



**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**AUDIT REPORT**

**JUNE 30, 2018**

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SOUTHEAST DELCO SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	14
- Statement of Activities	15
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	16
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	17
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	19
- Budgetary Comparison Statement - General Fund	20
- Statements of Net Position - Proprietary Fund	21
- Statements of Revenues, Expenses and Changes in Net Position - Proprietary Fund	22
- Statements of Cash Flows - Proprietary Fund	23
- Statement of Net Position - Fiduciary Funds	24
- Statements of Changes in Net Position - Fiduciary Fund	25
NOTES TO FINANCIAL STATEMENTS	26 - 59

SOUTHEAST DELCO SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS	60
Schedule of District Pension Contributions - PSERS	61
Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS	62
Schedule of District OPEB Contributions - PSERS	63
Schedule of Changes in the Net OPEB Liability and Related Ratios - Single Employer Plan	64
Schedule of Employer Contributions - Single Employer Plan	65
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 <i>Government Auditing Standards</i>	66 - 67
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	68 - 69
Schedule of Findings and Recommendations	70 - 71
Schedule of Expenditures of Federal Awards	72 - 73
Notes to Schedule of Expenditures of Federal Awards	74

## INDEPENDENT AUDITOR'S REPORT

December 10, 2018

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, and each major fund of the Southeast Delco School District ("the District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2018, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective 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 a Matter

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the District's other postemployment benefits. As a result, the beginning governmental activities, business-type activities, and food service fund net position have been restated. Our opinion is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 - 13, schedule of the District's proportionate share of the net pension liability - PSERS on page 58, schedule of District pension contributions - PSERS on page 59, schedule of the District's proportionate share of the net OPEB liability - PSERS on page 60, schedule of District OPEB contributions - PSERS on page 61, schedule of changes in the net OPEB liability and related ratios - single employer plan on page 62, and schedule of employer contributions - single employer plan on page 63 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.

Board of School Directors  
Southeast Delco School District

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. 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 December 10, 2018, on our consideration of the 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 (CONT'D)  
JUNE 30, 2018**

This discussion and analysis of the financial performance of the Southeast Delco School District ("the District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

Total net position for the District decreased by \$3,674,739. Net position of governmental activities decreased by \$3,992,979, and net position of business-type activities increased by \$318,240. Program revenues accounted for \$21.0 million, or 26.9 percent of total governmental activities revenues (\$77.9 million); and general revenues accounted for \$57 million, or 73.1 percent of the total governmental activities revenues.

The District's proportionate share of the Public School Employees' Retirement System ("PSERS") net pension liability totaled \$111,124,000 at June 30, 2018. In addition, in 2018, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The related liability totaled \$8,541,523.

As of June 30, 2018, the general fund reported a positive fund balance of \$2.6 million, of which \$773 thousand is classified as non-spendable. The debt service fund reported a restricted fund balance of \$9.0 million for debt service. The capital projects fund did not report a fund balance. The general fund will continue to fund any ongoing capital projects within the capital projects fund.

**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, liabilities, and deferred inflows of resources 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.

**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2018**

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 the District.

**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, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$75.04 million at the close of the most recent fiscal year. In the prior year, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$71.4 million.

The following table is a comparative analysis of fiscal year 2018 to 2017:

**STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 24,862,338	\$ 25,888,107	\$ 911,716	\$ 571,354	\$ 25,774,054	\$ 26,459,461
Capital assets	65,137,243	65,826,497	28,632	34,598	65,165,875	65,861,095
Total Assets	<u>89,999,581</u>	<u>91,714,604</u>	<u>940,348</u>	<u>605,952</u>	<u>90,939,929</u>	<u>92,320,556</u>
Deferred outflows of resources:						
Deferred outflows relating to pension	17,400,032	19,700,475	435,179	492,714	17,835,211	20,193,189
Deferred outflows relating to OPEB	480,238	517,437	6,569	6,132	486,807	523,569
Total Deferred Outflows of Resources	<u>17,880,270</u>	<u>20,217,912</u>	<u>441,748</u>	<u>498,846</u>	<u>18,322,018</u>	<u>20,716,758</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$107,879,851</u>	<u>\$ 111,932,516</u>	<u>\$1,382,096</u>	<u>\$1,104,798</u>	<u>\$ 109,261,947</u>	<u>\$ 113,037,314</u>



**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**

**STATEMENT OF NET POSITION**

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)						
Liabilities:						
Current liabilities	\$ 13,912,495	\$ 11,319,322	\$ 14	\$ 1,818	\$ 13,912,509	\$ 11,321,140
Long-term liabilities	165,150,197	167,516,253	2,823,276	2,854,069	167,973,473	170,370,322
Total Liabilities	<u>179,062,692</u>	<u>178,835,575</u>	<u>2,823,290</u>	<u>2,855,887</u>	<u>181,885,982</u>	<u>181,691,462</u>
Deferred inflows of resources:						
Deferred inflows relating to pension	2,078,028	2,640,949	51,972	66,051	2,130,000	2,707,000
Deferred inflows relating to OPEB	276,118	-	5,734	-	281,852	-
Total Deferred Inflows of Resources	<u>2,354,146</u>	<u>2,640,949</u>	<u>57,706</u>	<u>66,051</u>	<u>2,411,852</u>	<u>2,707,000</u>
Net Position (Deficit):						
Net investment in capital assets	14,940,563	14,517,244	28,632	34,598	14,969,195	14,551,842
Restricted for capital projects	8,958,775	7,850,930	-	-	8,958,775	7,850,930
Unrestricted (deficit)	(97,436,325)	(91,912,182)	(1,527,532)	(1,851,738)	(98,963,857)	(93,763,920)
Total Net Position (Deficit)	<u>(73,536,987)</u>	<u>(69,544,008)</u>	<u>(1,498,900)</u>	<u>(1,817,140)</u>	<u>(75,035,887)</u>	<u>(71,361,148)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 107,879,851</u>	<u>\$ 111,932,516</u>	<u>\$1,382,096</u>	<u>\$1,104,798</u>	<u>\$ 109,261,947</u>	<u>\$ 113,037,314</u>

Total net deficit of the District increased by \$3,674,739. The District's net investment in capital assets increased by \$417,353. Total long-term liabilities decreased by \$2,396,849 mainly attributable to the decrease in the net pension liability as a result of an increase in the value of pension assets and a decrease in the District's outstanding debt as a result of continued repayment of the District's debt.

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**

PROGRAM EXPENSES	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018	2018	2017	2017
Governmental Activities:				
Instruction	\$ 54,725,407	\$ (40,947,989)	\$ 50,651,639	\$ (38,224,689)
Instructional support staff	5,705,492	(4,956,944)	6,591,961	(5,797,543)
Administration	6,012,280	(5,316,295)	6,024,822	(5,405,499)
Maintenance	5,592,212	(4,939,960)	5,500,782	(4,908,085)

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

(cont'd)	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Pupil transportation	4,917,823	(2,869,170)	4,592,055	(2,798,300)
Student activities	914,020	(795,697)	824,762	(718,179)
Community services	182,282	(161,297)	72,605	(43,790)
Interest and fiscal charges	3,875,971	(969,246)	3,921,997	664,141
Total Governmental Activities	\$ 81,925,487	\$ (60,956,598)	\$ 78,180,623	\$ (57,231,944)
Business-type Activities:				
Food service	\$ 2,342,286	\$ 318,240	\$ 2,392,833	\$ 305,733

The net cost of services for governmental activities increased by \$3,744,864 primarily due to an increase in retirement contributions to PSERS, and the cost of services of providing education programs.

