGINNING OF YEAR	30,382	28,589
NET POSITION, END OF YEAR	\$ 14,335	\$ 30,382

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Delco School District (the "District") operates one full-day kindergarten, four elementary schools (1-8) and one senior high school to provide education and related services to the residents of the Township of Darby and the Boroughs of Collingdale, Folcroft and Sharon Hill. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member Board form of government.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 and GASB No. 61, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net position is reported as restricted when constraints placed on their use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Early Implementation of New Accounting Pronouncements

During the current year, the District elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for the acquisition, construction and renovation of major capital facilities and their related capital assets.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Specifically, general fund expenditures that partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the proprietary fund; similarly, the proprietary fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 - August 31	-	Discount period, 2% of gross levy
September 1 - October 31	-	Face Period
November 1 to collection	-	Penalty Period, 10% of gross levy
February 28	-	Lien Date

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2012-2013 was 36.8246 mills (\$36.8246 for \$1,000 of assessed valuation).

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	45-50 years
Land improvements	20-30 years
Furniture and equipment	3-20 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities, net of premiums and discounts, in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has two types of items that qualify for reporting in this category. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

Fund Equity

As of June 30, 2013, fund balances of the governmental funds are classified as applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of School Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee or the Business Manager may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to the date final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2013:

Regular programs	\$	908,767
Special programs	\$	65,288
Other instructional	\$	302,282
Community/Junior College educational programs	\$	3,585
Pupil personnel services	\$	37,315
Instructional staff services	\$	202,746
Pupil health	\$	13,734
Student transportation services	\$	304,831
Student activities	\$	82,948
Community services	\$	42,103

The excess of expenditures over appropriations was financed by current year revenue sources.

NOTE 3 DEPOSITS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools or mutual funds.

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. The District does not have a policy for custodial credit risk. At June 30, 2013, the carrying amount of the District's deposits was \$16,951,540 and the bank balance was \$18,158,689. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,622,505 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2013, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	<u>18,668,274</u>	<u>9,984,643</u>	<u>18,663</u>	<u>28,634,254</u>
Total Capital Assets Not Being Depreciated	<u>18,729,085</u>	<u>9,984,643</u>	<u>18,663</u>	<u>28,695,065</u>
Capital assets being depreciated:				
Land improvements	3,724,955	133,878	-	3,858,833
Buildings	53,687,470	447,070	-	54,134,540
Furniture and equipment	6,503,324	22,120	584,312	5,941,132
Total Capital Assets Being Depreciated	<u>63,915,749</u>	<u>603,068</u>	<u>584,312</u>	<u>63,934,505</u>
Less accumulated depreciation for:				
Land improvements	2,072,273	188,716	-	2,260,989
Buildings	14,809,113	1,035,816	-	15,844,929
Furniture and equipment	4,927,259	810,311	584,312	5,153,258
Total Accumulated Depreciation	<u>21,808,645</u>	<u>2,034,843</u>	<u>584,312</u>	<u>23,259,176</u>
Total Capital Assets Being Depreciated, Net	<u>42,107,104</u>	<u>(1,431,775)</u>	<u>-</u>	<u>40,675,329</u>
Governmental Activities Assets, Net	<u>\$60,836,189</u>	<u>\$ 8,552,868</u>	<u>\$ 18,663</u>	<u>\$69,370,394</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 282,112	\$ 11,988	\$ -	\$ 294,100
Total Capital Assets Being Depreciated	<u>282,112</u>	<u>11,988</u>	<u>-</u>	<u>294,100</u>
Less accumulated depreciation for:				
Furniture and equipment	211,805	13,504	-	225,309
Total Accumulated Depreciation	<u>211,805</u>	<u>13,504</u>	<u>-</u>	<u>225,309</u>
Business-type Activities, Net	<u>\$ 70,307</u>	<u>\$ (1,516)</u>	<u>\$ -</u>	<u>\$ 68,791</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 1,405,921
Instructional student support	164,815
Administrative and financial support services	164,391
Operation and maintenance of plant services	153,564
Pupil transportation	124,265
Student activities	<u>21,887</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,034,843</u>
Business-type Activities - Food Service	<u>\$ 13,504</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Bonds payable	\$ 23,864,547	\$ -	\$ 1,051,303	\$ 22,813,244
Bond discount	(396,359)	-	(23,549)	(372,810)
Note payable	32,164,000	-	1,594,376	30,569,624
Capital leases payable	939,161	-	57,744	881,417
Other post-employment benefits	1,365,715	270,456	-	1,636,171
Accumulated compensated absences/early retirement incentive plan	2,381,271	96,502	806,475	1,671,298
TOTALS	<u>\$ 60,318,335</u>	<u>\$ 366,958</u>	<u>\$ 3,486,349</u>	<u>\$ 57,198,944</u>

