

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2012

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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January 18, 2013

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Delco School District (the "District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southeast Delco School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2011 financial statements and, in our report dated January 18, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2012, and the respective changes in its financial position and its cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of Southeast Delco School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of School Directors
Southeast Delco School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Delco School District's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and Certain State Grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and Certain State Grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2012**

This discussion and analysis of the financial performance of Southeast Delco School District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

Total net position for the District increased by \$704,798. Net position of governmental activities increased by \$797,325 and net position of business-type activities decreased by \$92,527. Program revenues accounted for \$17.0 million, or 26 percent of total revenues (\$66.3 million); and general revenues accounted for \$49.3 million, or 74 percent of the total.

As of June 30, 2012, the general fund reported a positive fund balance of \$9.0 million, of which \$5.6 million is unassigned, \$562 thousand is assigned for future expenditures, \$2.7 million is committed for capital projects, \$67 thousand is classified as nonspendable and \$23 thousand is assigned to athletic purposes. The capital projects fund reported a \$12.1 million fund balance restricted for capital purposes.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

ENTITY-WIDE FINANCIAL ANALYSIS

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

A portion of the District's total net position (60.1 percent) reflects its investment in capital assets, net of related debt. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table is a comparative analysis of fiscal year 2012 to 2011:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
ASSETS:						
Current and other assets	\$32,841,676	\$37,303,668	\$ 242,307	\$ 314,987	\$33,083,983	\$37,618,655
Capital assets	<u>60,836,189</u>	<u>46,779,270</u>	<u>70,307</u>	<u>83,312</u>	<u>60,906,496</u>	<u>46,862,582</u>
TOTAL ASSETS	<u>\$93,677,865</u>	<u>\$84,082,938</u>	<u>\$ 312,614</u>	<u>\$ 398,299</u>	<u>\$93,990,479</u>	<u>\$84,481,237</u>
LIABILITIES AND NET POSITION						
Current liabilities	\$11,648,537	\$ 9,124,475	\$ 16,943	\$ 10,101	\$11,665,480	\$ 9,134,576
Long-term liabilities	<u>57,536,964</u>	<u>51,263,424</u>	<u>-</u>	<u>-</u>	<u>57,536,964</u>	<u>51,263,424</u>
Total Liabilities	<u>69,185,501</u>	<u>60,387,899</u>	<u>16,943</u>	<u>10,101</u>	<u>69,202,444</u>	<u>60,398,000</u>
Net Position:						
Invested in capital assets, net of related debt	14,835,632	16,597,663	70,307	83,312	14,905,939	16,680,975
Unrestricted	<u>9,656,732</u>	<u>7,097,376</u>	<u>225,364</u>	<u>304,886</u>	<u>9,882,096</u>	<u>7,402,262</u>
Total Net Position	<u>24,492,364</u>	<u>23,695,039</u>	<u>295,671</u>	<u>388,198</u>	<u>24,788,035</u>	<u>24,083,237</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$93,677,865</u>	<u>\$84,082,938</u>	<u>\$ 312,614</u>	<u>\$ 398,299</u>	<u>\$93,990,479</u>	<u>\$84,481,237</u>

Unrestricted accumulated net position represents resources to be used for unanticipated fluctuations in expenditures and/or revenues that can occur after the Board of School Directors approves an annual budget. Such fluctuations can result in expenditures that are greater than current year revenues. At such times, the District must rely on its accumulated fund balance (unrestricted accumulated net position) to make up the difference. Additionally, for certain categories of expenditures, the District may realize cost-saving opportunities if it prepays these expenses. If these prepayments are greater than currently realized revenues, then the District must rely on its unrestricted accumulated net position in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net position as an important criterion when establishing the bond rating for a public school district.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

Total net position of the District's governmental activities increased by \$797,325 and overall unrestricted net position reflects a positive balance of \$9,882,096. The District's investment in capital assets, net of related debt, decreased by \$1,775,036. Total long-term liabilities increased \$6,273,540, mainly attributable to new general obligation debt issued during the current year.

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

STATEMENT OF ACTIVITIES

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 42,020,158	\$(31,548,591)	\$ 42,245,713	\$(28,075,174)
Instructional support staff	4,405,316	(4,112,098)	3,821,392	(3,588,400)
Administration	4,923,327	(4,676,594)	4,808,643	(4,612,446)
Maintenance	4,585,485	(4,355,936)	4,634,988	(4,448,974)
Pupil transportation	3,786,994	(2,443,205)	3,086,600	(1,828,651)
Student activities	590,610	(549,759)	569,933	(534,968)
Community services	63,432	(54,857)	108,854	(87,966)
Interest and fiscal charges	3,216,862	(724,153)	2,354,206	2,006,744
Total Governmental Activities	<u>\$ 63,592,184</u>	<u>\$(48,465,193)</u>	<u>\$ 61,630,329</u>	<u>\$(41,169,835)</u>
Business-type Activities:				
Food service	<u>\$ 1,993,259</u>	<u>\$ (92,532)</u>	<u>\$ 1,920,115</u>	<u>\$ (52,668)</u>

The net cost of services for pupil transportation increased \$615 thousand due to increased salary and benefit costs resulting from a new labor agreement in the current year. Additionally, in 2012, the net cost for interest and fiscal charges decreased significantly to \$724 thousand from a net revenue of \$2.0 million in 2011. The net revenue for interest and fiscal charges in 2011 included \$4.0 million in Plancon reimbursements from the Commonwealth for capital projects completed in prior years.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 83,708	\$ 90,782	\$ 480,243	\$ 524,794	\$ 563,951	\$ 615,576
Operating grants/contributions	13,543,985	20,013,170	1,420,484	1,342,653	14,964,469	21,355,823
Capital grants/contributions	1,499,298	356,542	-	-	1,499,298	356,542
Total Program Revenues	<u>15,126,991</u>	<u>20,460,494</u>	<u>1,900,727</u>	<u>1,867,447</u>	<u>17,027,718</u>	<u>22,327,941</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