**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 67,709	\$ 93,645	\$ 192,772	\$ 214,544	\$ 260,481	\$ 308,189
Operating grants/contributions	19,358,882	19,316,591	2,467,754	2,484,022	21,826,636	21,800,613
Capital grants/contributions	1,542,298	1,538,443	-	-	1,542,298	1,538,443
Total Program Revenues	20,968,889	20,948,679	2,660,526	2,698,566	23,629,415	23,647,245
General Revenues:						
Property and other taxes	37,969,852	36,773,795	-	-	37,969,852	36,773,795
Grants and entitlements	18,482,396	18,145,305	-	-	18,482,396	18,145,305
Investment earnings	224,276	(83,154)	-	-	224,276	(83,154)
Miscellaneous	287,095	128,440	-	-	287,095	128,440
Total General Revenues	56,963,619	54,964,386	-	-	56,963,619	54,964,386
<b>TOTAL REVENUES</b>	77,932,508	75,913,065	2,660,526	2,698,566	80,593,034	78,611,631
<b>EXPENSES</b>						
Program Expenses:						
Instruction	54,725,407	50,651,639	-	-	54,725,407	50,651,639
Support Services:						
Instructional support staff	5,705,492	6,591,961	-	-	5,705,492	6,591,961
Administration	6,012,280	6,024,822	-	-	6,012,280	6,024,822
Maintenance	5,592,212	5,500,782	-	-	5,592,212	5,500,782
Pupil transportation	4,917,823	4,592,055	-	-	4,917,823	4,592,055
Student activities	914,020	824,762	-	-	914,020	824,762
Community services	182,282	72,605	-	-	182,282	72,605
Interest and fiscal charges	3,875,971	3,921,997	-	-	3,875,971	3,921,997
Food service	-	-	2,342,286	2,392,833	2,342,286	2,392,833
<b>TOTAL EXPENSES</b>	81,925,487	78,180,623	2,342,286	2,392,833	84,267,773	80,573,456
<b>CHANGE IN NET DEFICIT</b>	\$ (3,992,979)	\$ (2,267,558)	\$ 318,240	\$ 305,733	\$ (3,674,739)	\$ (1,961,825)

**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**

**Governmental Activities**

The cost of all governmental activities in 2017 - 2018 was \$81.9 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$38.0 million, or 46.24 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$39.4 million. As indicated by the governmental program expenses, instructional programs account for approximately 66.8 percent of the total expenses of the District's governmental activities.

**Business-type Activities**

Business-type activities is made up of the food service program. This program had an increase in net position of \$318 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 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

**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**

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 \$11.5 million, which is a decrease of \$3.5 million from the previous year total. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2017 to June 30, 2018.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
General Fund	\$ 2,567,597	\$ 7,185,332	\$ (4,617,735)
Debt Service Fund	8,958,775	7,850,930	1,107,845
	<u>\$ 11,526,372</u>	<u>\$ 15,036,262</u>	<u>\$ (3,509,890)</u>

The decrease in fund balance for the general fund can be attributed mainly to an increase in the cost of instructional programs, increase in the transfer out to capital projects to subsidize various capital projects, as well as an increase in retirement contributions PSERS.

The capital projects fund does not report any fund balance due to the fact that the general fund subsidizes the cost of these capital projects and transfers funds to capital projects as funds are spent.

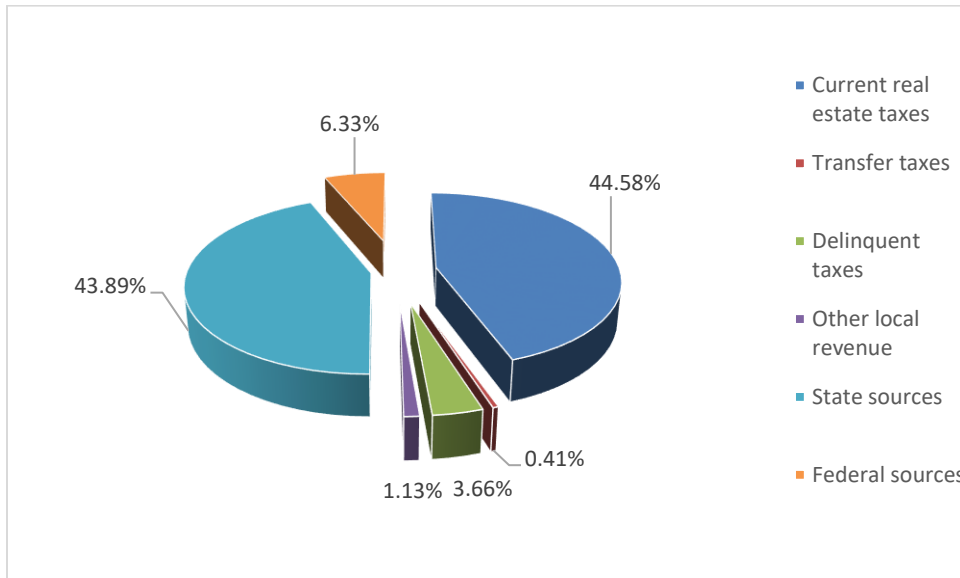
**REVENUES**

	Fiscal Year		Variance	
	2018	2017	Amount	%
General Fund:				
Current real estate taxes	\$ 34,890,733	\$ 34,072,950	\$ 817,783	2.40%
Transfer taxes	325,182	311,606	13,576	4.36%
Delinquent taxes	2,863,984	2,794,236	69,748	2.50%
Other local revenue	886,593	513,214	373,379	72.75%
State sources	34,352,064	34,336,263	15,801	0.05%
Federal sources	4,954,711	4,649,440	305,271	6.57%
TOTAL REVENUE	<u>\$ 78,273,267</u>	<u>\$ 76,677,709</u>	<u>\$ 1,595,558</u>	<u>2.08%</u>

Total general fund expenditures and other financing uses exceeded revenues and other financing sources by \$4.6 million. The millage rate for 2017 - 2018 was 41.5784 mills. The current year collection rate for 2017 - 2018 was approximately 91.05 percent.

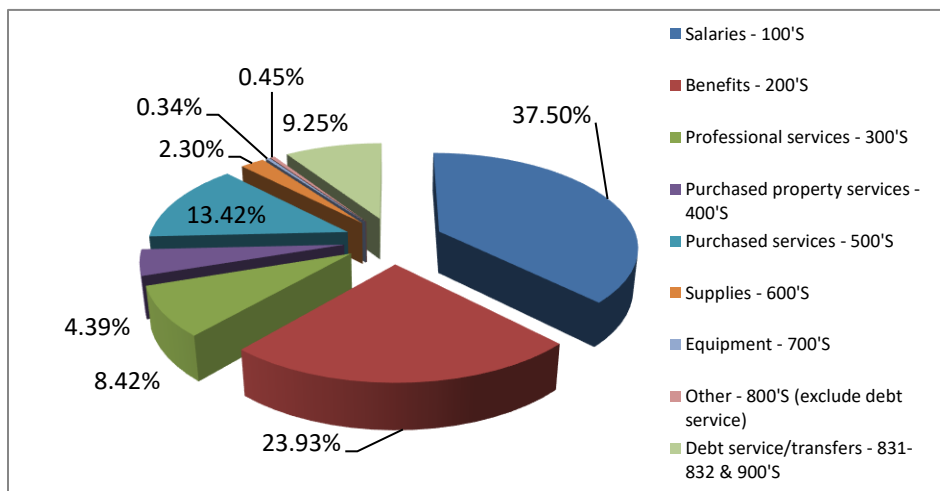
The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**



The District's current real estate tax revenue accounts for 44.44 percent of total general fund revenues, as illustrated in the graph above. State sources which include grants and subsidies accounted for 43.89 percent of general fund revenues.

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.



**SOUTHEAST DELCO SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

The District's current real estate tax revenue accounts for 44.58 percent of total general fund expenditures.