Payments of long-term debt are expected to be funded by the general fund.

General Obligation Bonds

Series of 1999, capital appreciation bonds, maturing through February 1, 2025, accreting interest from 4.4% to 5.3%, payable on February 1. \$ 8,598,244

Series of 2011, maturing through October 1, 2028, bearing interest from 1.00% to 3.65%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 9,990,000

Series of 2012, maturing through October 1, 2029, accreting interest from 1.00% to 3.70%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 4,225,000

General Obligation Notes

Series of 2004, maturing through September 25, 2019, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. 1,080,000

Series of 2010, maturing through September 1, 2028, bearing interest at 6.50%, payable on September 1 and March 1. 14,818,824

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 GENERAL LONG-TERM DEBT (cont'd)

Series of 2011, maturing through September 1, 2026, bearing interest at 5.43%, payable on September 1 and March 1.	6,540,800
Series C of 2011, maturing through September 1, 2029, bearing interest at 5.09%, payable on September 1 and March 1.	5,895,000
Series D of 2011, maturing through September 1, 2029, bearing interest at 5.14%, payable on September 1 and March 1.	<u>2,235,000</u>
TOTAL	<u>\$ 53,382,868</u>

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 53,382,868
Unamortized discount	<u>(372,810)</u>
Bonds and Notes payable, net	<u>\$ 53,010,058</u>
Amounts due in one year	\$ 2,693,685
Amounts due after one year	<u>50,316,373</u>
Bonds and Notes payable, net	<u>\$ 53,010,058</u>

Presented below is a summary of debt service requirements to maturity by years:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2014	\$ 2,717,234	\$ 3,420,742	\$ 6,137,976
2015	2,622,824	3,472,701	6,095,525
2016	2,575,906	3,518,049	6,093,955
2017	2,531,211	3,560,724	6,091,935
2018	2,607,946	3,595,402	6,203,348
2019-2023	13,353,646	18,394,723	31,748,369
2024-2028	18,534,986	12,545,455	31,080,441
2029-2030	<u>8,439,115</u>	<u>1,303,869</u>	<u>9,742,984</u>
	<u>\$ 53,382,868</u>	<u>\$ 49,811,665</u>	<u>\$103,194,533</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE

The District has entered into lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Office equipment, computers, vehicles and buses	\$ 1,275,750
Less: accumulated depreciation	<u>(489,038)</u>
TOTAL	<u>\$ 786,712</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30,

2014	\$ 115,306
2015	115,306
2016	115,306
2017	115,306
2018	115,306
2019-2023	<u>490,044</u>
Total minimum lease payments	1,066,574
Less: amount representing interest	<u>(185,157)</u>
Present value of minimum lease payments	<u>\$ 881,417</u>

NOTE 7 OPERATING LEASES

The District currently is obligated under operating lease agreements for office equipment. The following is a schedule by years of future minimum lease payments:

Year Ending June 30,

2014	\$ 408,115
2015	188,165
2016	13,206
2017	4,404
2018	<u>1,101</u>
Total	<u>\$ 614,991</u>

The total amount charged to expense for the year ended June 30, 2013 was \$401,946.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable to</u>		<u>Payable from</u>	
General Fund	<u>\$ 176,454</u>	Food Service	<u>\$ 176,454</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

Interfund transfers for the year ended June 30, 2013 are as follows:

<u>Transfer In</u>		<u>Transfer Out</u>	
Capital Projects Fund	<u>\$ 694,947</u>	General Fund	<u>\$ 694,947</u>

Transfers represent funds transferred from the General Fund to subsidize capital needs.