CHANGES IN NET POSITION

(continued)	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Revenues:						
Property and other taxes	32,974,114	32,418,921	-	-	32,974,114	32,418,921
Grants and entitlements	16,134,189	14,744,234	-	-	16,134,189	14,744,234
Investment earnings	28,745	14,600	5	114	28,750	14,714
Miscellaneous	125,470	20,674	-	-	125,470	20,674
Total General Revenues	<u>49,262,518</u>	<u>47,198,429</u>	<u>5</u>	<u>114</u>	<u>49,262,523</u>	<u>47,198,54</u>
TOTAL REVENUES	<u>64,389,509</u>	<u>67,658,923</u>	<u>1,900,732</u>	<u>1,867,561</u>	<u>66,290,241</u>	<u>69,526,48</u>
EXPENSES						
Program Expenses:						
Instruction	42,020,158	42,245,713	-	-	42,020,158	42,245,713
Support Services:						
Instructional support staff	4,405,316	3,821,392	-	-	4,405,316	3,821,392
Administration	4,923,327	4,808,643	-	-	4,923,327	4,808,643
Maintenance	4,585,485	4,634,988	-	-	4,585,485	4,634,988
Pupil transportation	3,786,994	3,086,600	-	-	3,786,994	3,086,600
Student activities	590,610	569,933	-	-	590,610	569,933
Community services	63,432	108,854	-	-	63,432	108,854
Interest and fiscal charges	3,216,862	2,354,206	-	-	3,216,862	2,354,206
Food service	-	-	1,993,259	1,920,115	1,993,259	1,920,115
TOTAL EXPENSES	<u>63,592,184</u>	<u>61,630,329</u>	<u>1,993,259</u>	<u>1,920,115</u>	<u>65,585,443</u>	<u>63,550,444</u>
CHANGE IN NET POSITION	<u>\$ 797,325</u>	<u>\$ 6,028,594</u>	<u>\$ (92,527)</u>	<u>\$ (52,554)</u>	<u>\$ 704,798</u>	<u>\$ 5,976,040</u>

Governmental Activities

The cost of all governmental activities in 2011-2012 was \$63.6 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$33.0 million, or 51.9 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$31.2 million, or 49.1 percent. As indicated by the governmental program expenses, instructional programs account for approximately 66.1 percent of the total expenses of the District's governmental activities.

Business-type Activities

Business-type activities include the food service program. This program had a decrease in net assets of \$93 thousand for the fiscal year.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

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

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

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

Fund Financial Statements

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

The District's governmental funds reported a combined fund balance of \$21.1 million, which is a decrease from the previous year's total by \$6.1 million. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2011 to June 30, 2012.

	<u>Fund Balance June 30, 2012</u>	<u>Fund Balance June 30, 2011</u>	<u>Increase (Decrease)</u>
General Fund	\$ 8,989,931	\$ 7,661,371	\$ 1,328,560
Capital Projects Fund	<u>12,136,817</u>	<u>19,591,471</u>	<u>(7,454,654)</u>
	<u>\$ 21,126,748</u>	<u>\$ 27,252,842</u>	<u>\$ (6,126,094)</u>

The increase in fund balance for the general fund can be attributed to revenues in excess of the original budget for the accountability block grant, which was approved subsequent to the adoption of the original budget, as well as refund of prior year expenditures and certain state subsidies that were greater than anticipated.

The capital projects fund balance decreased as the District spends down capital project funds for ongoing renovations at Academy Park High School. The ending fund balance was \$12.1 million at June 30, 2012.

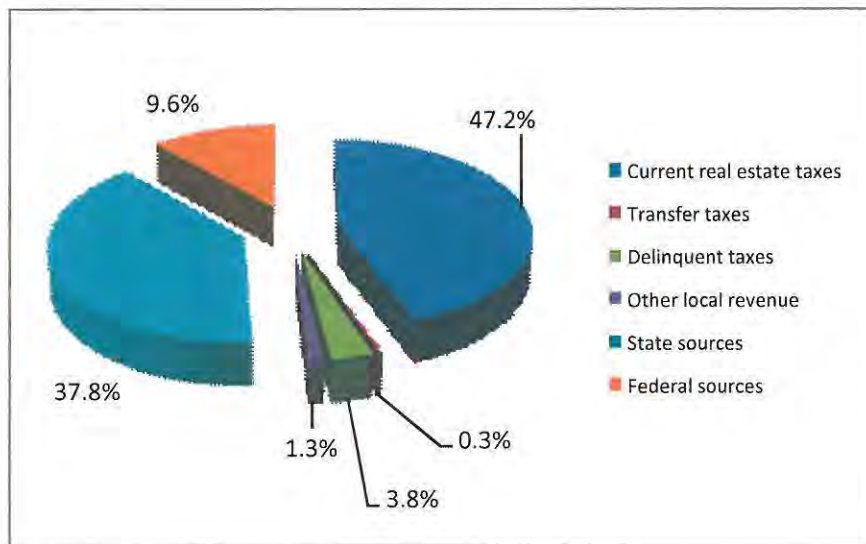
**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

REVENUES

	Fiscal Year		Variance	
	2012	2011	Amount	%
General Fund:				
Current real estate taxes	\$ 30,311,733	\$ 29,812,482	\$ 499,251	1.67%
Transfer taxes	174,705	193,864	(19,159)	-9.88%
Delinquent taxes	2,440,443	2,123,370	317,073	14.93%
Other local revenue	839,779	774,805	64,974	8.39%
State sources	24,270,350	26,401,302	(2,130,952)	-8.07%
Federal sources	6,142,496	7,703,513	(1,561,017)	-20.26%
TOTAL REVENUE	\$ 64,179,506	\$ 67,009,336	\$ (2,829,830)	-4.22%

Total general fund revenue exceeded expenditures and other financing uses by \$1,328,560. The millage rate for 2011-2012 was 36.4996 mills. The current year collection rate for 2011-2012 was 92.5 percent. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

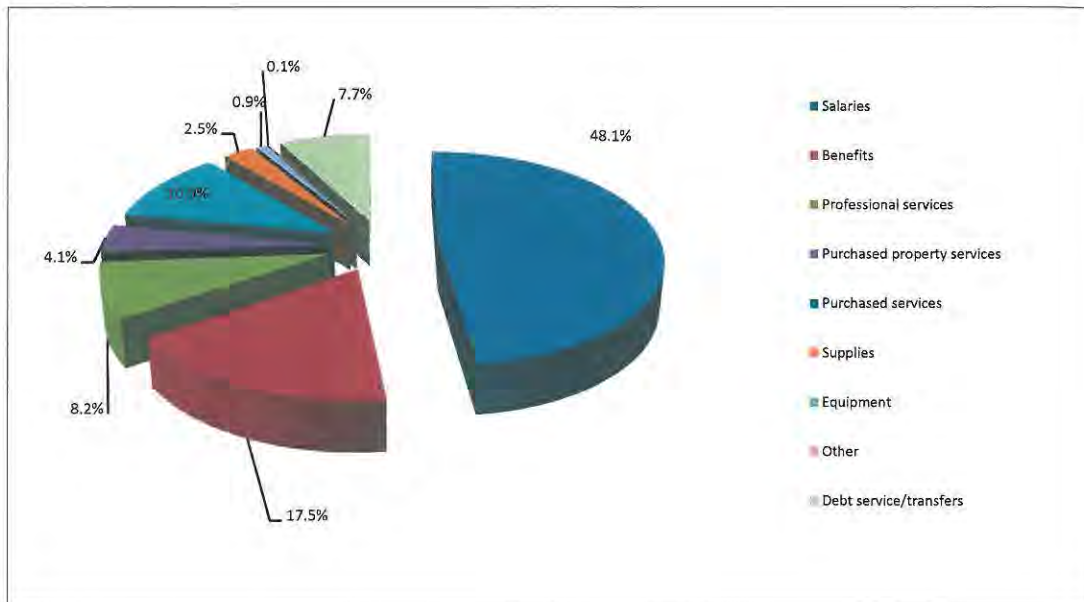


The District's current real estate tax revenue accounts for 47.2 percent of total funding, as illustrated in the above graph. State sources which include grants and subsidies accounted for 37.8 percent of District revenue.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