**EXPENDITURES**

<b>Object</b>	Fiscal Year		Variance	
	2018	2017	Amount	%
Salaries	\$ 31,083,505	\$ 29,732,872	\$ 1,350,633	4.5%
Benefits	19,837,974	18,325,968	1,512,006	8.3%
Professional services	6,972,515	6,007,243	965,272	16.1%
Purchased property services	3,636,017	3,384,794	251,223	7.4%
Purchased services	11,126,121	8,853,164	2,272,957	25.7%
Supplies	1,903,804	1,691,173	212,631	12.6%
Equipment	285,920	1,605,548	(1,319,628)	-82.2%
Other	376,955	112,536	264,419	235.0%
Debt service/transfers	7,668,191	7,006,952	661,239	9.4%
Total Expenditures by Object	<u>\$ 82,891,002</u>	<u>\$ 76,720,250</u>	<u>\$ 6,170,752</u>	<u>8.0%</u>

General fund expenditures increased by \$6.2 million, or 8.0 percent. This can be attributed to the rising cost of retirement contributions to PSERS, planned capital projects, and the cost of providing instructional programs.

**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	\$ 29,327,361	\$ 29,085,000	\$ (242,361)	-0.8%
1200	Special programs	15,635,408	15,635,409	(1)	0.0%
1300	Vocational programs	953,274	953,274	-	0.0%
1400	Other instructional programs	2,184,587	2,323,130	138,543	6.3%
1600	Adult education programs	343,814	343,814	-	0.0%
	Total Instruction	<u>48,444,444</u>	<u>48,340,627</u>	<u>(103,817)</u>	<u>5.5%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Support Services:				
2100	Pupil personnel services	2,351,915	2,455,738	103,823	4.4%
2200	Instructional staff support	1,868,467	1,868,465	2	0.0%
2300	Administrative services	4,313,235	4,313,231	4	0.0%
2400	Pupil health	740,680	740,679	1	0.0%
2500	Business office	1,289,297	1,289,297	-	0.0%
2600	Maintenance and facilities	5,869,991	5,869,993	(2)	0.0%
2700	Student transportation services	4,528,895	4,528,894	1	0.0%
2800	Information services	489,127	489,127	-	0.0%
2900	Other support services	29,558	29,558	-	0.0%
	Total Support Services	<u>21,481,165</u>	<u>21,584,982</u>	<u>103,817</u>	<u>4.4%</u>
	Operation of Noninstructional Services:				
3200	Student activities	873,616	873,616	-	0.0%
3300	Community services	160,000	160,000	-	0.0%
	Total Operation of Noninstructional Services	<u>1,033,616</u>	<u>1,033,616</u>	<u>-</u>	<u>0.0%</u>
5110	Debt service/transfers	<u>6,368,799</u>	<u>6,368,799</u>	<u>-</u>	<u>0.0%</u>
	TOTAL EXPENDITURES	<u>\$ 77,328,024</u>	<u>\$ 77,328,024</u>	<u>\$ -</u>	<u>0.0%</u>

Using spending variances in excess of \$50,000 and using 10 percent as a spending tolerance, the final budget amount for regular programs was revised to cover the cost of increased other instructional programs and pupil personnel services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At June 30, 2018, the District had \$65.2 million invested in capital assets, net of accumulated depreciation; \$29 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, 2018, the District had \$50.2 million in outstanding bonds, notes, and capital leases 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

**SOUTHEAST DELCO SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)  
JUNE 30, 2018**

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 2017 - 2018 was 4,572, and the enrollment in November 2018 was approximately the same as the 2017 - 2018 enrollment.

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 healthcare 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.

**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, 2018**  
**(With Summarized Comparative Data for June 30, 2017)**

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 7,259,129	\$ 259,124	\$ 7,518,253	\$ 11,549,116
Cash and cash equivalents with fiscal agent	2,237	-	2,237	1,210
Investments with fiscal agent	8,956,538	-	8,956,538	7,849,720
Internal balances	(547,301)	547,301	-	-
Taxes receivable	3,756,925	-	3,756,925	3,187,097
Due from other governments	4,474,546	104,667	4,579,213	3,597,133
Other receivables	157,388	624	158,012	214,238
Prepaid expenses	773,444	-	773,444	28,826
Prepaid bond insurance	29,432	-	29,432	32,121
Land	60,811	-	60,811	60,811
Land improvements	5,283,204	-	5,283,204	5,078,620
Construction-in-progress	682,812	-	682,812	396,608
Buildings and improvements	87,216,201	-	87,216,201	86,260,331
Furniture and equipment	7,528,747	310,082	7,838,829	7,641,056
Accumulated depreciation	(35,634,532)	(281,450)	(35,915,982)	(33,576,331)
<b>TOTAL ASSETS</b>	<b>89,999,581</b>	<b>940,348</b>	<b>90,939,929</b>	<b>92,320,556</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows relating to pension	17,400,032	435,179	17,835,211	20,193,189
Deferred outflows relating to OPEB	480,238	6,569	486,807	523,569
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,880,270</b>	<b>441,748</b>	<b>18,322,018</b>	<b>20,716,758</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$107,879,851</b>	<b>\$ 1,382,096</b>	<b>\$109,261,947</b>	<b>\$113,037,314</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,744,652	\$ 14	\$ 1,744,666	\$ 945,769
Unearned revenues	30,521	-	30,521	-
Accrued salaries and benefits	8,133,531	-	8,133,531	6,596,877
Accrued interest	1,253,397	-	1,253,397	1,137,153
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable in future years, net	2,608,372	-	2,608,372	2,514,022
Capital leases payable	142,022	-	142,022	127,319
Portion due or payable after one year:				
Bonds and notes payable in future years, net	47,097,488	-	47,097,488	48,177,092
Capital leases payable	348,798	-	348,798	490,820
Compensated absences	861,664	-	861,664	829,303
Net pension liability	108,412,574	2,711,426	111,124,000	112,098,000
Net OPEB liability	8,429,673	111,850	8,541,523	8,775,107
<b>TOTAL LIABILITIES</b>	<b>179,062,692</b>	<b>2,823,290</b>	<b>181,885,982</b>	<b>181,691,462</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows relating to pensions	2,078,028	51,972	2,130,000	2,707,000
Deferred inflows relating to OPEB	276,118	5,734	281,852	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,354,146</b>	<b>57,706</b>	<b>2,411,852</b>	<b>2,707,000</b>
<b>NET POSITION (DEFICIT):</b>				
Net investment in capital assets	14,940,563	28,632	14,969,195	14,551,842
Restricted for debt service	8,958,775	-	8,958,775	7,850,930
Unrestricted (deficit)	(97,436,325)	(1,527,532)	(98,963,857)	(93,763,920)
<b>TOTAL NET DEFICIT</b>	<b>(73,536,987)</b>	<b>(1,498,900)</b>	<b>(75,035,887)</b>	<b>(71,361,148)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$107,879,851</b>	<b>\$ 1,382,096</b>	<b>\$109,261,947</b>	<b>\$113,037,314</b>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(With Summarized Comparative Data for the Year Ended June 30, 2017)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities		Totals
					Governmental Activities	2018	
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 54,725,407	\$ 16,212	\$ 13,761,206	\$ -	\$ (40,947,989)	\$ -	\$ (38,224,689)
Instructional student support	5,705,492	-	748,548	-	(4,956,944)	-	(5,797,543)
Administrative and financial support services	6,012,280	-	695,985	-	(5,316,295)	-	(5,405,499)
Operation and maintenance of plant services	5,592,212	-	652,252	-	(4,939,960)	-	(4,908,085)
Pupil transportation	4,917,823	19,255	2,029,398	-	(2,869,170)	-	(2,798,300)
Student activities	914,020	11,257	107,066	-	(795,697)	-	(718,179)
Community services	182,282	20,985	-	-	(161,297)	-	(43,790)
Interest on long-term debt	3,875,971	-	1,364,427	1,542,298	(969,246)	-	664,141
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>81,925,487</b>	<b>67,709</b>	<b>19,358,882</b>	<b>1,542,298</b>	<b>(60,956,598)</b>	<b>-</b>	<b>(57,231,944)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food service	2,342,286	192,772	2,467,754	-	-	318,240	305,733
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,342,286</b>	<b>192,772</b>	<b>2,467,754</b>	<b>-</b>	<b>-</b>	<b>318,240</b>	<b>305,733</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 84,267,773</b>	<b>\$ 260,481</b>	<b>\$ 21,826,636</b>	<b>\$ 1,542,298</b>	<b>(60,956,598)</b>	<b>318,240</b>	<b>(56,926,211)</b>
<b>GENERAL REVENUES</b>							
Property taxes levied for general purposes					37,644,670	-	36,462,189
Taxes levied for specific purposes					325,182	-	311,606
Grants and entitlements not restricted to specific programs					18,482,396	-	18,145,305
Investment earnings					224,276	-	(83,154)
Miscellaneous					287,095	-	128,440
<b>TOTAL GENERAL REVENUES</b>					<b>56,963,619</b>	<b>-</b>	<b>54,964,386</b>
<b>CHANGE IN NET DEFICIT</b>					<b>(3,992,979)</b>	<b>318,240</b>	<b>(1,961,825)</b>
<b>NET DEFICIT, BEGINNING OF YEAR, RESTATED</b>					<b>(69,544,008)</b>	<b>(1,817,140)</b>	<b>(69,399,323)</b>
<b>NET DEFICIT, END OF YEAR</b>					<b>\$ (73,536,987)</b>	<b>\$ (1,498,900)</b>	<b>\$ (71,361,148)</b>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(With Summarized Comparative Data for June 30, 2017)**