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 6.25 and 10.30 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2011, 2012 and 2013 were \$1,792,139, \$2,613,155 and \$3,665,472, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 JOINT VENTURES

The District participates in a joint venture with the other school districts of Delaware County, Pennsylvania in the operation of a Vocational-Technical School Authority ("DCVTSA"). The DCVTSA is governed by seven members, each of whom must be a citizen of a school district where the DCVTSA leases a project. The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the public area vocational-technical school buildings. The financial statements of the Vocational-Technical School Authority are available from the DCVTSA located at 200 Yale Avenue, Morton, Pennsylvania 19070.

The District also participates in a joint venture with other school districts of Delaware County, Pennsylvania to support the Delaware County Community College. The financial statements of the Community College Authority are available from the Delaware County Community College Authority ("DCCCA") located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District has entered into a lease agreement with the DCCCA to provide rental payments to retire the Authority's outstanding debt obligations. The lease agreement generally provides that in the event the Authority either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulate sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. Inasmuch as the annual rentals include reserve funds which either are invested by the Authority or used for advance retirement of obligations, it is anticipated that less than scheduled rentals will eventually be paid.

Future Authority rental payments are:

Year Ending June 30,

2014	\$ 18,302
2015	17,798
2016	17,005
2017	16,266
2018	6,607
Total	<u>75,978</u>
Less: Interest requirements	<u>(6,737)</u>
Outstanding rental payments	<u>\$ 69,241</u>

NOTE 11 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS (cont'd)

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims would not have a materially adverse effect on the District's finances.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2012-2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 SPECIAL TERMINATION BENEFITS

The District from time to time offers additional retirement incentives, known as early retirement incentive plans ("ERIPS") to senior professional and administrative staff contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. These special termination benefits are formally approved by Board action in the year an ERIP plan is implemented.

The District's current ERIP plans provide for the payment of each of the participants' healthcare premiums. Currently, eight retirees of the District are participating in the District's ERIP plans. For five of the eight retirees, the District will pay their medical, dental, drug and vision insurance costs for the remainder of their lives. For the other retirees, the District will pay the employee's medical, dental, drug and vision insurance costs until the age of 65. During the year ended June 30, 2013, the District paid \$177,401 in healthcare costs for its retirees. The estimated present value of future healthcare payments for retirees is \$1,026,250 and is recorded as a liability in the governmental activities as of June 30, 2013. The annual healthcare cost trend rate used to estimate the cost of the medical insurance benefit was 8.5 percent, declining to an ultimate rate of 5.0 percent.

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. For fiscal year 2013, plan members receiving benefits contributed \$318,427 through their required monthly contributions.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 611,269
Interest on net OPEB obligation	61,457
Adjustment to annual required contribution	<u>(83,843)</u>
Annual OPEB cost (expense)	588,883
Contributions made	<u>(318,427)</u>
Increase in net OPEB obligation	270,456
Net OPEB obligation - beginning of year	<u>1,365,715</u>
Net OPEB obligation - end of year	<u>\$ 1,636,171</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2012	\$ -	\$5,200,460	\$5,200,460	0.00%	\$24,528,124	21.20%
7/1/2010	\$ -	\$7,250,576	\$7,250,576	0.00%	\$26,448,530	27.41%
7/1/2008	\$ -	\$6,004,081	\$6,004,081	0.00%	\$25,745,027	23.32%

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent in 2012, reduced by 0.5 percent per year to 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2013 was 25 years.