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



EXPENDITURES

Object	Fiscal Year		Variance	
	<u>2012</u>	<u>2011</u>	<u>Amount</u>	<u>%</u>
Salaries	\$ 30,225,787	\$ 29,836,602	\$ 389,185	1.3%
Benefits	10,971,165	10,045,043	926,122	9.2%
Professional services	5,175,344	6,036,766	(861,422)	-14.3%
Purchased property services	2,595,280	2,583,803	11,477	0.4%
Purchased services	6,820,383	6,258,447	561,936	9.0%
Supplies	1,574,103	1,872,954	(298,851)	-16.0%
Equipment	553,592	196,213	357,379	182.1%
Other	70,655	89,825	(19,170)	-21.3%
Debt service/transfers	4,864,637	3,909,048	955,589	24.4%
Total Expenditures by Object	<u>\$ 62,850,946</u>	<u>\$ 60,828,701</u>	<u>\$ 2,022,245</u>	<u>3.3%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

General fund expenditures increased \$2.0 million, or 3.3 percent, over the prior year due to increased equipment purchases, debt service and transfers to other funds. These increases were for vans purchased for transportation, various technology purchases, and increased principal and interest payments on additional general obligation debt. These increases were offset by decreases in professional services for special education and decreases in supplies due to a District-wide effort to reduce these expenditures.

General Fund Budget Information

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

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

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Instruction:				
1100	Regular programs	\$ 25,238,648	\$ 24,430,804	\$ (807,844)	-3.2%
1200	Special programs	11,733,520	11,945,769	212,249	1.8%
1300	Vocational programs	1,044,221	1,044,221	-	0.0%
1400	Other instructional programs	1,079,893	1,251,248	171,355	15.9%
1600	Higher education programs	332,221	332,221	-	0.0%
	Total Instruction	<u>39,428,503</u>	<u>39,004,263</u>	<u>(424,240)</u>	<u>-1.1%</u>
	Support Services:				
2100	Pupil personnel services	1,902,570	2,169,363	266,793	14.0%
2200	Instructional staff support	1,218,848	1,749,944	531,096	43.6%
2300	Administrative services	3,331,928	3,331,681	(247)	-0.0%
2400	Pupil health	533,747	533,747	-	0.0%
2500	Business office	1,068,931	1,068,931	-	0.0%
2600	Maintenance and facilities	4,607,070	4,607,070	-	0.0%
2700	Student transportation services	3,379,871	3,379,871	-	0.0%
2800	Information services	379,001	349,001	(30,000)	-7.9%
2900	Other support services	29,550	29,550	-	0.0%
	Total Support Services	<u>16,451,516</u>	<u>17,219,158</u>	<u>767,642</u>	<u>4.7%</u>
	Operation of Noninstructional Services:				
3200	Student activities	512,770	512,770	-	0.0%
3300	Community services	125,000	125,000	-	0.0%
	Total Operation of Noninstructional Services	<u>637,770</u>	<u>637,770</u>	<u>-</u>	<u>0.0%</u>
5110	Debt service	4,695,010	4,695,010	-	0.0%
5130	Refund of prior year revenues	-	-	-	0.0%
5200	Transfers out	47,000	47,000	-	0.0%
5900	Budgetary reserve	199,508	-	(199,508)	-100.0%
	TOTAL EXPENDITURES	<u>\$ 61,459,307</u>	<u>\$ 61,603,201</u>	<u>\$ 143,894</u>	<u>0.2%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

Using spending variances in excess of \$15,000 and using 10 percent as a spending tolerance, the most significant changes in the District's original versus final budgeted expenditures were as follows:

EXPENDITURES:

Function		Budgeted Amounts		Variance	
		Original	Final	Amount	%
1400	Other instructional programs	\$ 1,079,893	\$ 1,251,248	\$ 171,355	15.9%
2100	Pupil personnel services	1,902,570	2,169,363	266,793	14.0%
2200	Instructional staff support	1,218,848	1,749,944	531,096	43.6%
5900	Budgetary reserve	199,508	-	(199,508)	-100.0%

At year end, the District reclassified \$100 thousand from budgetary reserve to offset expenditures in excess of the original budget for other instructional programs based on student needs. Further additions to the other instructional program budget were transferred throughout the year based on program needs.

As a result to improve instructional technology, the District made budgetary transfers from regular instruction and budgetary reserve to instructional staff support for technology equipment purchases. Additional budgetary increases for instructional staff support and pupil personnel services were due to grants that were awarded after the adoption of the original budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$60.9 million invested in capital assets, net of accumulated depreciation; \$70.3 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, 2012, the District had \$56.0 million in outstanding bonds and notes payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

The District's enrollment is not expected to change significantly for the next three years.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2012**

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

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

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, 2012
(With Summarized Comparative Data for June 30, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and cash equivalents	\$ 27,004,629	\$ 165,443	\$ 27,170,072	\$ 31,865,433
Internal balances	270,048	(270,048)	-	-
Taxes receivable	2,922,888	-	2,922,888	3,079,788
Due from other governments	1,905,381	322,482	2,227,863	2,369,689
Other receivables	6,506	9,685	16,191	33,387
Prepaid expenses	66,580	-	66,580	64,642
Inventories	-	14,745	14,745	14,745
Issuance costs	665,644	-	665,644	190,971
Land	60,811	-	60,811	60,811
Land improvements	3,724,955	-	3,724,955	3,724,955
Construction-in-progress	18,668,274	-	18,668,274	2,798,541
Buildings and improvements	53,687,470	-	53,687,470	53,610,855
Furniture and equipment	6,503,324	282,112	6,785,436	7,293,428
Accumulated depreciation	(21,808,645)	(211,805)	(22,020,450)	(20,626,008)
TOTAL ASSETS	\$ 93,677,865	\$ 312,614	\$ 93,990,479	\$ 84,481,237
LIABILITIES AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 2,959,727	\$ 16,943	\$ 2,976,670	\$ 2,464,678
Accrued salaries and benefits	4,866,110	-	4,866,110	4,382,670
Accrued interest	1,148,992	-	1,148,992	942,026
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	1,051,303	-	1,051,303	1,148,652
Notes payable	1,594,376	-	1,594,376	131,000
Less: Unamortized discount	(23,549)	-	(23,549)	(8,703)
Less: Deferred amounts on refunding	(6,166)	-	(6,166)	-
Capital leases payable	57,744	-	57,744	74,253
Portion due or payable after one year:				
Bonds payable	22,813,244	-	22,813,244	23,169,547
Notes payable	30,569,624	-	30,569,624	23,964,000
Less: Unamortized discount	(372,810)	-	(372,810)	(146,791)
Less: Deferred amounts on refunding	(101,497)	-	(101,497)	-
Capital leases payable	881,417	-	881,417	939,161
Other post employment benefits	1,365,715	-	1,365,715	1,026,073
Compensated absences/early retirement incentive plan	2,381,271	-	2,381,271	2,311,434
TOTAL LIABILITIES	69,185,501	16,943	69,202,444	60,398,000
NET POSITION:				
Invested in capital assets, net of related debt	14,835,632	70,307	14,905,939	16,680,975
Unrestricted	9,656,732	225,364	9,882,096	7,402,262
TOTAL NET POSITION	24,492,364	295,671	24,788,035	24,083,237
TOTAL LIABILITIES AND NET POSITION	\$ 93,677,865	\$ 312,614	\$ 93,990,479	\$ 84,481,237

