



**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2015

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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December 14, 2015

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District (the "District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated December 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the District's pensions. As a result, the beginning governmental activities, business-type activities, and food service fund net position have been restated. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 17 to the financial statements, the District corrected an error in the recording of transfers from the general fund to the debt service fund. As a result, the beginning fund balance of the debt service fund and the net position of governmental activities have been restated to correct the error. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of the District's proportionate share of the net pension liability and schedule of District contributions on pages 51 and 52 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.

Board of School Directors
Southeast Delco School District

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the Southeast Delco School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2015**

This discussion and analysis of the financial performance of the Southeast Delco School District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

Total net position for the District decreased by \$1,017,565. Net position of governmental activities decreased by \$1,041,896, and net position of business-type activities increased by \$24,331. Program revenues accounted for \$18.7 million, or 26.5 percent of total revenues (\$70.6 million); and general revenues accounted for \$51.9 million, or 73.5 percent of the total.

The District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," which generally requires state and local governments whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans, such as the Public School Employee Retirement System ("PSERS") to account for and report their proportionate share of the annual pension cost and outstanding pension obligations. The total net pension liability reported at June 30, 2015 totals \$89,532,000.

As of June 30, 2015, the general fund reported a positive fund balance of \$7.9 million, of which \$5.5 million is unassigned, \$2.2 million is committed for capital projects, \$117 thousand is classified as non-spendable, and \$5 thousand is assigned to athletic purposes. The debt service fund reported a restricted fund balance of \$4.6 million for debt service. The capital projects fund did not report a fund balance. The general fund will continue to fund any ongoing capital projects within the capital projects fund.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

During the year, the District implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials), and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. Over the last five years, the PSERS employer contribution rate has risen significantly, from 4.0 percent in 2009-2010 to 20.5 percent in 2014-2015. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 30 percent in future years.

The implementation of GASB Statement No. 68 has had an impact on entity-wide statements. The District is now required to report its proportionate share of the net pension liability. This portion of the unfunded pension liability resulted in a total net position of (\$66,113,962). The majority of the unrestricted net position of (\$86,020,734) is a direct result of GASB Statement No. 68. However, a portion of the District's total net position, \$15.3 million, 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.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

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

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

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

ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$66.1 million at the close of the most recent fiscal year. In the prior year, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$65.1 million. This is due to the District accounting for and reporting its proportionate share of annual pension costs and outstanding obligations in PSERS, which is a requirement of GASB Statement No. 68.

The following table is a comparative analysis of fiscal year 2015 to 2014:

Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 23,844,361	\$ 22,114,278	\$ 55,762	\$ 64,820	\$ 23,900,123	\$ 22,179,098
Capital assets	68,336,506	70,186,356	56,366	54,588	68,392,872	70,240,944
Total Assets	92,180,867	92,300,634	112,128	119,408	92,292,995	92,420,042
Deferred outflows of resources:						
Deferred pension contributions	5,833,081	4,500,660	145,887	112,562	5,978,968	4,613,223
Deferred pension	84,294	-	2,108	-	86,402	-
Deferred amounts on bond refunding	85,528	91,694	-	-	85,528	91,694
Total Deferred Outflows of Resources	6,002,903	4,592,354	147,995	112,562	6,150,898	4,704,917
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 98,183,770	\$ 96,892,988	\$ 260,123	\$ 231,970	\$ 98,443,893	\$ 97,124,959

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2015**

Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
Liabilities:						
Current liabilities	\$ 12,109,873	\$ 11,460,807	\$ 2,103	\$ 65,846	\$ 12,111,976	\$ 11,526,653
Long-term liabilities	141,519,598	148,364,381	2,184,581	2,330,322	143,703,879	150,694,703
Total Liabilities	153,629,171	159,825,188	2,186,684	2,396,168	155,815,855	162,221,356
Deferred inflows of resources:						
Deferred pension	8,528,695	-	213,305	-	8,742,000	-
Total Deferred Inflows of Resources	8,528,695	-	213,305	-	8,742,000	-
Net Position:						
Net investment in capital assets	15,231,158	15,853,614	56,366	54,588	15,287,524	15,909,980
Restricted for capital projects	4,619,248	2,967,456	-	-	4,619,248	2,967,456
Unrestricted (deficit)	(83,824,502)	(81,755,048)	(2,196,232)	(2,218,786)	(86,020,734)	(83,973,833)
Total Net Position (Deficit)	(63,974,096)	(62,932,200)	(2,139,866)	(2,164,198)	(66,113,962)	(65,096,397)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 98,183,770	\$ 96,892,988	\$ 260,123	\$ 231,970	\$ 98,443,893	\$ 97,124,959

Total net position of the District's governmental activities decreased by \$1,041,896. The District's net investment in capital assets decreased by \$622,456. Total long-term liabilities decreased by \$6,990,824, mainly attributable to the reduction in the net pension liability during the current year due to investment earnings and contributions into the pension plan.