NOTE 15 COMMITMENTS

As of June 30, 2013, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed to date are as follows:

Contractor Name	Contract Amount	Completed to June 30, 2013	Commitments
BSI Electrical Inc.	\$ 4,800,725	\$ 4,295,531	\$ 505,194
ABJ Sprinkler	507,300	440,052	67,248
DWD Mechanical	6,724,830	6,459,577	265,253
Boro Developers	12,120,400	10,996,952	1,123,448
Jay R. Reynolds	1,707,981	1,673,352	34,629
Reynolds Construction Management	<u>1,062,400</u>	<u>1,013,849</u>	<u>48,551</u>
Total	<u>\$ 26,923,636</u>	<u>\$ 24,879,313</u>	<u>\$ 2,044,323</u>

In addition, the District has incurred costs in the amount of \$3,754,941 that were not under a formal construction commitment as of June 30, 2013.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 RESTATEMENT OF NET POSITION

The School has decreased its July 1, 2011 governmental activities net position by \$190,971 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. In addition, amortization of bond issuance costs in the amount of \$28,619 was removed from governmental activities expenses reported for the year ended June 30, 2012 and issuance costs incurred during the year ended June 30, 2012 in the amount of \$503,292 have been added to governmental activities expenses reported for the year ended June 30, 2012. The total effect as a result of implementing GASB Statement No. 65 was a decrease to the net position in the amount of \$665,644 as of June 30, 2012.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through January 10, 2014, the date the financial statements were available to be issued.

SINGLE AUDIT SUPPLEMENT

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

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January 10, 2014

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Delco School District, Folcroft, Pennsylvania as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Southeast Delco School District's basic financial statements, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Delco School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Delco School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Delco School District'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 District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Southeast Delco School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Delco School District'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 determination of financial statement amounts. 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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January 10, 2014

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Southeast Delco School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Southeast Delco School District's major federal programs for the year ended June 30, 2013. Southeast Delco School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Southeast Delco School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Delco School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Southeast Delco School District's compliance.

Board of School Directors
Southeast Delco School District

Opinion on Each Major Federal Program

In our opinion, Southeast Delco School District, Folcroft, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Southeast Delco School District, Folcroft, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeast Delco School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Delco School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Numbers