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Comparative Data for the Year Ended June 30, 2011)**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
		Capital Grants and Contributions		Totals
			2012	2011
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 42,020,158	\$ 10,428,070	\$ (31,548,591)	\$ (28,075,174)
Instructional student support	4,405,316	293,218	(4,112,098)	(3,588,400)
Administrative and financial support services	4,923,327	246,733	(4,676,594)	(4,612,446)
Operation and maintenance of plant services	4,585,485	229,549	(4,355,936)	(4,448,974)
Pupil transportation	3,786,994	1,323,234	(2,443,205)	(1,828,651)
Student activities	590,610	29,770	(549,759)	(534,968)
Community services	63,432	-	(54,857)	(87,966)
Interest on long-term debt	3,216,862	993,411	(724,153)	2,006,744
TOTAL GOVERNMENTAL ACTIVITIES	63,592,184	13,543,985	(48,465,193)	(41,169,835)
BUSINESS-TYPE ACTIVITIES				
Food service	1,993,259	1,420,484	-	(92,532)
TOTAL BUSINESS-TYPE ACTIVITIES	1,993,259	1,420,484	-	(92,532)
TOTAL PRIMARY GOVERNMENT	\$ 65,585,443	\$ 14,964,469	(48,465,193)	(41,222,503)
GENERAL REVENUES				
Property taxes levied for general purposes			32,799,409	32,225,057
Taxes levied for specific purposes			174,705	193,864
Grants and entitlements not restricted to specific programs			16,134,189	14,744,234
Investment earnings			28,745	14,714
Miscellaneous			125,470	20,674
TOTAL GENERAL REVENUES			49,262,518	47,198,543
CHANGE IN NET POSITION			797,325	5,976,040
NET POSITION, BEGINNING OF YEAR			23,695,039	18,107,197
NET POSITION, END OF YEAR			\$ 24,492,364	\$ 24,083,237

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

(With Summarized Comparative Data for June 30, 2011)

	Major Funds		Totals
	General Fund	Capital Projects Fund	2012
			2011
ASSETS			
Cash and cash equivalents	\$ 13,274,034	\$ 13,730,595	\$ 31,819,993
Taxes receivable	2,922,888	-	3,079,788
Due from other funds	264,192	5,856	-
Due from other governments	1,354,658	-	1,964,199
Other receivables	6,506	-	33,387
Prepaid items	66,580	-	64,642
TOTAL ASSETS	\$ 17,888,858	\$ 13,736,451	\$ 31,625,309
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,360,093	\$ 1,599,634	\$ 2,454,577
Due to other funds	-	-	205,854
Accrued salaries and benefits	4,866,110	-	4,382,670
Deferred revenues	2,672,724	-	2,666,066
TOTAL LIABILITIES	8,898,927	1,599,634	9,709,167
FUND BALANCES:			
Nonspendable	66,580	-	64,642
Restricted for capital projects	-	12,136,817	19,591,471
Committed for capital projects	2,742,623	-	3,200,000
Assigned for athletic purposes	23,177	-	23,506
Assigned for future expenditures	561,585	-	-
Unassigned	5,595,966	-	4,373,223
TOTAL FUND BALANCES	8,989,931	12,136,817	27,252,842
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,888,858	\$ 13,736,451	\$ 31,625,309

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

**SOUTHEAST DELCO SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2012**

TOTAL GOVERNMENTAL FUND BALANCES \$ 21,126,748

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

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

Land	\$ 60,811	
Land improvements	3,724,955	
Construction-in-progress	18,668,274	
Buildings and improvements	53,687,470	
Furniture and equipment	6,503,324	
Accumulated depreciation	<u>(21,808,645)</u>	60,836,189

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

Bonds payable	(23,864,547)	
Notes payable	(32,164,000)	
Capital leases payable	(939,161)	
Other post employment benefits	(1,365,715)	
Accumulated compensated absences/early retirement incentive plan	(2,381,271)	
Accrued interest	<u>(1,148,992)</u>	(61,863,686)

The issuance of debt resulted in issuance costs and deferred charges and credits which will be amortized over the life of the new debt but do not represent current rights. 1,169,666

Other assets related to long-term debt are not available to pay for current-period expenditures and are, therefore, not reported in the funds. 550,723

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 deferred in the funds. 2,672,724

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 24,492,364

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, 2012
(With Summarized Comparative Data for the Year Ended June 30, 2011)