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

STATEMENT OF ACTIVITIES

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 45,709,775	\$(34,613,169)	\$ 42,911,886	\$(32,478,746)
Instructional support staff	4,226,836	(3,805,198)	4,251,535	(3,846,173)
Administration	5,715,033	(5,250,111)	5,257,633	(4,879,888)
Maintenance	5,238,569	(4,814,516)	4,887,097	(4,535,974)
Pupil transportation	4,181,116	(2,586,892)	3,847,671	(2,418,719)
Student activities	687,454	(618,009)	687,577	(618,396)
Community services	128,971	(111,664)	121,342	(106,092)
Interest and fiscal charges	3,634,555	(1,138,061)	3,478,430	(973,436)
Total Governmental Activities	<u>\$ 69,522,309</u>	<u>\$(52,937,619)</u>	<u>\$ 65,443,171</u>	<u>\$(49,857,424)</u>
Business-type Activities:				
Food service	<u>\$ 2,106,789</u>	<u>\$ 24,331</u>	<u>\$ 2,010,574</u>	<u>\$ (71,697)</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

The net cost of services increased by \$3.1million, primarily due to current year pension expense, increase in retirement contributions to PSERS, teacher substitute services, and the cost of providing special education programs.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues:						
Charges for services	\$ 84,789	\$ 90,413	\$ 457,032	\$ 455,923	\$ 541,821	\$ 546,336
Operating grants/contributions	14,968,091	13,966,229	1,674,088	1,482,954	16,642,179	15,449,183
Capital grants/contributions	1,531,810	1,529,105	-	-	1,531,810	1,529,105
Total Program Revenues	<u>16,584,690</u>	<u>15,585,747</u>	<u>2,131,120</u>	<u>1,938,877</u>	<u>18,715,810</u>	<u>17,524,624</u>
General Revenues:						
Property and other taxes	34,632,637	33,991,456	-	-	34,632,637	33,991,456
Grants and entitlements	16,879,032	16,836,157	-	-	16,879,032	16,836,157
Investment earnings	341,531	60,841	-	-	341,531	60,841
Miscellaneous	42,523	67,856	-	-	42,523	67,856
Total General Revenues	<u>51,895,723</u>	<u>50,956,310</u>	<u>-</u>	<u>-</u>	<u>51,895,723</u>	<u>50,956,310</u>
TOTAL REVENUES	<u>68,480,413</u>	<u>66,542,057</u>	<u>2,131,120</u>	<u>1,938,877</u>	<u>70,611,533</u>	<u>68,480,934</u>
EXPENSES						
Program Expenses:						
Instruction	45,709,775	42,911,886	-	-	45,709,775	42,911,886
Support Services:						
Instructional support staff	4,226,836	4,251,535	-	-	4,226,836	4,251,535
Administration	5,715,033	5,257,633	-	-	5,715,033	5,257,633
Maintenance	5,238,569	4,887,097	-	-	5,238,569	4,887,097
Pupil transportation	4,181,116	3,847,671	-	-	4,181,116	3,847,671
Student activities	687,454	687,577	-	-	687,454	687,577
Community services	128,971	121,342	-	-	128,971	121,342
Interest and fiscal charges	3,634,555	3,478,430	-	-	3,634,555	3,478,430
Food service	-	-	2,106,789	2,010,574	2,106,789	2,010,574
TOTAL EXPENSES	<u>69,522,309</u>	<u>65,443,171</u>	<u>2,106,789</u>	<u>2,010,574</u>	<u>71,629,098</u>	<u>67,453,745</u>
CHANGE IN NET POSITION	<u>\$ (1,041,896)</u>	<u>\$ 1,098,886</u>	<u>\$ 24,331</u>	<u>\$ (71,697)</u>	<u>\$ (1,017,565)</u>	<u>\$ 1,027,189</u>

Governmental Activities

The cost of all governmental activities in 2014-2015 was \$69.5 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$34.6 million, or 49.8 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$33.85 million, or 48.7 percent. As indicated by the governmental program expenses, instructional programs account for approximately 65.7 percent of the total expenses of the District's governmental activities.

Business-type Activities

Business-type activities is made up of the food service program. This program had an increase in net position of \$24 thousand for the fiscal year.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

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

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

Fund Financial Statements

The fund financial statements of the District's major funds provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state statute, while many other funds are established by the District to help manage money for particular 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 \$12.5 million, which is an increase of \$1.5 million from the previous year total. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2014 to June 30, 2015.

	Fund Balance June 30, 2015	Fund Balance (Deficit) June 30, 2014	Increase (Decrease)
General Fund	\$ 7,868,430	\$ 8,326,122	\$ (457,692)
Debt Service Fund	4,619,248	2,967,456	1,651,792
Capital Projects Fund (Deficit)	-	(265,669)	265,669
	<u>\$ 12,487,678</u>	<u>\$ 11,027,909</u>	<u>\$ 1,459,769</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

The decrease in fund balance for the general fund can be attributed to an increase in the cost of special education programs which totaled approximately \$1.7 million and an increase in retirement contributions PSERS offset by an increase in property tax collections. The general fund also transferred \$1.4 million to the capital projects fund for renovation projects completed at various buildings.

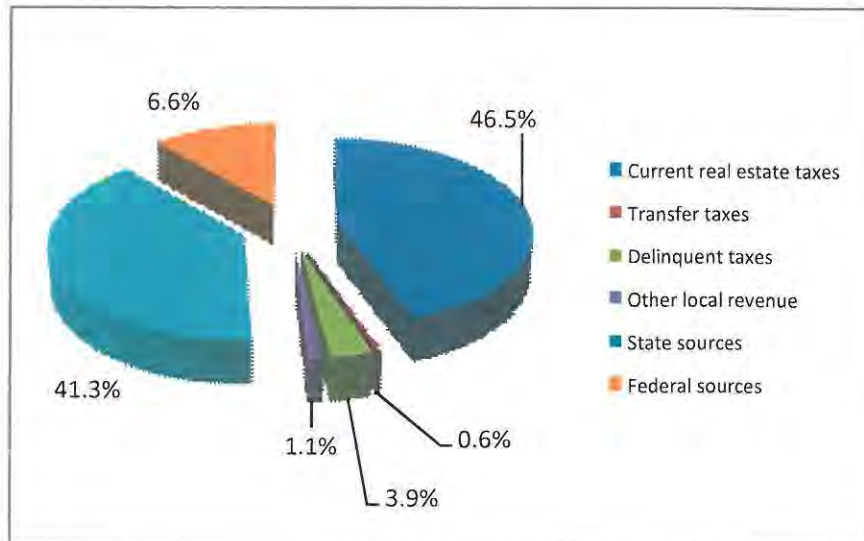
The capital projects fund does not report any fund balance due to the fact that the general fund subsidizes the cost of these capital projects and transfers funds to capital projects as funds are spent.