84.367

10.553, 10.555

Name of Federal Program or Cluster

Title II – Improving Teacher Quality State
Grants

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2013
U.S. Department of Education										
Passed through Pennsylvania Department of Education										
Title I - Grants to Local Education Agencies	I	84.010	013-12-0402	07/01/11-09/30/12	\$1,473,923	\$ 195,688	\$ 149,574	\$ 46,144	46,144	\$ 30
Title I - Grants to Local Education Agencies	I	84.010	013-13-0402	07/01/12-09/30/13	1,326,530	1,231,778	-	1,312,747	1,312,747	80,969
Title I - Grants to Local Education Agencies	I	84.010	042-12-5238	07/01/11-09/30/12	112,360	56,180	32,906	23,274	23,274	-
Title I - Program Improvement - Set Aside	I	84.010	042-12-0402	07/01/12-09/30/13	106,872	93,513	-	94,073	94,073	560
Total CFDA #84.010						1,577,159	182,480	1,476,238	1,476,238	81,559
School Improvement Grant	I	84.377	142-11-2402	09/01/11-09/30/12	947,125	145,712	145,712	-	-	-
School Improvement Grant	I	84.377	142-12-3402	07/01/12-09/30/13	729,125	729,125	-	729,125	729,125	-
Total CFDA #84.377						874,837	145,712	729,125	729,125	-
Title II - Improving Teacher Quality State Grants	I	84.367	020-12-0402	07/01/11-09/30/12	294,038	77,117	41,317	35,800	35,800	-
Title II - Improving Teacher Quality State Grants	I	84.367	020-13-0402	07/01/12-09/30/13	289,671	289,504	-	271,272	271,272	1,768
Total CFDA #84.367						346,621	41,317	307,072	307,072	1,768
Title II - Education Technology	I	84.318	055-11-0402	09/30/11-09/30/12	65,000	35,000	35,000	-	-	-
ARRA - Education Jobs Fund	I	84.410	140-12-0402	07/01/12-09/30/13	15,974	15,974	-	15,974	15,974	-
Twenty-First Century Community Learning Centers	I	84.287	4100052224	07/01/11-06/30/12	168,000	23,868	23,868	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100052224	07/01/12-06/30/13	168,000	82,371	-	168,000	168,000	85,629
Twenty-First Century Community Learning Centers	I	84.287	4100058706	12/01/11-09/30/12	457,452	457,452	209,212	248,240	248,240	-
Twenty-First Century Community Learning Centers	I	84.287	4100058706	10/01/12-06/30/13	480,000	16,101	-	328,735	328,735	312,634
Twenty-First Century Community Learning Centers	I	84.287	4100060877	10/01/12-06/30/13	377,320	579,792	233,080	306,378	306,378	306,378
Total CFDA #84.287						1,051,353	233,080	1,051,353	1,051,353	704,641
Subgrant from U.S. Department of Education										
Passed through Tuscarora Intermediate Unit										
School Improvement Grant	I	84.377		07/01/12-06/30/13	10,000	-	-	10,000	10,000	10,000
Subgrant from U.S. Department of Education										
Passed through Delaware County Intermediate Unit										
I.D.E.A.	I	84.027	062-10-0025	07/01/11-06/30/12	677,514	311,574	311,574	-	-	-
I.D.E.A.	I	84.027	062-11-0025	07/01/12-06/30/13	656,984	273,704	-	656,984	656,984	383,280
Total CFDA #84.027						585,278	311,574	656,984	656,984	383,280
I.D.E.A. - Preschool Grants	I	84.173	062-11-0025	07/01/12-06/30/13	5,474	-	-	5,474	5,474	5,474
Total I.D.E.A. Program Cluster						585,278	311,574	662,458	662,458	388,754
TOTAL U.S. DEPARTMENT OF EDUCATION						4,014,661	949,163	4,252,220	4,252,220	1,186,722

Continued on next page.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2013
(cont'd)										
U.S. Department of Agriculture Passed through Pennsylvania Department of Agriculture National School Lunch Program - Commodities	I	10.555	N/A		N/A	71,775	-	71,775	71,775	-
Passed through Pennsylvania Department of Education After School Snacks	I	10.555	N/A	07/01/11-06/30/12	N/A	3,258	3,258	-	-	-
After School Snacks	I	10.555	N/A	07/01/12-06/30/13	N/A	4,994	-	4,994	4,994	-
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	259,623	259,623	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/12-06/30/13	N/A	857,625	-	1,036,838	1,036,838	179,213
Total CFDA# 10.555						1,197,275	262,881	1,113,607	1,113,607	179,213
Breakfast Program	I	10.553	N/A	07/01/11-06/30/12	N/A	42,643	42,643	-	-	-
Breakfast Program	I	10.553	N/A	07/01/12-06/30/13	N/A	164,439	-	202,378	202,378	37,939
Total CFDA# 10.553						207,082	42,643	202,378	202,378	37,939
Total Child Nutrition Cluster						1,404,357	305,524	1,315,985	1,315,985	217,152
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,404,357	305,524	1,315,985	1,315,985	217,152
TOTAL FEDERAL AWARDS						\$5,419,018	\$1,254,687	\$5,568,205	\$5,568,205	\$1,403,874

Source Codes:

D = Direct Funding
I = Indirect Funding

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 National School Lunch Program - Commodities represent surplus food consumed by the District during the 2012-2013 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2013 was \$316,397.

NOTE E BUILD AMERICA BONDS

The District was eligible to participate in the School Construction Bonds Program through the American Recovery and Reinvestment Act. As such, the District is eligible for reimbursement of certain amounts relating to the future debt service due on the bonds. These reimbursements are not considered federal financial assistance. The amount recognized for the year ended June 30, 2012 was \$1,652,168.