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2012	2011
REVENUES:				
Local sources	\$ 33,766,660	\$ 9,157	\$ 33,775,817	\$ 32,908,886
State sources	24,270,350	-	24,270,350	26,401,302
Federal sources	6,142,496	-	6,142,496	7,703,513
TOTAL REVENUES	<u>64,179,506</u>	<u>9,157</u>	<u>64,188,663</u>	<u>67,013,701</u>
EXPENDITURES:				
Current:				
Instruction	40,264,756	-	40,264,756	40,535,246
Support services	17,106,763	-	17,106,763	15,722,823
Operation of noninstructional services	634,233	-	634,233	659,474
Capital outlay	-	15,946,348	15,946,348	3,414,874
Debt issuance costs	-	503,292	503,292	193,437
Debt service	4,317,162	-	4,317,162	3,314,241
TOTAL EXPENDITURES	<u>62,322,914</u>	<u>16,449,640</u>	<u>78,772,554</u>	<u>63,840,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,856,592</u>	<u>(16,440,483)</u>	<u>(14,583,891)</u>	<u>3,173,606</u>
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	22,420,000	22,420,000	22,758,000
Debt discount	-	(258,885)	(258,885)	(158,973)
Transfers in	-	457,377	457,377	596,390
Transfers out	(457,377)	-	(457,377)	(596,390)
Refund of prior year receipts	(70,655)	-	(70,655)	(527)
Payment to refunding agent	-	(13,632,663)	(13,632,663)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(528,032)</u>	<u>8,985,829</u>	<u>8,457,797</u>	<u>22,598,500</u>
NET CHANGE IN FUND BALANCES	<u>1,328,560</u>	<u>(7,454,654)</u>	<u>(6,126,094)</u>	<u>25,772,106</u>
FUND BALANCES, BEGINNING OF YEAR	<u>7,661,371</u>	<u>19,591,471</u>	<u>27,252,842</u>	<u>1,480,736</u>
FUND BALANCES, END OF YEAR	<u>\$ 8,989,931</u>	<u>\$ 12,136,817</u>	<u>\$ 21,126,748</u>	<u>\$ 27,252,842</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, 2012**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (6,126,094)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures, either as District-wide (capital outlay) or function-specific (i.e. instruction, pupil services.) However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay (\$16,067,762) exceeded depreciation (\$2,010,843).	14,056,919
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,658
Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurring debt increases liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	(7,541,095)
Governmental funds report issuance costs and bond discounts as expenditures and deferred bond refunding option proceeds and bond premiums as revenue. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt.	823,201
In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) other post employment benefits (OPEB) and special termination benefits (early retirement)—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the net effect of the differences in the treatment of these items.	(409,479)
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.	194,181
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(206,966)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 797,325</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, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$33,004,837	\$33,009,685	\$33,766,660	\$ 756,975
State sources	23,016,941	23,016,941	24,270,350	1,253,409
Federal sources	5,437,529	5,437,529	6,142,496	704,967
TOTAL REVENUES	<u>61,459,307</u>	<u>61,464,155</u>	<u>64,179,506</u>	<u>2,715,351</u>
EXPENDITURES				
Instruction:				
Regular programs	25,238,648	24,430,804	25,089,271	(658,467)
Special programs	11,733,520	11,945,769	11,831,552	114,217
Vocational programs	1,044,221	1,044,221	1,044,221	-
Other instructional programs	1,079,893	1,251,248	1,967,491	(716,243)
Community/Junior college educational programs	332,221	332,221	332,221	-
Total Instruction	<u>39,428,503</u>	<u>39,004,263</u>	<u>40,264,756</u>	<u>(1,260,493)</u>
Support services:				
Pupil personnel services	1,902,570	2,169,363	2,071,551	97,812
Instructional staff services	1,218,848	1,749,944	1,600,753	149,191
Administrative services	3,331,928	3,331,681	3,201,296	130,385
Pupil health	533,747	533,747	556,090	(22,343)
Business services	1,068,931	1,068,931	1,134,435	(65,504)
Operation and maintenance of plant services	4,607,070	4,607,070	4,401,326	205,744
Student transportation services	3,379,871	3,379,871	3,746,231	(366,360)
Central	379,001	349,001	365,617	(16,616)
Other support services	29,550	29,550	29,464	86
Total Support Services	<u>16,451,516</u>	<u>17,219,158</u>	<u>17,106,763</u>	<u>112,395</u>
Operation of noninstructional activities:				
Student activities	512,770	512,770	570,801	(58,031)
Community services	125,000	125,000	63,432	61,568
Total Operation of Noninstructional Services	<u>637,770</u>	<u>637,770</u>	<u>634,233</u>	<u>3,537</u>
Debt service	4,695,010	4,695,010	4,317,162	377,848
TOTAL EXPENDITURES	<u>61,212,799</u>	<u>61,556,201</u>	<u>62,322,914</u>	<u>(766,713)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>246,508</u>	<u>(92,046)</u>	<u>1,856,592</u>	<u>1,948,638</u>
OTHER FINANCING USES				
Transfers out	(47,000)	(47,000)	(457,377)	(410,377)
Refund of prior year receipts	-	-	(70,655)	(70,655)
Budgetary reserve	(199,508)	-	-	-
TOTAL OTHER FINANCING USES	<u>(246,508)</u>	<u>(47,000)</u>	<u>(528,032)</u>	<u>(481,032)</u>
NET CHANGE IN FUND BALANCE	-	(139,046)	1,328,560	1,467,606
FUND BALANCE, BEGINNING OF YEAR	<u>7,661,371</u>	<u>7,661,371</u>	<u>7,661,371</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,661,371</u>	<u>\$ 7,522,325</u>	<u>\$ 8,989,931</u>	<u>\$ 1,467,606</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2012
(With Comparative Data for June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 165,443	\$ 45,440
Due from other funds	-	205,854
Due from other governments	322,482	48,948
Other receivables	9,685	-
Inventories	14,745	14,745
Total Current Assets	512,355	314,987
CAPITAL ASSETS:		
Furniture and equipment	282,112	282,112
Accumulated depreciation	(211,805)	(198,800)
Capital Assets, Net	70,307	83,312
TOTAL ASSETS	\$ 582,662	\$ 398,299
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,943	\$ 10,101
Due to other funds	270,048	-
Total Current Liabilities	286,991	10,101
Invested in capital assets, net of related debt	70,307	83,312
Unrestricted	225,364	304,886
Total Net Position	295,671	388,198
TOTAL LIABILITIES AND NET POSITION	\$ 582,662	\$ 398,299

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Data for the Year Ended June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
OPERATING REVENUES		
Food service revenues	\$ 480,243	\$ 524,794
Total Operating Revenues	480,243	524,794
OPERATING EXPENSES		
Salaries	766,861	755,403
Employee benefits	210,168	191,776
Supplies	959,338	930,798
Equipment repairs	23,945	17,641
Other expenses	19,942	13,000
Depreciation	13,005	11,497
Total Operating Expenses	1,993,259	1,920,115
OPERATING LOSS	(1,513,016)	(1,395,321)
NONOPERATING REVENUES		
Earnings on investments	5	114
State sources	71,226	72,333
Federal sources	1,349,258	1,270,320
Total Nonoperating Revenues	1,420,489	1,342,767
CHANGE IN NET POSITION	(92,527)	(52,554)
NET POSITION, BEGINNING OF YEAR	388,198	440,752
NET POSITION, END OF YEAR	\$ 295,671	\$ 388,198

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Data for the Year Ended June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 676,412	\$ 319,442
Payments to suppliers	(643,286)	(1,014,976)
Payments to employees	(977,029)	(947,179)
NET CASH USED BY OPERATING ACTIVITIES	(943,903)	(1,642,713)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	57,024	74,725
Federal sources	1,006,877	1,239,053
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,063,901	1,313,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(21,291)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(21,291)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	5	114
NET CASH PROVIDED BY INVESTING ACTIVITIES	5	114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	120,003	(350,112)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,440	395,552
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 165,443	\$ 45,440
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,513,016)	\$ (1,395,321)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,005	11,497
Donated commodities	83,049	74,481
(Increase) Decrease in:		
Due from other funds	205,854	(205,854)
Other receivables	(9,685)	502
Increase (Decrease) in:		
Accounts payable	6,842	(25,692)
Due to other funds	270,048	(102,326)
NET CASH USED BY OPERATING ACTIVITIES	\$ (943,903)	\$ (1,642,713)
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 83,049	\$ 74,481