REVENUES

	Fiscal Year		Variance	
	2015	2014	Amount	%
General Fund:				
Current real estate taxes	\$ 31,927,202	\$ 30,936,710	\$ 990,492	3.20%
Transfer taxes	397,125	331,785	65,340	19.69%
Delinquent taxes	2,669,384	2,630,300	39,084	1.49%
Other local revenue	790,799	954,605	(163,806)	-17.16%
State sources	28,310,751	26,578,808	1,731,943	6.52%
Federal sources	4,509,087	5,018,069	(508,982)	-10.14%
TOTAL REVENUE	\$ 68,604,348	\$ 66,450,277	\$ 2,154,071	3.24%

Total general fund expenditures and other financing uses exceeded revenues and other financing sources by \$458 thousand. The millage rate for 2014-2015 was 38.4034 mills. The current year collection rate for 2014-2015 was approximately 92.02 percent.

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

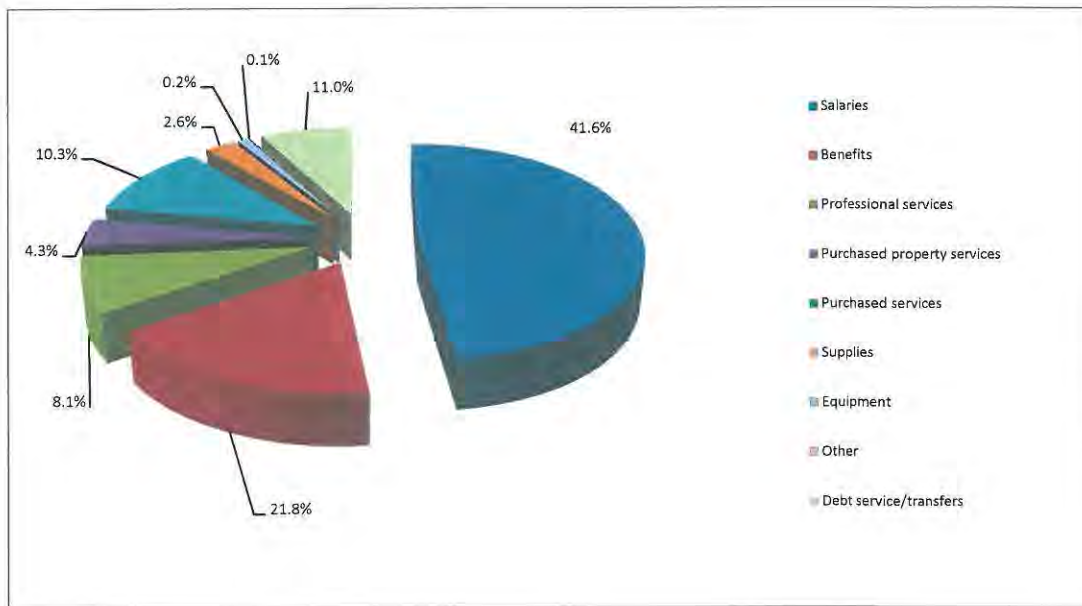


**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

The District's current real estate tax revenue accounts for 46.5 percent of total general fund revenues, as illustrated in the above graph. State sources which include grants and subsidies accounted for 41.3 percent of general fund revenues.

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



EXPENDITURES

<i>Object</i>	Fiscal Year		Variance	
	2015	2014	Amount	%
Salaries	\$ 28,704,340	\$ 28,657,009	\$ 47,331	0.2%
Benefits	15,076,110	13,082,466	1,993,644	15.2%
Professional services	5,569,639	4,517,463	1,052,176	23.3%
Purchased property services	2,991,285	2,956,053	35,232	1.2%
Purchased services	7,119,360	7,114,222	5,138	0.1%
Supplies	1,817,949	1,982,996	(165,047)	-8.3%
Equipment	140,662	875,610	(734,948)	-83.9%
Other	82,411	134,632	(52,221)	-38.8%
Debt service/transfers	7,571,641	6,919,199	652,442	9.4%
Total Expenditures by Object	\$ 69,073,397	\$ 66,239,650	\$ (2,833,747)	4.3%

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

General fund expenditures increased by \$2.8 million, or 4.3 percent. This can be attributed to the rising cost of retirement contributions to PSERS, teacher substitute services, and special education professional services.