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2018	2017
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,259,129	\$ -	\$ -	\$ 7,259,129	\$ 11,230,672
Cash and cash equivalents with fiscal agent	-	2,237	-	2,237	1,210
Investments with fiscal agent	-	8,956,538	-	8,956,538	7,849,720
Taxes receivable	3,756,925	-	-	3,756,925	3,187,097
Due from other funds	-	-	480,221	480,221	147,380
Due from other governments	4,054,089	-	-	4,054,089	2,833,825
Other receivables	157,388	-	-	157,388	213,614
Prepaid items	773,444	-	-	773,444	28,826
<b>TOTAL ASSETS</b>	<b>\$ 16,000,975</b>	<b>\$ 8,958,775</b>	<b>\$ 480,221</b>	<b>\$ 25,439,971</b>	<b>\$ 25,492,344</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,264,431	\$ -	\$ 480,221	\$ 1,744,652	\$ 943,951
Due to other funds	1,027,522	-	-	1,027,522	55,163
Unearned revenues	30,521	-	-	30,521	-
Accrued salaries and benefits	8,133,531	-	-	8,133,531	6,596,877
<b>TOTAL LIABILITIES</b>	<b>10,456,005</b>	<b>-</b>	<b>480,221</b>	<b>10,936,226</b>	<b>7,595,991</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenues - delinquent taxes	2,977,373	-	-	2,977,373	2,860,091
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,977,373</b>	<b>-</b>	<b>-</b>	<b>2,977,373</b>	<b>2,860,091</b>
<b>FUND BALANCES:</b>					
Nonspendable - prepaid items	773,444	-	-	773,444	28,826
Restricted for debt service	-	8,958,775	-	8,958,775	7,850,930
Committed for capital projects	-	-	-	-	2,000,000
Assigned for athletic purposes	185,274	-	-	185,274	-
Unassigned	1,608,879	-	-	1,608,879	5,156,506
<b>TOTAL FUND BALANCES</b>	<b>2,567,597</b>	<b>8,958,775</b>	<b>-</b>	<b>11,526,372</b>	<b>15,036,262</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 16,000,975</b>	<b>\$ 8,958,775</b>	<b>\$ 480,221</b>	<b>\$ 25,439,971</b>	<b>\$ 25,492,344</b>

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, 2018**

TOTAL GOVERNMENTAL FUND BALANCES \$ 11,526,372

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	5,283,204	
Construction-in-progress	682,812	
Buildings and improvements	87,216,201	
Furniture and equipment	7,528,747	
Accumulated depreciation	<u>(35,634,532)</u>	65,137,243

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

Bonds and notes payable, net	(49,705,860)	
Capital leases payable	(490,820)	
Net OPEB liability	(8,429,673)	
Net pension liability	(108,412,574)	
Accumulated compensated absences	(861,664)	
Accrued interest	<u>(1,253,397)</u>	(169,153,988)

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. 29,432

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 reimbursement is recognized as the debt payment is accrued, regardless of when it is due. 420,457

Deferred inflows and outflows of resources related to the District's pension and OPEB plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows relating to pension	17,400,032	
Deferred outflows relating to OPEB	480,238	
Deferred inflows of resources:		
Deferred inflows relating to pension	(2,078,028)	
Deferred inflows relating to OPEB	<u>(276,118)</u>	15,526,124

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. 2,977,373

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (73,536,987)

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, 2018  
(With Summarized Comparative Data for the Year Ended June 30, 2017)**

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2018	2017
<b>REVENUES:</b>					
Local sources	\$ 38,966,492	-	\$ -	\$ 38,966,492	\$ 37,332,659
State sources	34,352,064	-	-	34,352,064	34,336,263
Federal sources	4,954,711	-	-	4,954,711	4,649,440
<b>TOTAL REVENUES</b>	<u>78,273,267</u>	<u>-</u>	<u>-</u>	<u>78,273,267</u>	<u>76,318,362</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	52,445,085	-	-	52,445,085	47,592,810
Support services	21,437,492	-	-	21,437,492	21,529,524
Operation of noninstructional services	1,068,637	-	-	1,068,637	871,467
Capital outlay	-	-	1,535,734	1,535,734	819,016
Debt service	4,836,517	-	-	4,836,517	4,854,456
<b>TOTAL EXPENDITURES</b>	<u>79,787,731</u>	<u>-</u>	<u>1,535,734</u>	<u>81,323,465</u>	<u>75,667,273</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,514,464)</u>	<u>-</u>	<u>(1,535,734)</u>	<u>(3,050,198)</u>	<u>651,089</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Payment to refunded bond escrow agent	-	-	-	-	(14,108,862)
Issuance of refunding debt	-	-	-	-	14,485,000
Discount on issuance of refunding debt	-	-	-	-	(88,976)
Transfers in	-	1,302,949	1,535,734	2,838,683	2,159,155
Transfers out	(2,838,683)	-	-	(2,838,683)	(2,159,155)
Refund of prior year receipts	(264,588)	(195,104)	-	(459,692)	-
Proceeds from sale of capital assets	-	-	-	-	250
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,103,271)</u>	<u>1,107,845</u>	<u>1,535,734</u>	<u>(459,692)</u>	<u>287,412</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(4,617,735)</u>	<u>1,107,845</u>	<u>-</u>	<u>(3,509,890)</u>	<u>938,501</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>7,185,332</u>	<u>7,850,930</u>	<u>-</u>	<u>15,036,262</u>	<u>14,097,761</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,567,597</u>	<u>\$ 8,958,775</u>	<u>\$ -</u>	<u>\$ 11,526,372</u>	<u>\$ 15,036,262</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, 2018**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (3,509,890)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.	(689,254)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	117,282
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	1,130,328
Governmental funds report bond discounts and prepaid bond insurance as expenditures. However, these amounts are reported on the statement of net position as deferred charges and amortized over the life of the debt	(20,444)
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – 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.)	(32,361)
OPEB expenses in the statement of activities differs from the amount reported in the governmental funds because OPEB expenses are recognized in the statement of activities based on the District's proportionate share of the expenses of the cost-sharing OPEB plan and expenses of the single employer plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	(86,760)
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan	(787,288)
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.	1,652
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.	(116,244)
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,992,979)</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, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 38,873,644	\$ 38,873,644	\$ 38,966,492	\$ 92,848
State sources	32,725,231	32,725,231	34,352,064	1,626,833
Federal sources	4,680,957	4,680,957	4,954,711	273,754
<b>TOTAL REVENUES</b>	<u>76,279,832</u>	<u>76,279,832</u>	<u>78,273,267</u>	<u>1,993,435</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	29,327,361	29,085,000	30,725,202	(1,640,202)
Special programs	15,635,408	15,635,409	17,652,690	(2,017,281)
Vocational programs	953,274	953,274	953,274	-
Other instructional programs	2,184,587	2,323,130	2,765,313	(442,183)
Community/Junior college educational programs	343,814	343,814	348,606	(4,792)
Total Instruction	<u>48,444,444</u>	<u>48,340,627</u>	<u>52,445,085</u>	<u>(4,104,458)</u>
Support services:				
Pupil personnel services	2,351,915	2,455,738	2,852,039	(396,301)
Instructional staff services	1,868,467	1,868,465	1,972,097	(103,632)
Administrative services	4,313,235	4,313,231	4,233,448	79,783
Pupil health	740,680	740,679	738,977	1,702
Business services	1,289,297	1,289,297	1,057,694	231,603
Operation and maintenance of plant services	5,869,991	5,869,993	5,399,716	470,277
Student transportation services	4,528,895	4,528,894	4,712,906	(184,012)
Central	489,127	489,127	440,999	48,128
Other support services	29,558	29,558	29,616	(58)
Total Support Services	<u>21,481,165</u>	<u>21,584,982</u>	<u>21,437,492</u>	<u>147,490</u>
Operation of noninstructional activities:				
Student activities	873,616	873,616	886,355	(12,739)
Community services	160,000	160,000	182,282	(22,282)
Total Operation of Noninstructional Services	<u>1,033,616</u>	<u>1,033,616</u>	<u>1,068,637</u>	<u>(35,021)</u>
Debt service	5,065,850	5,065,850	4,836,517	229,333
<b>TOTAL EXPENDITURES</b>	<u>76,025,075</u>	<u>76,025,075</u>	<u>79,787,731</u>	<u>(3,762,656)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>254,757</u>	<u>254,757</u>	<u>(1,514,464)</u>	<u>(1,769,221)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,302,949)	(1,302,949)	(2,838,683)	(1,535,734)
Refunds of prior year receipts	-	-	(264,588)	(264,588)
<b>TOTAL OTHER FINANCING USES</b>	<u>(1,302,949)</u>	<u>(1,302,949)</u>	<u>(3,103,271)</u>	<u>(1,800,322)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,048,192)	(1,048,192)	(4,617,735)	(3,569,543)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>7,185,332</u>	<u>7,185,332</u>	<u>7,185,332</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,137,140</u>	<u>\$ 6,137,140</u>	<u>\$ 2,567,597</u>	<u>\$ (3,569,543)</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENTS OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2018 AND 2017**