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private - Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	<u>\$ 30,382</u>	<u>\$ 65,041</u>
TOTAL ASSETS	<u><u>\$ 30,382</u></u>	<u><u>\$ 65,041</u></u>
 LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	\$ 65,041
NET POSITION:		
Reserved for trust	<u>30,382</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 30,382</u></u>	<u><u>\$ 65,041</u></u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
 STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012
 (With Comparative Data for the Year Ended June 30, 2011)**

	<u>Private-Purpose Trust</u>	
	<u>2012</u>	<u>2011</u>
ADDITIONS		
Local sources	<u>\$ 6,343</u>	<u>\$ 5,874</u>
TOTAL ADDITIONS	<u>6,343</u>	<u>5,874</u>
DEDUCTIONS		
Operation of non-instructional activities	<u>4,550</u>	<u>5,225</u>
TOTAL DEDUCTIONS	<u>4,550</u>	<u>5,225</u>
CHANGE IN NET POSITION	1,793	649
NET POSITION, BEGINNING OF YEAR	<u>28,589</u>	<u>27,940</u>
NET POSITION, END OF YEAR	<u><u>\$ 30,382</u></u>	<u><u>\$ 28,589</u></u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings 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 the capital projects fund. Unrestricted net position consists of resources that do not meet the definition of "invested in capital assets, net of related debt" 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.

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Receivables and Payables

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

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

Property Taxes

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

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

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2011-2012 was 36.4996 mills (\$36.4996 for \$1,000 of assessed valuation).

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Prepaid Items and Inventories

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

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Fund Equity

Effective July 1, 2010, the District adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of the Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

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

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

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

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

Unassigned – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first and then unrestricted resources - committed, assigned or unassigned - in order as needed.

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)

Early Implementation of GASB Statements

During the current year, the District elected to implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the District's current year financial statements.

During the current year, the District elected to implement GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which are followed for proprietary fund and entity-wide reporting. The District's notes to the financial statements have been revised to reflect the level of disclosure required by the new Statement.

During the current year, the District elected to implement GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the balance sheet (deferred outflows and deferred inflows) and revises other proprietary fund and entity-wide terminology as a result of this change. The District's proprietary fund and entity-wide balance sheets have been revised to reflect the new terminology. At June 30, 2012, the District had no deferred inflows or deferred outflows.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2012:

Regular programs	\$	658,467
Other instructional	\$	716,243
Pupil health	\$	22,343
Business services	\$	65,504
Student transportation	\$	366,360
Central	\$	16,616
Student activities	\$	58,031

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

NOTE 3 DEPOSITS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2012, the carrying amount of the District's deposits was \$27,265,495 and the bank balance was \$28,666,924. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,731,231 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2012, PLGIT was rated as AAA by a nationally recognized statistical rating agency.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds resulted from delinquent property taxes receivable, federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned.

Deferred revenue in the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	2,798,541	15,869,733	-	18,668,274
Total Capital Assets Not Being Depreciated	<u>2,859,352</u>	<u>15,869,733</u>	<u>-</u>	<u>18,729,085</u>
Capital assets being depreciated:				
Land improvements	3,724,955	-	-	3,724,955
Buildings	53,610,855	76,615	-	53,687,470
Furniture and equipment	7,011,316	121,414	629,406	6,503,324
Total Capital Assets Being Depreciated	<u>64,347,126</u>	<u>198,029</u>	<u>629,406</u>	<u>63,915,749</u>
Less accumulated depreciation for:				
Land improvements	1,886,904	185,369	-	2,072,273
Buildings	13,784,474	1,024,639	-	14,809,113
Furniture and equipment	4,755,830	800,835	629,406	4,927,259
Total Accumulated Depreciation	<u>20,427,208</u>	<u>2,010,843</u>	<u>629,406</u>	<u>21,808,645</u>
Total Capital Assets Being Depreciated, Net	<u>43,919,917</u>	<u>(1,812,814)</u>	<u>-</u>	<u>42,107,103</u>
Governmental Activities Assets, Net	<u>\$46,779,270</u>	<u>\$ 14,056,919</u>	<u>\$ -</u>	<u>\$60,836,189</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 282,112	\$ -	\$ -	\$ 282,112
Total Capital Assets Being Depreciated	<u>282,112</u>	<u>-</u>	<u>-</u>	<u>282,112</u>
Less accumulated depreciation for:				
Furniture and equipment	198,800	13,005	-	211,805
Total Accumulated Depreciation	<u>198,800</u>	<u>13,005</u>	<u>-</u>	<u>211,805</u>
Business-type Activities, Net	<u>\$ 83,312</u>	<u>\$ (13,005)</u>	<u>\$ -</u>	<u>\$ 70,307</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental activities:	
Instruction	\$ 1,397,357
Instructional student support	146,743
Administrative and financial support services	164,179
Operation and maintenance of plant services	152,745
Pupil transportation	130,010
Student activities	<u>19,809</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,010,843</u>
Business-type Activities - Food Service	<u>\$ 13,005</u>

NOTE 6 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Bonds payable	\$ 24,318,199	\$14,220,000	\$14,673,652	\$ 23,864,547
Note payable	24,095,000	8,200,000	131,000	32,164,000
Capital leases payable	1,013,414	-	74,253	939,161
Accumulated compensated absences/early retirement incentive plan	<u>2,311,434</u>	<u>94,804</u>	<u>24,967</u>	<u>2,381,271</u>
TOTALS	<u>\$ 51,738,047</u>	<u>\$22,514,804</u>	<u>\$14,903,872</u>	<u>\$ 59,348,979</u>

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

General Obligation Bonds

Series of 1999, capital appreciation bonds, maturing through February 1, 2025, accreting interest from 4.4% to 5.3%, payable on February 1. \$ 9,644,547

Series of 2011, maturing through October 1, 2028, bearing interest from 1.00% to 3.65%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. The economic savings of the refunding was \$535,435. 9,995,000

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM DEBT (cont'd)

Series of 2012, maturing through October 1, 2029, accreting interest from 1.00% to 3.70%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. The economic savings of the refunding was \$139,611. 4,225,000

General Obligation Notes

Series of 2004, maturing through September 25, 2019, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. 1,211,000

Series of 2010, maturing through September 1, 2028, bearing interest at 6.50%, payable on September 1 and March 1. 15,745,000

Series of 2011, maturing through September 1, 2026, bearing interest at 5.43%, payable on September 1 and March 1. 7,008,000

Series C of 2011, maturing through September 1, 2029, bearing interest at 5.09%, payable on September 1 and March 1. 5,900,000

Series D of 2011, maturing through September 1, 2029, bearing interest at 5.14%, payable on September 1 and March 1. 2,300,000