General Fund Budget Information

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

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

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Instruction:				
1100	Regular programs	\$ 26,609,172	\$ 26,528,843	\$ (80,329)	-0.3%
1200	Special programs	13,347,413	13,647,413	300,000	2.2%
1300	Vocational programs	862,853	862,853	-	0.0%
1400	Other instructional programs	1,824,328	1,603,830	(220,498)	-12.1%
1600	Higher education programs	342,592	342,592	-	0.0%
	Total Instruction	<u>42,986,358</u>	<u>42,985,531</u>	<u>(827)</u>	<u>0.0%</u>
	Support Services:				
2100	Pupil personnel services	1,860,894	1,860,894	-	0.0%
2200	Instructional staff support	1,532,355	1,532,355	-	0.0%
2300	Administrative services	3,825,904	3,825,904	-	0.0%
2400	Pupil health	633,584	633,584	-	0.0%
2500	Business office	1,309,239	1,309,239	-	0.0%
2600	Maintenance and facilities	5,154,440	5,155,267	827	0.0%
2700	Student transportation services	4,045,228	4,045,228	-	0.0%
2800	Information services	452,586	452,586	-	0.0%
2900	Other support services	29,550	29,550	-	0.0%
	Total Support Services	<u>18,843,780</u>	<u>18,844,607</u>	<u>827</u>	<u>0.4%</u>
	Operation of Noninstructional Services:				
3200	Student activities	651,131	651,131	-	0.0%
3300	Community services	140,000	140,000	-	0.0%
	Total Operation of Noninstructional Services	<u>791,131</u>	<u>791,131</u>	<u>-</u>	<u>0.0%</u>
5110	Debt service	<u>6,218,031</u>	<u>6,218,031</u>	<u>-</u>	<u>0.0%</u>
	TOTAL EXPENDITURES	<u>\$ 68,839,300</u>	<u>\$ 68,839,300</u>	<u>\$ -</u>	<u>0.0%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
JUNE 30, 2015**

Using spending variances in excess of \$50,000 and using 10 percent as a spending tolerance, the final budget amount for regular, special education, and other instructional programs was revised to cover the cost of increased charter school special education tuition expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$68.4 million invested in capital assets, net of accumulated depreciation; \$56 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, 2015, the District had \$53.5 million in outstanding bonds, notes, and capital lease payables. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

The District's student enrollment for 2014-2015 was 4,451 and the enrollment in November 2015 was approximately 4,500.

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

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015
(With Summarized Comparative Data for June 30, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 13,877,756	\$ 90,145	\$ 13,967,901	\$ 12,786,239
Cash and cash equivalents with fiscal agent	1,895	-	1,895	689
Investments with fiscal agent	4,617,353	-	4,617,353	2,966,767
Internal balances	135,770	(135,770)	-	-
Taxes receivable	3,097,048	-	3,097,048	3,375,453
Due from other governments	1,962,973	79,582	2,042,555	2,859,845
Other receivables	76,555	7,060	83,615	146,534
Prepaid expenses	75,011	-	75,011	28,826
Inventories	-	14,745	14,745	14,745
Land	60,811	-	60,811	60,811
Land improvements	4,361,399	-	4,361,399	3,858,833
Construction-in-progress	385,868	-	385,868	22,500
Buildings and improvements	85,908,896	-	85,908,896	85,733,325
Furniture and equipment	6,654,673	310,082	6,964,755	6,894,691
Accumulated depreciation	(29,035,141)	(253,716)	(29,288,857)	(26,329,216)
TOTAL ASSETS	92,180,867	112,128	92,292,995	92,420,042
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension contributions	5,833,081	145,887	5,978,968	4,613,223
Deferred pension	84,294	2,108	86,402	-
Deferred charges on bond refunding	85,528	-	85,528	91,694
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,002,903	147,995	6,150,898	4,704,917
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 98,183,770	\$ 260,123	\$ 98,443,893	\$ 97,124,959
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Cash overdraft	\$ -	\$ -	\$ -	\$ 65,656
Accounts payable	1,817,015	1,565	1,818,580	1,748,144
Due to other governments	693,785	-	693,785	21,100
Accrued salaries and benefits	5,666,720	538	5,667,258	5,734,016
Accrued interest	1,218,843	-	1,218,843	1,196,855
Long-term liabilities				
Portion due or payable within one year:				
Bonds and notes payable in future years, net	2,552,357	-	2,552,357	2,599,275
Capital leases payable	161,153	-	161,153	161,607
Portion due or payable after one year:				
Bonds and notes payable in future years, net	49,692,811	-	49,692,811	50,715,321
Capital leases payable	784,555	-	784,555	946,455
Other post-employment benefits	1,931,063	-	1,931,063	1,894,483
Compensated absences/early retirement incentive plan	1,763,450	-	1,763,450	1,633,444
Net pension liability	87,347,419	2,184,581	89,532,000	95,505,000
TOTAL LIABILITIES	153,629,171	2,186,684	155,815,855	162,221,356
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	8,528,695	213,305	8,742,000	-
NET POSITION (DEFICIT):				
Net investment in capital assets	15,231,158	56,366	15,287,524	15,909,980
Restricted for debt service	4,619,248	-	4,619,248	2,967,456
Unrestricted (Deficit)	(83,824,502)	(2,196,232)	(86,020,734)	(83,973,833)
TOTAL NET POSITION (DEFICIT)	(63,974,096)	(2,139,866)	(66,113,962)	(65,096,397)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 98,183,770	\$ 260,123	\$ 98,443,893	\$ 97,124,959