	Major Fund	
	Food Service Fund	
	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 259,124	\$ 318,444
Due from other funds	547,301	-
Due from other governments	104,667	344,503
Other receivables	624	624
Total Current Assets	<u>911,716</u>	<u>663,571</u>
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	310,082	310,082
Accumulated depreciation	(281,450)	(275,484)
Capital Assets, Net	<u>28,632</u>	<u>34,598</u>
<b>TOTAL ASSETS</b>	<u>940,348</u>	<u>698,169</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows relating to pension	435,179	492,714
Deferred outflows relating to OPEB	6,569	6,132
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>441,748</u>	<u>498,846</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,382,096</u>	<u>\$ 1,197,015</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 14	\$ 1,818
Due to other funds	-	92,217
Total Current Liabilities	<u>14</u>	<u>94,035</u>
<b>NONCURRENT LIABILITIES:</b>		
Net pension liability	2,711,426	2,735,192
Net OPEB liability	111,850	118,877
Total Noncurrent Liabilities	<u>2,823,276</u>	<u>2,854,069</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows relating to pension	51,972	66,051
Deferred inflows relating to OPEB	5,734	-
Total Deferred Inflows of Resources	<u>57,706</u>	<u>66,051</u>
<b>NET POSITION (DEFICIT):</b>		
Net investment in capital assets	28,632	34,598
Unrestricted (deficit)	(1,527,532)	(1,851,738)
Total Net Deficit	<u>(1,498,900)</u>	<u>(1,817,140)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<u>\$ 1,382,096</u>	<u>\$ 1,197,015</u>

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 YEARS ENDED JUNE 30, 2018 AND 2017**

	Major Fund	
	Food Service Fund	
	2018	2017
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 192,772	\$ 214,544
Total Operating Revenues	192,772	214,544
<b>OPERATING EXPENSES</b>		
Salaries	771,399	740,856
Employee benefits	432,600	436,839
Supplies	1,091,212	1,180,009
Equipment repairs	31,686	21,671
Other expenses	9,423	7,492
Depreciation	5,966	5,966
Total Operating Expenses	2,342,286	2,392,833
<b>OPERATING LOSS</b>	(2,149,514)	(2,178,289)
<b>NONOPERATING REVENUES</b>		
State sources	93,684	95,465
Federal sources	2,374,070	2,388,557
Total Nonoperating Revenues	2,467,754	2,484,022
<b>CHANGE IN NET POSITION</b>	318,240	305,733
<b>NET DEFICIT, BEGINNING OF YEAR, RESTATED</b>	(1,817,140)	(2,122,873)
<b>NET DEFICIT, END OF YEAR</b>	\$ (1,498,900)	\$ (1,817,140)

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Major Fund	
	Food Service Fund	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for services	\$ 192,772	\$ 214,111
Payments to suppliers	(1,619,861)	(1,103,330)
Payments to employees	(1,186,039)	(1,127,808)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(2,613,128)</b>	<b>(2,017,027)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	103,673	94,123
Federal sources	2,450,135	2,154,681
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,553,808</b>	<b>2,248,804</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(59,320)	231,777
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>318,444</b>	<b>86,667</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 259,124</b>	<b>\$ 318,444</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (2,149,514)	\$ (2,178,289)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,966	5,966
Donated commodities	153,782	168,941
(Increase) Decrease in:		
Due from other funds	(547,301)	-
Other receivables	-	(433)
Deferred outflows relating to pension	57,535	(307,793)
Deferred outflows relating to OPEB	(437)	-
Increase (Decrease) in:		
Accounts payable	(1,804)	(727)
Due to other funds	(92,217)	(62,372)
Net pension liability	(23,766)	367,757
Net OPEB liability	(7,027)	-
Deferred inflows relating to pension	(14,079)	(10,077)
Deferred inflows relating to OPEB	5,734	-
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (2,613,128)</b>	<b>\$ (2,017,027)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	<b>\$ 153,782</b>	<b>\$ 168,941</b>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018**

	Private - Purpose Trust	Agency
	<u>          </u>	<u>          </u>
ASSETS:		
Cash and cash equivalents	\$ 8,195	\$ 115,365
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 8,195</u>	<u>\$ 115,365</u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	\$ 115,365
NET POSITION:		
Reserved for trust	<u>8,195</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,195</u>	<u>\$ 115,365</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Private-Purpose Trust	
	2018	2017
ADDITIONS		
Local sources	\$ 1,760	\$ 2,552
TOTAL ADDITIONS	1,760	2,552
DEDUCTIONS		
Operation of non-instructional activities	1,000	2,500
TOTAL DEDUCTIONS	1,000	2,500
CHANGE IN NET POSITION	760	52
NET POSITION, BEGINNING OF YEAR	7,435	7,383
NET POSITION, END OF YEAR	\$ 8,195	\$ 7,435

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

The 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

The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 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."