TOTAL \$ 56,028,547

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>
2013	\$ 2,645,679	\$ 3,371,925	\$ 6,017,604
2014	2,717,234	3,420,742	6,137,976
2015	2,622,824	3,472,701	6,095,525
2016	2,575,906	3,518,049	6,093,955
2017	2,531,211	3,560,724	6,091,935
2018-2022	13,224,850	18,261,237	31,486,087
2023-2027	17,124,081	14,626,926	31,751,007
2028-2030	12,586,762	2,951,916	15,538,678
	<u>\$ 56,028,547</u>	<u>\$ 53,184,220</u>	<u>\$109,212,767</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 CAPITAL LEASES - LESSEE

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

The assets acquired through the capital leases are as follows:

Office equipment, computers, vehicles and buses	\$ 1,275,750
Less: accumulated depreciation	<u>(403,988)</u>
TOTAL	<u>\$ 871,762</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30,

2013	\$ 86,478
2014	115,306
2015	115,306
2016	115,306
2017	115,306
2018-2022	576,528
2023	<u>28,826</u>
Total minimum lease payments	1,153,056
Less: amount representing interest	<u>(213,895)</u>
Present value of minimum lease payments	<u>\$ 939,161</u>

NOTE 8 OPERATING LEASES

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

Year Ending June 30,

2013	\$ 270,946
2014	220,791
2015	<u>19,157</u>
Total	<u>\$ 510,894</u>

The total amount charged to expense for the year ended June 30, 2012 was \$273,139.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable from</u>		<u>Payable to</u>	
General Fund	\$ 264,192	Food Service	\$ 270,048
Capital Projects Fund	<u>5,856</u>		
TOTAL	<u>\$ 270,048</u>	TOTAL	<u>\$ 270,048</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, 2012 are as follows:

<u>Transfer In</u>		<u>Transfer Out</u>	
Capital Projects Fund	\$ 457,377	General Fund	\$ 457,377

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

NOTE 10 PENSION PLAN

Plan Description

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

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 6.25 and 10.30 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2010, 2011 and 2012 were \$1,420,890, \$1,792,139 and \$2,613,155, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 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 lease agreements with the DCCCA and the DCVTSA to provide rental payments to retire the Authority's outstanding debt obligations. The lease agreements generally provide that in the event the individual Authorities either retire all of their 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 Authorities or used for advance retirement of obligations, it is anticipated that less than scheduled rentals will eventually be paid.

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>	<u>DCVTSA</u>
2013	\$ 17,197	\$ 53,771
2014	18,782	-
2015	18,264	-
2016	17,450	-
2017	16,692	-
2018	6,780	-
Total	<u>95,165</u>	<u>53,771</u>
Less: Interest requirements	<u>(10,023)</u>	<u>(859)</u>
Outstanding rental payments	<u>\$ 85,142</u>	<u>\$ 52,912</u>

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 CONTINGENCIES AND COMMITMENTS (cont'd)

Litigation

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

NOTE 13 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 2011-2012 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 SPECIAL TERMINATION BENEFITS

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

The District's current ERIP plans provide for the payment of each of the participants' healthcare premiums. Currently, eight retirees of the District are participating in the District's ERIP plans. For five of the eight retirees, the District will pay their medical, dental, drug and vision insurance costs for the remainder of their lives. For the other retirees, the District will pay the employee's medical, dental, drug and vision insurance costs until the age of 65. During the year ended June 30, 2012, the District paid \$196,996 in healthcare costs for its retirees. The estimated present value of future healthcare payments for retirees is \$1,832,725 and is recorded as a liability in the governmental activities as of June 30, 2012. The annual healthcare cost trend rate used to estimate the cost of the medical insurance benefit was 8.5 percent, declining to an ultimate rate of 5.0 percent.

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. For fiscal year 2012, plan members receiving benefits contributed \$398,655 through their required monthly contributions.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 738,297
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	738,297
Contributions made	<u>(398,655)</u>
Increase in net OPEB obligation	339,642
Net OPEB obligation - beginning of year	<u>1,026,073</u>
Net OPEB obligation - end of year	<u>\$ 1,365,715</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$5,706,321	\$5,706,321	0.00%	\$26,448,530	21.58%
7/1/2008	\$ -	\$4,304,776	\$4,304,776	0.00%	\$25,745,027	16.72%

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

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

Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent in 2010, reduced by decrements to an ultimate rate of 5.3 percent in 2015 and later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2012 was 26 years.

NOTE 16 COMMITMENTS

As of June 30, 2012, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed to date are as follows:

Contractor Name	Contract Amount	Completed to June 30, 2012	Commitments
Bonnet Associates	\$ 1,611,490	\$ 1,611,490	\$ -
BSI Electrical Inc.	4,728,405	2,873,975	1,854,430
ABJ Sprinkler	507,300	282,011	225,289
DWD Mechanical	6,637,565	4,729,667	1,907,898
Boro Developers	11,858,395	6,800,489	5,057,906
Jay R. Reynolds	1,635,733	1,079,848	555,885
Mattiola Services, LLC	196,416	182,844	13,572
Reynolds Construction Management	1,062,400	599,399	463,001
Total	<u>\$ 28,237,704</u>	<u>\$ 18,159,723</u>	<u>\$ 10,077,981</u>

In addition, the District has incurred costs in the amount of \$508,551 that were not under a formal construction commitment as of June 30, 2012.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 17 SUBSEQUENT EVENTS

In July 2012, the District signed agreements with the following contractors for the boiler replacement at Sharon Hill Elementary School and elevator replacement at the Educational Services Center:

East Coast Constructors	\$ 283,800
Schindler Elevator Corporation	78,400
Cook Services Co.	49,405
	<u>\$ 411,605</u>

The District has evaluated all subsequent events through January 18, 2013, the date the financial statements were available to be issued.

SINGLE AUDIT

REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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January 18, 2013

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

We have audited the financial statements of Southeast Delco School District, Folcroft, Pennsylvania as of and for the year ended June 30, 2012, and have issued our report thereon dated January 18, 2013.

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.

Internal Control Over Financial Reporting

Management of Southeast Delco School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeast Delco School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Delco School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of School Directors
Southeast Delco School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Delco School District's financial statements are free of 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*.

We noted other matters involving the internal control over financial reporting which we have reported to management of Southeast Delco School District in a separate letter dated January 18, 2013.

This report is intended solely for the information and use of the Board of School Directors, management and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.


BARBACANE, THORNTON & COMPANY LLP

REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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January 18, 2013

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Compliance

We have audited the compliance of Southeast Delco School District, Folcroft, Pennsylvania, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Southeast Delco School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southeast Delco School District's management. Our responsibility is to express an opinion on Southeast Delco School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Delco School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Delco School District's compliance with those requirements.