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Comparative Data for the Year Ended June 30, 2014)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 45,709,775	\$ 11,069,248	\$ -	\$(34,613,169)	\$ -	\$(32,478,746)
Instructional student support	4,226,836	421,638	-	(3,805,198)	-	(3,846,173)
Administrative and financial support services	5,715,033	464,922	-	(5,250,111)	-	(4,879,888)
Operation and maintenance of plant services	5,238,569	424,053	-	(4,814,516)	-	(4,535,974)
Pupil transportation	4,181,116	1,566,346	-	(2,586,891)	-	(2,418,719)
Student activities	687,454	57,200	-	(618,009)	-	(618,396)
Community services	128,971	-	-	(111,664)	-	(106,092)
Interest on long-term debt	3,634,555	964,684	1,531,810	(1,138,061)	-	(973,436)
TOTAL GOVERNMENTAL ACTIVITIES	69,522,309	14,968,091	1,531,810	(52,937,619)	-	(49,857,424)
BUSINESS-TYPE ACTIVITIES						
Food service	2,106,789	1,674,088	-	-	24,331	(71,697)
TOTAL BUSINESS-TYPE ACTIVITIES	2,106,789	1,674,088	-	-	24,331	(71,697)
TOTAL PRIMARY GOVERNMENT	71,629,098	16,642,179	1,531,810	(52,937,619)	24,331	(49,929,121)
GENERAL REVENUES						
Property taxes levied for general purposes				34,235,512	-	33,659,671
Taxes levied for specific purposes				397,125	-	331,785
Grants and entitlements not restricted to specific programs				16,879,032	-	16,836,157
Investment earnings				341,531	-	60,841
Miscellaneous				42,523	-	67,856
TOTAL GENERAL REVENUES				51,895,723	-	50,956,310
CHANGE IN NET POSITION				(1,041,896)	24,331	1,027,189
NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED				(62,932,200)	(2,164,197)	(66,123,586)
NET POSITION (DEFICIT), END OF YEAR				\$(63,974,096)	\$(2,139,866)	\$(65,096,397)

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2015

(With Summarized Comparative Data for June 30, 2014)

	Major Funds			Totals
	General Fund	Debt Service Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 13,877,756	\$ -	\$ -	\$ 13,877,756
Cash and cash equivalents with fiscal agent	-	1,895	-	1,895
Investments with fiscal agent	-	4,617,353	-	4,617,353
Taxes receivable	3,097,048	-	-	3,097,048
Due from other funds	-	-	541,135	541,135
Due from other governments	1,503,884	-	-	1,503,884
Other receivables	76,555	-	-	76,555
Prepaid items	117,498	-	-	117,498
TOTAL ASSETS	\$ 18,672,741	\$ 4,619,248	\$ 541,135	\$ 23,833,124
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,275,880	-	\$ 541,135	\$ 1,817,015
Due to other funds	405,365	-	-	405,365
Due to other governments	693,785	-	-	693,785
Accrued salaries and benefits	5,666,720	-	-	5,666,720
TOTAL LIABILITIES	8,041,750	-	541,135	8,582,885
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	2,762,561	-	-	2,762,561
TOTAL DEFERRED INFLOWS OF RESOURCES	2,762,561	-	-	2,762,561
FUND BALANCES:				
Nonspendable	117,498	-	-	117,498
Restricted for debt service	-	4,619,248	-	4,619,248
Committed for capital projects	2,200,000	-	-	2,200,000
Assigned for athletic purposes	4,604	-	-	4,604
Unassigned	5,546,328	-	-	5,546,328
TOTAL FUND BALANCES	7,868,430	4,619,248	-	12,487,678
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,672,741	\$ 4,619,248	\$ 541,135	\$ 23,833,124
				\$ 21,654,614
				80,257
				2,967,456
				3,000,000
				2,718
				4,977,478
				11,027,909
				\$ 21,654,614

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, 2015**

TOTAL GOVERNMENTAL FUND BALANCES \$ 12,487,678

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	4,361,399	
Construction-in-progress	385,868	
Buildings and improvements	85,908,896	
Furniture and equipment	6,654,673	
Accumulated depreciation	<u>(29,035,141)</u>	68,336,506

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

Bonds and note payable, net	(52,245,168)	
Capital leases payable	(945,708)	
Other post-employment benefits	(1,931,063)	
Accumulated compensated absences/early retirement incentive plan	(1,763,450)	
Accrued interest	(1,218,843)	
Net pension liability	<u>(87,347,419)</u>	(145,451,651)

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

85,528

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

416,602

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

Deferred outflows of resources:		
Deferred pension contributions	5,833,081	
Deferred pension	84,294	
Deferred inflows of resources:		
Deferred pension	<u>(8,528,695)</u>	(2,611,320)

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

2,762,561

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES

\$ (63,974,096)

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, 2015
(With Summarized Comparative Data for the Year Ended June 30, 2014)**

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2015	2014
REVENUES:					
Local sources	\$ 35,784,510	\$ 226,356	\$ -	\$ 36,010,866	\$ 34,887,027
State sources	28,310,751	-	-	28,310,751	26,578,808
Federal sources	4,509,087	-	-	4,509,087	5,018,069
TOTAL REVENUES	<u>68,604,348</u>	<u>226,356</u>	<u>-</u>	<u>68,830,704</u>	<u>66,483,904</u>
EXPENDITURES:					
Current:					
Instruction	42,643,874	-	-	42,643,874	40,811,327
Support services	18,072,939	-	-	18,072,939	17,688,808
Operation of noninstructional services	784,943	-	-	784,943	777,522
Capital outlay	-	-	1,121,494	1,121,494	3,282,588
Debt service	4,759,042	-	-	4,759,042	4,735,400
TOTAL EXPENDITURES	<u>66,260,798</u>	<u>-</u>	<u>1,121,494</u>	<u>67,382,292</u>	<u>67,295,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,343,550</u>	<u>226,356</u>	<u>(1,121,494)</u>	<u>1,448,412</u>	<u>(811,741)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	1,425,436	1,387,163	2,812,599	2,183,799
Transfers out	(2,812,599)	-	-	(2,812,599)	(2,183,799)
Refund of prior year receipts	-	-	-	-	(42,794)
Refund of prior year expenditures	4,857	-	-	4,857	-
Proceeds from sale of capital assets	6,500	-	-	6,500	-
Proceeds from capital lease	-	-	-	-	357,912
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,801,242)</u>	<u>1,425,436</u>	<u>1,387,163</u>	<u>11,357</u>	<u>315,118</u>
NET CHANGE IN FUND BALANCES	<u>(457,692)</u>	<u>1,651,792</u>	<u>265,669</u>	<u>1,459,769</u>	<u>(496,623)</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>8,326,122</u>	<u>2,967,456</u>	<u>(265,669)</u>	<u>11,027,909</u>	<u>11,524,532</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,868,430</u>	<u>\$ 4,619,248</u>	<u>\$ -</u>	<u>\$ 12,487,678</u>	<u>\$ 11,027,909</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, 2015**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,459,769