***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:

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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 and similar revenue streams 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 unearned 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 resources measurement 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The District's only proprietary fund is the food service fund, which is a major enterprise fund. This fund accounts for the revenues and costs of feeding students; it distinguishes 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 fund's principal ongoing operations. The principal operating revenues of this fund are food service charges. Operating expenses for this fund include food costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

***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.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest level of valuation available is used for all investments.

*Level 1* – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

*Level 2* – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 2017 - 2018 was 41.5784 mills (\$41.5784 for \$1,000 of assessed valuation).

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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 and Outflows of Resources

In addition to assets and liabilities, the financial 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. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting, are reflected as deferred inflows

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

of resources on the general fund balance sheet. Pension and OPEB contributions made subsequent to the measurement date, and therefore not reflected in the net pension or OPEB liabilities under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension or OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Fund Equity

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 School 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, Finance Committee, or Business Manager have provided otherwise in their commitment or assignment actions.

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. 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, 2017, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefits liability, or, for multi-employer cost sharing plans, the entity's share of the net other postemployment benefits liability, in the entity's financial statements.

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Regular programs	\$ 1,640,202
Special programs	\$ 2,017,281
Other instructional programs	\$ 442,183
Adult education programs	\$ 4,792
Pupil personnel services	\$ 396,301
Instructional staff services	\$ 103,632
Student transportation services	\$ 184,012
Other support services	\$ 58
Student activities	\$ 12,739
Community Services	\$ 22,282

The excess of expenditures over appropriations was financed with positive budget variances in other functions, revenue having a positive budget variance, and prior year fund balance.

NOTE 3 DEPOSITS AND INVESTMENTS

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2018, the carrying amount of the District's deposits was \$7,644,050, and the bank balance was \$9,625,131. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,634,086 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 in the amount of \$7,741,045 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

audit. As of June 30, 2018, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

***Investments***

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, highly-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, or mutual funds.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Matures in Greater Than Five Years</u>
U.S. Treasury bonds and notes	\$ 8,956,538	\$ 8,956,538	\$ 8,956,538

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District's investments in U.S. Treasury bonds and notes had maturity dates of greater than five years.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

Credit Risk

The District has an investment policy that limits its investment choices to those with the highest credit rating available for such instruments issued by a recognized organization. The District's investments in U.S. Treasury bonds and notes are backed by the full faith and credit of the U.S. government and are not considered to have credit risk.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	396,608	925,266	(639,062)	682,812
Total Capital Assets Not Being Depreciated	<u>457,419</u>	<u>925,266</u>	<u>(639,062)</u>	<u>743,623</u>
Capital assets being depreciated:				
Land improvements	5,078,620	204,584	-	5,283,204
Buildings	86,260,331	955,870	-	87,216,201
Furniture and equipment	7,330,974	197,773	-	7,528,747
Total Capital Assets Being Depreciated	<u>98,669,925</u>	<u>1,358,227</u>	<u>-</u>	<u>100,028,152</u>
Less accumulated depreciation for:				
Land improvements	3,108,699	235,821	-	3,344,520
Buildings	23,191,698	1,861,627	-	25,053,325
Furniture and equipment	7,000,450	236,237	-	7,236,687
Total Accumulated Depreciation	<u>33,300,847</u>	<u>2,333,685</u>	<u>-</u>	<u>35,634,532</u>
Total Capital Assets Being Depreciated, Net	<u>65,369,078</u>	<u>(975,458)</u>	<u>-</u>	<u>64,393,620</u>
Governmental Activities Assets, Net	<u>\$65,826,497</u>	<u>\$ (50,192)</u>	<u>\$(639,062)</u>	<u>\$ 65,137,243</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 310,082	\$ -	\$ -	\$ 310,082
Total Capital Assets Being Depreciated	<u>310,082</u>	<u>-</u>	<u>-</u>	<u>310,082</u>
Less accumulated depreciation for:				
Furniture and equipment	275,484	5,966	-	281,450
Total Accumulated Depreciation	<u>275,484</u>	<u>5,966</u>	<u>-</u>	<u>281,450</u>
Business-type Activities, Net	<u>\$ 34,598</u>	<u>\$ (5,966)</u>	<u>\$ -</u>	<u>\$ 28,632</u>

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

<b>Governmental Activities:</b>	
Instruction	\$ 1,636,913
Instructional student support	173,636
Administrative and financial support services	179,836
Operation and maintenance of plant services	168,536
Pupil transportation	147,099
Student activities	<u>27,665</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,333,685</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Business-type Activities:	
Food Service	<u>\$ 5,966</u>

NOTE 5 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities for the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Bonds and notes payable, net	\$ 50,691,114	\$ -	\$ 985,254	\$ 49,705,860
Capital leases payable	618,139	-	127,319	490,820
Net OPEB liability	8,775,107	-	233,584	8,541,523
Net pension liability	112,098,000	-	974,000	111,124,000
Compensated absences	<u>829,303</u>	<u>32,361</u>	<u>-</u>	<u>861,664</u>
<b>TOTALS</b>	<u>\$173,011,663</u>	<u>\$ 32,361</u>	<u>\$ 2,320,157</u>	<u>\$170,723,867</u>

Payments of long-term debt are expected to be funded by the general fund except for the net pension liability, which is paid by both the general fund and the food service 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. \$ 4,188,358

Series A of 2017, maturing through October 1, 2028, bearing interest from 2.00% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2011. 9,500,000

Series B of 2017, maturing through October 1, 2029, bearing interest from 2.00% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2012. 4,925,000



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

***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.	339,000
Series B of 2010 QZAB, requiring sinking fund deposits through September 2028, bearing interest of 6.495%, interest payable semi-annually in March and September.	15,750,000
Series C of 2011 QSCB, requiring sinking deposits through September 2029, bearing interest of 5.088%, interest payable semi-annually in March and September.	5,900,000
Series B of 2011 QZAB, requiring sinking fund deposits through September 2026, bearing interest of 5.426%, interest payable semi-annually in March and September.	7,008,000
Series D of 2011 QZAB, requiring sinking fund deposits through September 2029, bearing interest of 5.138%, interest payable semi-annually in March and September.	<u>2,300,000</u>
TOTAL	<u>\$ 49,910,358</u>

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 49,910,358
Unamortized discount	<u>(204,498)</u>
Bonds and Notes payable, net	<u>\$ 49,705,860</u>
Amounts due in one year	\$ 2,608,372
Amounts due after one year	<u>47,097,488</u>
Bonds and Notes payable, net	<u>\$ 49,705,860</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 2,626,758	\$ 3,540,031	\$ 6,166,789
2020	2,644,980	3,567,368	6,212,348
2021	2,720,113	3,596,623	6,316,736
2022	2,735,054	3,624,025	6,359,079
2023	2,806,743	3,647,931	6,454,674
2024 - 2028	18,799,986	12,243,871	31,043,857
2029 - 2030	8,459,110	1,273,954	9,733,064
	<u>40,792,744</u>	<u>31,493,803</u>	<u>72,286,547</u>
Sinking fund deposits	9,117,614	-	9,117,614
	<u>\$ 49,910,358</u>	<u>\$ 31,493,803</u>	<u>\$ 81,404,161</u>

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	\$ 1,633,662
Less: accumulated depreciation	<u>(1,209,273)</u>
TOTAL	<u>\$ 424,389</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	
2019	\$ 161,994
2020	115,306
2021	115,306
2022	115,306
2023	<u>28,826</u>
Total minimum lease payments	536,738
Less: amount representing interest	<u>(45,918)</u>
Present value of minimum lease payments	<u>\$ 490,820</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OPERATING LEASES

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

Year Ending June 30,

2019	\$ 291,956
2020	269,024
2021	1,626,230
2022	3,812
2023	<u>953</u>
Total	<u>\$ 2,191,975</u>

The total amount charged to expense for the year ended June 30, 2018 was \$1,179,823.