In our opinion, Southeast Delco School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Southeast Delco School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Delco School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing

Board of School Directors
Southeast Delco School District

our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Delco School District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of School Directors and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

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

SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

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

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Grants to Local Education Agencies
84.287	Twenty-First Century Com. Learning Centers
10.553, 10.555	Child Nutrition Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X 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 AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2012**

SOURCE		FEDERAL	PASS-	GRANT PERIOD		GRANT	TOTAL	ACCRUED	REVENUE	ACCRUED
CODE	NUMBER	CFDA	THROUGH	BEGINNING/	ENDING DATES	AMOUNT	RECEIVED	(DEFERRED)	RECOGNIZED	(DEFERRED)
		NUMBER	GRANTOR'S				FOR YEAR	REVENUE		REVENUE
			NUMBER							06/30/2012
Federal Grantor/Pass-Through Grantor Project Title										
U.S. Department of Education										
Passed through Pennsylvania Department of Education										
	I	84.010	013-12-0402	07/01/11-09/30/12		\$1,473,923	\$1,278,235	\$ -	\$ 1,427,809	\$ 149,574
	I	84.010	013-11-0402	07/01/10-09/30/11		1,637,693	325,254	252,529	72,725	-
	I	84.010	077-10-0402	07/01/09-09/30/10		3,600	2,640	2,640	-	-
	I	84.010	042-12-5238	07/01/11-09/30/12		112,360	56,180	-	89,086	32,906
							1,662,309	255,169	1,589,620	182,480
School Improvement Grant										
	I	84.377	142-11-2402	09/09/11-09/30/12		947,125	801,413	-	947,125	145,712
	I	84.377	142-10-0402	09/09/10-09/30/11		958,375	737,212	476,240	260,972	-
							1,538,625	476,240	1,208,097	145,712
Title II - Improving Teacher Quality										
	I	84.367	020-12-0402	07/01/11-09/30/12		249,038	216,921	-	258,238	41,317
	I	84.367	020-11-0402	07/01/10-09/30/11		349,190	22,247	22,247	-	-
							239,168	22,247	258,238	41,317
Title II - Education Technology										
	I	84.318	055-11-0402	09/30/11-09/30/12		65,000	30,000	-	65,000	35,000
Total Title II Program Cluster										
							269,168	22,247	323,238	76,317
Twenty-First Century Community Learning Centers										
	I	84.287	4100058706	07/01/11-06/30/12		480,000	-	-	209,212	209,212
	I	84.287	4100052224	07/01/11-06/30/12		168,000	144,132	-	168,000	23,868
	I	84.287	4100052224	07/01/11-06/30/12		168,000	6,563	6,563	-	-
	I	84.287	4100052224	07/01/09-06/30/11		72,000	53,874	53,874	-	-
							204,569	60,437	377,212	233,080
ARRA - Fiscal Stabilization - Basic Education										
	I	84.394	126-11-0402	07/01/10-06/30/11		1,739,057	724,607	724,607	-	-
							4,399,278	1,538,700	3,498,167	637,589
Total Passed through Pennsylvania Dept of Education										
Subgrant from U.S. Department of Education										
Passed through Delaware County Intermediate Unit										
	I	84.027	062-10-0025	07/01/11-06/30/12		677,514	365,940	-	677,514	311,574
	I	84.027	062-11-0025	07/01/10-06/30/11		724,795	161,947	161,947	-	-
							527,887	161,947	677,514	311,574
Total CFDA #84.027										
							28,965	28,965	-	-
ARRA - I.D.E.A.										
	I	84.173	062-10-0025	07/01/10-06/30/11		5,491	5,491	-	5,491	-
	I	84.173	062-11-0025	07/01/11-06/30/12		2,896	2,896	-	2,896	-
							8,387	-	8,387	-
Total I.D.E.A. Program Cluster										
							565,239	190,912	685,901	311,574
							4,964,517	1,729,612	4,184,068	949,163
TOTAL U.S. DEPARTMENT OF EDUCATION										

Continued on next page.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor Project Title</u> (cont'd)	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>GRANT PERIOD BEGINNING/ENDING DATES</u>	<u>GRANT AMOUNT</u>	<u>TOTAL RECEIVED FOR YEAR</u>	<u>ACCRUED (DEFERRED) REVENUE 07/01/2011</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 06/30/2012</u>
Federal Emergency Management Agency Passed through Pennsylvania Department of Emergency Management	I	97.036	N/A	07/01/11-06/30/12	2,166	2,166	-	2,166	2,166	-
Public Assistance Grants						2,166	-	2,166	2,166	-
TOTAL FEMA						2,166	-	2,166	2,166	-
U.S. Department of Agriculture										
Passed through Pennsylvania Department of Agriculture	I	10.555	N/A	N/A	N/A	83,049	-	83,049	83,049	-
Value of U.S.D.A. Donated Commodities										
Passed through Pennsylvania Department of Education										
After School Snacks	I	10.555	N/A	07/01/10-06/30/11	N/A	559	559	-	-	-
After School Snacks	I	10.555	N/A	07/01/11-06/30/12	N/A	10,396	-	13,654	13,654	3,258
National School Lunch Program	I	10.555	N/A	07/01/10-06/30/11	N/A	38,046	38,046	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	814,989	-	1,074,612	1,074,612	259,623
Total CFDA# 10.555						947,039	38,605	1,171,315	1,171,315	262,881
Breakfast Program	I	10.553	N/A	07/01/10-06/30/11	N/A	7,587	7,587	-	-	-
Breakfast Program	I	10.553	N/A	07/01/11-06/30/12	N/A	135,300	-	177,943	177,943	42,643
Total CFDA# 10.553						142,887	7,587	177,943	177,943	42,643
Total Child Nutrition Cluster						1,089,926	46,192	1,349,258	1,349,258	305,524
State Matching Share	S	N/A	N/A	07/01/10-06/30/11	N/A	2,756	2,756	-	-	-
State Matching Share	S	N/A	N/A	07/01/11-06/30/12	N/A	54,268	-	71,226	71,226	16,958
Subtotal						57,024	2,756	71,226	71,226	16,958
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,146,950	48,948	1,420,484	1,420,484	322,482
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						\$6,113,633	\$1,778,560	\$ 5,606,718	\$ 5,606,718	\$1,271,645
TOTAL FEDERAL EXPENDITURES						\$6,056,609	\$1,775,804	\$ 5,535,492	\$ 5,535,492	\$1,254,687
TOTAL STATE EXPENDITURES						57,024	2,756	71,226	71,226	16,958
TOTAL FEDERAL AND STATE EXPENDITURES						\$6,113,633	\$1,778,560	\$ 5,606,718	\$ 5,606,718	\$1,271,645

Source Codes:

D = Direct Funding
I = Indirect Funding
S = State Share

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

NOTE A SCOPE OF THIS SCHEDULE

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

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 2011-2012 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, 2012 was \$651,144.

NOTE E BUILD AMERICA BONDS

The District was eligible to participate in the School Construction Bonds Program through the American Recovery and Reinvestment Act. As such, the District is eligible for reimbursement of certain amounts relating to the future debt service due on the bonds. These reimbursements are not considered federal financial assistance. The amount recognized for the year ended June 30, 2012 was \$1,305,118.