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 depreciation (\$2,945,437) exceeded capital outlay (\$1,095,587). (1,849,850)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (361,074)

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. 1,212,844

Governmental funds report bond discounts as expenditures, and deferred bond refunding option proceeds and bond premiums as revenue. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt. (29,715)

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. (166,586)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the organization's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,284,721)

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. (575)

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. (21,988)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,041,896)

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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local sources	\$ 35,182,704	\$ 35,182,704	\$ 35,784,510	\$ 601,806
State sources	28,573,980	28,573,980	28,310,751	(263,229)
Federal sources	4,517,180	4,517,180	4,509,087	(8,093)
TOTAL REVENUES	<u>68,273,864</u>	<u>68,273,864</u>	<u>68,604,348</u>	<u>330,484</u>
EXPENDITURES				
Instruction:				
Regular programs	26,609,172	26,528,843	25,484,133	1,044,710
Special programs	13,347,413	13,647,413	14,224,609	(577,196)
Vocational programs	862,853	862,853	827,709	35,144
Other instructional programs	1,824,328	1,603,830	1,764,712	(160,882)
Community/Junior college educational programs	342,592	342,592	342,711	(119)
Total Instruction	<u>42,986,358</u>	<u>42,985,531</u>	<u>42,643,874</u>	<u>341,657</u>
Support services:				
Pupil personnel services	1,860,894	1,860,894	2,055,716	(194,822)
Instructional staff services	1,532,355	1,532,355	1,312,739	219,616
Administrative services	3,825,904	3,825,904	3,761,801	64,103
Pupil health	633,584	633,584	609,070	24,514
Business services	1,309,239	1,309,239	1,100,735	208,504
Operation and maintenance of plant services	5,154,440	5,155,267	4,863,031	292,236
Student transportation services	4,045,228	4,045,228	3,900,676	144,552
Central	452,586	452,586	438,799	13,787
Other support services	29,550	29,550	30,372	(822)
Total Support Services	<u>18,843,780</u>	<u>18,844,607</u>	<u>18,072,939</u>	<u>771,668</u>
Operation of noninstructional activities:				
Student activities	651,131	651,131	655,972	(4,841)
Community services	140,000	140,000	128,971	11,029
Total Operation of Noninstructional Services	<u>791,131</u>	<u>791,131</u>	<u>784,943</u>	<u>6,188</u>
Debt service	6,218,031	6,218,031	4,759,042	1,458,989
TOTAL EXPENDITURES	<u>68,839,300</u>	<u>68,839,300</u>	<u>66,260,798</u>	<u>2,578,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(565,436)</u>	<u>(565,436)</u>	<u>2,343,550</u>	<u>2,908,986</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(2,812,599)	(2,812,599)
Proceeds from sale of capital assets	-	-	6,500	6,500
Refund of prior year expenditures	-	-	4,857	4,857
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(2,801,242)</u>	<u>(2,801,242)</u>
NET CHANGE IN FUND BALANCE	(565,436)	(565,436)	(457,692)	107,744
FUND BALANCE, BEGINNING OF YEAR	<u>8,326,122</u>	<u>8,326,122</u>	<u>8,326,122</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,760,686</u>	<u>\$ 7,760,686</u>	<u>\$ 7,868,430</u>	<u>\$ 107,744</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015
(With Comparative Data for June 30, 2014)

	Major Fund	
	Food Service Fund	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 90,145	\$ -
Due from other governments	79,582	372,424
Other receivables	7,060	-
Inventories	14,745	14,745
Total Current Assets	191,532	387,169
CAPITAL ASSETS:		
Furniture and equipment	310,082	294,100
Accumulated depreciation	(253,716)	(239,512)
Capital Assets, Net	56,366	54,588
TOTAL ASSETS	247,898	441,757
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	145,887	112,563
Deferred pension	2,108	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	147,995	112,563
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 395,893	\$ 554,320
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Cash overdraft	\$ -	\$ 65,656
Accounts payable	1,565	190
Accrued salaries and benefits	538	-
Due to other funds	135,770	322,349
Total Current Liabilities	137,873	388,195
NONCURRENT LIABILITIES:		
Net pension liability	2,184,581	2,330,322
DEFERRED INFLOWS OF RESOURCES		
Deferred pension	213,305	-
NET POSITION (DEFICIT):		
Net investment in capital assets	56,366	54,588
Unrestricted (deficit)	(2,196,232)	(2,218,785)
Total Net Position (Deficit)	(2,139,866)	(2,164,197)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 395,893	\$ 554,320

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, 2015
(With Comparative Data for the Year Ended June 30, 2014)