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable from</u>	<u>Amount</u>
Capital Projects Fund	\$ 480,221	General Fund	\$1,027,522
Food Service Fund	<u>547,301</u>		
	<u>\$1,027,522</u>		<u>\$1,027,522</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, 2018 are as follows:

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	\$1,535,734	General Fund	\$1,535,734
Debt Service Fund	<u>1,302,949</u>	General Fund	<u>1,302,949</u>
	<u>\$2,838,683</u>		<u>\$2,838,683</u>

Transfers represent funds transferred from the general fund to subsidize capital needs and to support future debt service.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

The PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60, with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduces benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 31.74 percent of covered payroll. The District's contribution to PSERS for the year ended June 30, 2018 was \$10,028,174.

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

At June 30, 2018, the District reported a liability of \$111,124,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

was 0.2250 percent, which was a decrease of 0.0012 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$10,835,152. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 2,575,000	\$ -
Changes in proportions	575,000	1,458,000
Difference between expected and actual experience	1,159,000	672,000
Change in assumptions		
Difference between employer contributions and proportionate share of total contributions	3,019,000 479,037	- -
Contributions subsequent to the date of measurement	<u>10,028,174</u>	<u>-</u>
	<u>\$ 17,835,211</u>	<u>\$ 2,130,000</u>

An amount of \$10,028,174 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,

2018	\$ 905,150
2019	2,976,100
2020	2,185,453
2021	<u>(389,666)</u>
	<u>\$ 5,677,037</u>

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth, and 2.25 percent for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience rates are based on a study from July 1, 2010 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 136,784,000	\$ 111,124,000	\$ 89,460,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the system's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides post-employment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS plan include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

Participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83 percent of covered payroll, actuarially determined as an amount that, when combined with

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$262,236 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$4,584,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.2250 percent, which was a decrease of 0.0012 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$191,331. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 5,000	\$ -
Change in proportionate share of the net OPEB liability	-	22,000
Change in assumptions	-	213,000
Difference between employer contributions and proportionate share of total contributions	1,986	-
Contributions subsequent to the date of measurement	262,236	-
	\$ 269,222	\$ 235,000

Change in Assumptions: For current active employees who terminate employment and become eligible for coverage under the plan, it is assumed that 50 percent of members will receive coverage prior to age 65 and 70 percent will receive coverage after age 65. Previously, coverage was assumed at 63 percent for all such employees, regardless of age.

An amount of \$262,236 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts will be reported as deferred

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

<u>Year Ending June 30,</u>	
2019	\$ (37,669)
2020	(37,669)
2021	(37,669)
2022	(37,669)
2023	(37,669)
Thereafter	<u>(39,669)</u>
	<u>\$ (228,014)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the system's total OPEB liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 3.13 percent - S&P 20-year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience rates are based on a study from July 1, 2010 through June 30, 2015.
- Participation rate:
  - Eligible retirees will elect to participate pre-age 65 at 50 percent
  - Eligible retirees will elect to participate post-age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Participation rate: 63 percent of eligible retirees are assumed to elect Premium Assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13 percent, which represents the

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2017, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,583,000	\$ 4,584,000	\$ 4,585,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage-point higher (4.13 percent) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 5,211,000	\$ 4,584,000	\$ 4,063,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the system's website at [www.psers.pa.gov](http://www.psers.pa.gov).

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2018, the District paid \$217,585 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2017. The total OPEB liability as of July 1, 2018 was determined by rolling forward the system's total OPEB liability as of the July 1, 2016 actuarial valuation to the July 1, 2017 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 3.13 percent and 2.49 percent for the measurement dates of July 1, 2017 and July 1, 2016, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2017.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5 percent cost of living adjustment, one percent real wage growth, and for teachers and administrators, a merit increase, which varies by age from 0.00 percent to 2.75 percent.

Disability

No disability was assumed.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9 percent for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%
30	2.57%	4.02%
35	1.50%	2.85%
40	1.34%	1.60%
45	1.37%	1.65%
50	1.92%	2.06%
55	3.38%	3.11%
60	5.57%	6.40%

Mortality Rates

Separate rates are assumed preretirement and postretirement using the RP-2014 Mortality Tables for Males and Females.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>Age</u>	<u>Age 55 and 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of Administrators who are eligible for the enhanced benefits and forty-five percent of all other employees are assumed to elect coverage.

Percent Married at Retirement

Twenty-five percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
45 - 49	\$ 8,400	\$ 12,132
50 - 54	\$ 11,125	\$ 13,711
55 - 59	\$ 13,550	\$ 14,347
60 - 64	\$ 17,682	\$ 16,482

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend

The healthcare cost trend was 6.0 percent in 2017 and 5.5 percent in 2018 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 3.9 percent in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets was equal to the market value of assets.



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Based on census information as of March 2017. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2016-2017 school year.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.13%	Current Rate Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ 4,281,846	\$ 3,957,523	\$ 3,657,050
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,281,846</u>	<u>\$ 3,957,523</u>	<u>\$ 3,657,050</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 3,471,715	\$ 3,957,523	\$ 4,539,802
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,471,715</u>	<u>\$ 3,957,523</u>	<u>\$ 4,539,802</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 3,903,107
Service cost	277,011
Interest	100,413
Changes of assumptions	(50,756)
Benefit payments	<u>(272,252)</u>
Net change	<u>54,416</u>
 Total OPEB liability - ending	 <u>\$ 3,957,523</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$373,520 for the year ended June 30, 2018. An amount of \$217,585 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. At June 30, 2018, the District reported deferred outflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 46,852
Contributions subsequent to the date of measurement	<u>217,585</u>	<u>-</u>
	<u>\$ 217,585</u>	<u>\$ 46,852</u>

Deferred inflows or resources due to the change in assumptions will be recognized in OPEB expense as follows:

Year Ending June 30,

2019	\$ (3,904)
2020	(3,904)
2021	(3,904)
2022	(3,904)
2023	(3,904)
Thereafter	<u>(27,332)</u>
	<u>\$ (46,852)</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 11)	\$ 3,957,523	\$ 217,585	\$ 46,852
PSERS Plan (See Note 10)	4,584,000	269,222	235,000
Total	\$ 8,541,523	\$ 486,807	\$ 281,852

NOTE 13 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,

2019	\$	72,301
2020		72,205
2021		72,092
2022		69,540
2023		67,081

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 JOINT VENTURES (cont'd)

Year Ending June 30,

2024 - 2028	309,796
2029 - 2033	297,992
2034 - 2035	<u>43,343</u>
Total	1,004,350
Less: Interest requirements	<u>(240,356)</u>
Outstanding rental payments	<u>\$ 763,994</u>

NOTE 14 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.

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.

Capital Improvement Commitments

As of June 30, 2018, anticipated construction commitments are as follows:

	Contract Amount	Completed at 06/30/2018	Commitment
Capital project	<u>\$ 1,270,536</u>	<u>\$ 595,166</u>	<u>\$ 675,370</u>

In addition, the District has incurred costs in the amount of \$87,646 that were not under a formal construction commitment as of June 30, 2018.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 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 2017 - 2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 HEALTHCARE TRUST

The District participates in the Delaware County Public Schools Healthcare Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Delaware County Intermediate Unit. Both the District and employees contribute to the cost of insurance premiums. The Healthcare Trust was established in 2013 to provide Districts with medical coverage at an affordable price. The Trust works with a broker consultant and carriers to create comprehensive health benefits. The Trust has an excess (stop-loss) insurance policy to limit the self-insured loss retention on individual health insurance claims. The policy provides insurance for losses in excess of the maximum self-insured loss retention of \$250,000. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the trust. The Trust can be reached at 200 Yale Avenue, Morton, PA 19070.

The District's contributions to the Trust, including that of its employees for the year ended June 30, 2018, totaled \$5,505,752.

NOTE 17 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$97,436,325 (governmental activities) and \$1,527,532 (business-type activities and food service fund), respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from differences between projected and actual investment earnings, and differences between expected and actual experience. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from changes in proportions.