	Major Fund	
	Food Service Fund	
	2015	2014
OPERATING REVENUES		
Food service revenues	\$ 457,032	\$ 455,923
Total Operating Revenues	<u>457,032</u>	<u>455,923</u>
OPERATING EXPENSES		
Salaries	705,221	721,541
Employee benefits	340,940	254,180
Supplies	1,023,597	1,002,347
Equipment repairs	18,983	15,028
Other expenses	3,844	3,275
Depreciation	14,204	14,203
Total Operating Expenses	<u>2,106,789</u>	<u>2,010,574</u>
OPERATING LOSS	<u>(1,649,757)</u>	<u>(1,554,651)</u>
NONOPERATING REVENUES		
State sources	81,935	75,287
Federal sources	1,592,153	1,407,667
Total Nonoperating Revenues	<u>1,674,088</u>	<u>1,482,954</u>
CHANGE IN NET POSITION	24,331	(71,697)
NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED	<u>(2,164,197)</u>	<u>(2,092,500)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (2,139,866)</u>	<u>\$ (2,164,197)</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Data for the Year Ended June 30, 2014)

	Major Fund	
	Food Service Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 449,972	\$ 477,108
Payments to suppliers	(1,228,838)	(770,645)
Payments to employees	(1,013,491)	(975,721)
NET CASH USED BY OPERATING ACTIVITIES	(1,792,357)	(1,269,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	97,625	67,872
Federal sources	1,800,859	1,201,386
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,898,484	1,269,258
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(15,982)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15,982)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,145	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 90,145	\$ -
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,649,757)	\$ (1,554,651)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	14,204	14,203
Donated commodities	68,445	70,669
(Increase) Decrease in:		
Other receivables	(7,060)	21,185
Deferred outflows of resources - pension	(35,432)	-
Increase (Decrease) in:		
Accounts payable and cash overdraft	(64,280)	33,441
Accrued salaries and benefits	538	
Due to other funds	(186,579)	145,895
Net pension liability	(145,741)	-
Deferred inflows of resources - pension	213,305	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,792,357)	\$ (1,269,258)
SUPPLEMENTAL DISCLOSURE		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 68,445	\$ 70,669

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Private - Purpose Trust</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents	<u>\$ 13,155</u>	<u>\$ 88,099</u>
TOTAL ASSETS	<u><u>\$ 13,155</u></u>	<u><u>\$ 88,099</u></u>
 LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	\$ 88,099
NET POSITION:		
Reserved for trust	<u>13,155</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 13,155</u></u>	<u><u>\$ 88,099</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, 2015
(With Comparative Data for the Year Ended June 30, 2014)

	Private-Purpose Trust	
	2015	2014
ADDITIONS		
Local sources	\$ 8,477	\$ 4,893
TOTAL ADDITIONS	8,477	4,893
DEDUCTIONS		
Operation of non-instructional activities	8,900	5,650
TOTAL DEDUCTIONS	8,900	5,650
CHANGE IN NET POSITION	(423)	(757)
NET POSITION, BEGINNING OF YEAR	13,578	14,335
NET POSITION, END OF YEAR	\$ 13,155	\$ 13,578

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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)

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 2014-2015 was 38.4034 mills (\$38.4034 for \$1,000 of assessed valuation).

Prepaid Items and Inventories

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

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

Capital Assets

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

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Long-term Obligations

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

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

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has four types of items that qualify for reporting in this category. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting, are reflected as deferred inflows of resources on the general fund balance sheet. Pension contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Fund Equity

As of June 30, 2015, fund balances of the governmental funds are classified as applicable, as follows:

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Unassigned – all other spendable amounts.

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

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Implementation of GASB Statements

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability or, for multi-employer cost sharing plans, the entity's share of the net pension liability in the entity's financial statements.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2015:

Special programs	\$	577,196
Other instructional programs	\$	160,882
Community/Junior college educational programs	\$	119
Pupil personnel services	\$	194,822
Other support services	\$	822
Student activities	\$	4,841

The excess of expenditures over appropriations was financed with positive budget variances in other functions.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2015, the carrying amount of the District's deposits was \$14,071,050, and the bank balance was \$14,798,166. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$660,239 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, 2015, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

Investments

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

As of June 30, 2015, the District had the following investments:

Wells Fargo Bank - U.S. Treasury bonds and notes	<u>\$ 4,617,353</u>
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Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District's investments in U.S. Treasury bonds and notes had maturity dates of no more than one year.