NOTE 18 PRIOR PERIOD ADJUSTMENTS

In accordance with the adoption of GASB Statement No. 75, as discussed in Note 1, the District has restated its July 1, 2016 net position in its governmental activities, and business-type

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18 PRIOR PERIOD ADJUSTMENTS (cont'd)

activities/food service to record the net OPEB liability and deferred outflows at June 30, 2017. The net result of this change is a decrease of \$5,076,476 in net position of its governmental activities and a decrease of \$112,745 to its net position of its business-type activities/food service fund.

NOTE 19 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 10, 2018, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE		
	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.2250%	0.2262%	0.2240%
District's proportion of the net pension liability - dollar value	\$ 111,124,000	\$ 112,098,000	\$ 97,026,000
District's covered employee payroll	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	366.86%	380.91%	342.53%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%
			\$ 89,532,000
			\$ 28,864,272
			310.18%
			57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



**SOUTHEAST DELCO SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 10,028,174	\$ 8,841,510	\$ 7,357,168	\$ 5,806,879
Contributions in relation to the contractually required contribution	<u>10,028,174</u>	<u>8,841,510</u>	<u>7,357,168</u>	<u>5,806,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 31,594,751	\$ 30,279,144	\$ 29,428,672	\$ 28,326,239
Contributions as a percentage of covered-employee payroll	31.74%	29.20%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SOUTHEAST DELCO SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE
	June 30, 2017
District's proportion of the net OPEB liability	0.2250%
District's proportion of the net OPEB liability - dollar value	\$ 4,584,000
District's covered employee payroll	\$ 30,290,825
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.13%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

Note: The above information is presented as of the Plan's measurement date.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SOUTHEAST DELCO SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2018</u>
Contractually required contribution	\$ 262,236
Contributions in relation to the contractually required contribution	262,236
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 31,594,751
Contributions as a percentage of covered-employee payroll	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SOUTHEAST DELCO SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
SINGLE EMPLOYER OPEB PLAN**

	MEASUREMENT DATE
	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>	
Service cost	\$ 277,011
Interest cost	100,413
Changes in assumptions	(50,756)
Benefit payments	(272,252)
NET CHANGE IN TOTAL OPEB LIABILITY	54,416
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	3,903,107
TOTAL OPEB LIABILITY, END OF YEAR	\$ 3,957,523
<u>PLAN FIDUCIARY NET POSITION</u>	
Contributions - employer	-
Net investment income	-
Benefits payments	-
Administrative expenses	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ -
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -
DISTRICT'S NET OPEB LIABILITY	\$ 3,957,523
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered employee payroll	\$ 22,505,447
District's net OPEB liability as a percentage of covered payroll	17.58%
Expected average remaining service years of all participants	12

The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.

**SOUTHEAST DELCO SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SINGLE EMPLOYER OPEB PLAN**

Year	Actuarial Determined Contributions	Contributions from Employer	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2018	\$ 217,585	\$ 217,585	\$ -	\$22,505,447	0.97%

**Notes to Schedule:**

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date: July 1, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Asset valuation method	Market value
Discount rate	3.13%
Healthcare trend rates	6.0%, 5.5% in 2018 through 2023. Rates gradually decreases from 5.4% in 2024 to 3.9% in 2075 and later
Changes in assumptions	The discount rate was changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERSs assumptions

**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

December 10, 2018

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, and each major fund of the Southeast Delco School District ("the District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 School Directors  
Southeast Delco School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 entity'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  
THE UNIFORM GUIDANCE

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December 10, 2018

Board of School Directors  
Southeast Delco School District  
Folcroft, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Southeast Delco School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 the 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Board of School Directors  
Southeast Delco School District

Opinion on the Major Federal Program

In our opinion, the District 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 program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
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 program:

- 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 program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

\_\_\_\_\_ Yes        X   No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

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

\$ 750,000

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, 2018**

Source Code	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2017	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2018	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Education</b>										
Passed through PA Department of Education										
I	84.010	013-17-0402	08/30/16-09/30/17	\$ 1,439,620	\$ 283,910	\$ 283,910	\$ -	\$ -	\$ -	\$ -
I	84.010	013-18-0402	08/30/17-09/30/18	1,523,427	1,203,709	-	1,523,427	1,523,427	319,718	-
					1,487,619	283,910	1,523,427	1,523,427	319,718	-
Title II Improving Teacher Quality State Grants										
I	84.367	020-17-0402	08/30/16-09/30/17	274,578	77,511	21,693	55,818	55,818	-	-
I	84.367	020-18-0402	08/15/17-09/30/18	247,058	212,403	-	247,058	247,058	34,655	-
					289,914	21,693	302,876	302,876	34,655	-
Title IV Student Support and Academic Enrichment										
I	84.424	144-18-0402	08/15/17-09/30/18	34,469	34,469	-	3,948	3,948	(30,521)	-
Twenty-First Century Community Learning Centers										
I	84.287	4100068099	07/01/16-06/30/17	340,770	137,733	137,733	-	-	-	-
I	84.287	4100068099	07/01/17-06/30/18	327,136	245,243	-	303,142	303,142	57,899	-
					382,976	137,733	303,142	303,142	57,899	-
Passed through Delaware County Intermediate Unit										
I	84.027	N/A	07/01/16-06/30/17	774,708	770,708	770,708	-	-	-	-
I	84.027	N/A	07/01/17-06/30/19	794,363	4,000	-	794,363	794,363	790,363	-
					774,708	770,708	794,363	794,363	790,363	-
I.D.E.A. - Special Education										
I	84.173	N/A	07/01/16-06/30/17	3,542	3,542	3,542	-	-	-	-
I	84.173	N/A	07/01/17-06/30/18	4,340	-	-	4,340	4,340	4,340	-
					3,542	3,542	4,340	4,340	4,340	-
Total I.D.E.A. Program Cluster										
					778,250	774,250	798,703	798,703	794,703	-
English Language Acquisition State Grants										
I	84.365	FA-010-17-0625	07/01/16-06/30/17	6,327	6,327	6,327	-	-	-	-
I	84.365	FA-010-18-0625	07/01/17-06/30/18	4,753	-	-	4,753	4,753	4,753	-
					6,327	6,327	4,753	4,753	4,753	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>										
					2,979,555	1,223,913	2,936,849	2,936,849	1,181,207	-
<b>U.S. Department of Health and Human Services</b>										
Passed through PA Department of Education										
I	93.778	N/A	07/01/16-06/30/17	N/A	16,447	16,447	-	-	-	-
I	93.778	N/A	07/01/17-06/30/18	N/A	4,177	-	27,216	27,216	23,039	-
					20,624	16,447	27,216	27,216	23,039	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										

**SOUTHEAST DELCO SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 (UNEARNED) REVENUE 07/01/2017	REVENUE RECOGNIZED	ACCRUED (UNEARNED) REVENUE 06/30/2018	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
(cont'd)										
U.S. Department of Agriculture										
Passed through Pennsylvania Department of Agriculture										
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	153,782	-	153,782	-	-
Passed through Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	266,989	266,989	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	1,742,914	-	1,823,969	81,055	-
Total CFDA #10.555						2,163,685	266,989	1,977,751	81,055	-
Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	63,258	63,258	-	-	-
Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	376,974	-	396,319	19,345	-
Total CFDA #10.553						440,232	63,258	396,319	19,345	-
Total Child Nutrition Cluster						2,603,917	330,247	2,374,070	100,400	-
						2,603,917	330,247	2,374,070	100,400	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<b>\$ 5,604,096</b>	<b>\$ 1,570,607</b>	<b>\$ 5,338,135</b>	<b>\$ 1,304,646</b>	<b>\$ -</b>
<b>TOTAL FEDERAL AWARDS</b>										

Source Code:

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 2017 - 2018 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, 2018 was \$450,000.

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, 2018 was \$1,540,646.

NOTE F INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.