Custodial Credit Risk - Investments

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	22,500	385,868	22,500	385,868
Total Capital Assets Not Being Depreciated	<u>83,311</u>	<u>385,868</u>	<u>22,500</u>	<u>446,679</u>
Capital assets being depreciated:				
Land improvements	3,858,833	502,566	-	4,361,399
Buildings	85,733,325	175,571	-	85,908,896
Furniture and equipment	6,600,591	54,082	-	6,654,673
Total Capital Assets Being Depreciated	<u>96,192,749</u>	<u>732,219</u>	<u>-</u>	<u>96,924,968</u>
Less accumulated depreciation for:				
Land improvements	2,449,705	201,722	-	2,651,427
Buildings	17,670,714	1,835,935	-	19,506,649
Furniture and equipment	5,969,285	907,780	-	6,877,065
Total Accumulated Depreciation	<u>26,089,704</u>	<u>2,945,437</u>	<u>-</u>	<u>29,035,141</u>
Total Capital Assets Being Depreciated, Net	<u>70,103,045</u>	<u>(2,213,218)</u>	<u>-</u>	<u>67,889,827</u>
Governmental Activities Assets, Net	<u>\$70,186,356</u>	<u>\$(1,827,350)</u>	<u>\$ 22,500</u>	<u>\$68,336,506</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 294,100	\$ 15,982	\$ -	\$ 310,082
Total Capital Assets Being Depreciated	<u>294,100</u>	<u>15,982</u>	<u>-</u>	<u>310,082</u>
Less accumulated depreciation for:				
Furniture and equipment	239,512	14,204	-	253,716
Total Accumulated Depreciation	<u>239,512</u>	<u>14,204</u>	<u>-</u>	<u>253,716</u>
Business-type Activities, Net	<u>\$ 54,588</u>	<u>\$ 1,778</u>	<u>\$ -</u>	<u>\$ 56,366</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$ 2,046,589
Instructional student support	190,892
Administrative and financial support services	255,882
Operation and maintenance of plant services	233,389
Pupil transportation	187,203
Student activities	<u>31,482</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 2,945,437</u>
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Business-type Activities - Food Service	<u>\$ 14,204</u>
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NOTE 5 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Bonds and notes payable, net	\$ 53,314,596	\$ -	\$1,069,428	\$ 52,245,168
Capital leases payable	1,108,062	-	162,354	945,708
Other post-employment benefits	1,894,483	36,580	-	1,931,063
Accumulated compensated absences/early retirement incentive plan	<u>1,633,444</u>	<u>130,006</u>	<u>-</u>	<u>1,763,450</u>
TOTALS	<u>\$ 57,950,585</u>	<u>\$ 166,586</u>	<u>\$1,231,782</u>	<u>\$ 56,885,389</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. \$ 6,676,880

Series of 2011, maturing through October 1, 2028, bearing interest from 1.00% to 3.65%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 9,980,000

Series of 2012, maturing through October 1, 2029, accreting interest from 1.00% to 3.70%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 4,155,000

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. 801,000

Series B of 2010 QZAB, requiring sinking fund deposits through September 2028, bearing interest of 6.495%, interest payable semi-annually in March and September. 15,750,000

Series C of 2011 QSCB, requiring sinking deposits through September 2029, bearing interest of 2.088%, interest payable semi-annually in March and September. 5,900,000

Series B of 2011 QZAB, requiring sinking fund deposits through September 2026, bearing interest of 5.426%, interest payable semi-annually in March and September. 7,008,000

Series D of 2011 QZAB, requiring sinking fund deposits through September 2029, bearing interest of 5.138%, interest payable semi-annually in March and September. 2,300,000

TOTAL \$ 52,570,880

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 52,570,880
Unamortized discount	<u>(325,712)</u>
 Bonds and Notes payable, net	 <u>\$ 52,245,168</u>
 Amounts due in one year	 \$ 2,552,357
Amounts due after one year	<u>49,692,811</u>
 Bonds and Notes payable, net	 <u>\$ 52,245,168</u>

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>
2016	\$ 2,575,907	\$ 3,518,049	\$ 6,093,956
2017	2,531,212	3,560,724	6,091,936
2018	2,607,947	3,595,402	6,203,349
2019	2,596,757	3,626,283	6,223,040
2020	2,614,979	3,652,824	6,267,803
2021 - 2025	14,244,553	17,917,294	32,161,847
2026 - 2030	<u>20,871,455</u>	<u>7,047,646</u>	<u>27,919,101</u>
	48,042,810	42,918,222	90,961,032
Sinking fund deposits	<u>4,528,070</u>	-	<u>4,528,070</u>
	<u>\$ 52,570,880</u>	<u>\$ 42,918,222</u>	<u>\$ 95,489,102</u>

NOTE 6 CAPITAL LEASES - LESSEE

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

The assets acquired through the capital leases are as follows:

Office equipment, computers, vehicles, and buses	\$ 1,633,662
Less: accumulated depreciation	<u>(671,178)</u>
 TOTAL	 <u>\$ 962,484</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE (cont'd)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year Ending June 30,

2016		\$ 207,518
2017		204,455
2018		156,567
2019		161,994
2020		115,306
2021 - 2023		<u>259,438</u>
Total minimum lease payments		1,105,278
Less: amount representing interest		<u>(159,570)</u>
Present value of minimum lease payments		<u>\$ 945,708</u>

NOTE 7 OPERATING LEASES

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

Year Ending June 30,

2016		\$ 245,643
2017		196,412
2018		<u>847,249</u>
Total		<u>\$ 1,289,304</u>

The total amount charged to expense for the year ended June 30, 2015 was \$258,623.

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable from</u>	<u>Amount</u>
Capital Projects Fund	\$ 405,365	General Fund	\$ 405,365
Capital Projects Fund	<u>135,770</u>	Food Service	<u>135,770</u>
	<u>\$ 541,135</u>		<u>\$ 541,135</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

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, 2015 are as follows:

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	\$1,387,163	General Fund	\$1,387,163
Debt Service Fund	<u>1,425,436</u>	General Fund	<u>1,425,436</u>
	<u>\$2,812,599</u>		<u>\$2,812,599</u>

Transfers represent funds transferred from the general fund to subsidize capital needs.

NOTE 9 PENSION PLAN

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members, and introduces benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

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

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the rate of the employer contribution was 21.40 percent of covered payroll, which was comprised of 20.50 percent for pension contributions and 0.90 percent for healthcare contributions. The District's contribution to PSERS for the years ended June 30, 2015, 2014, and 2013 was \$5,833,081, \$4,881,366, and \$3,665,472, respectively.

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

At June 30, 2015, the District reported a liability of \$89,532,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.2262 percent, which was a decrease of 0.0071 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$7,296,410. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 6,400,000
Changes in proportions	-	2,342,000
Difference between employer contributions and proportionate share of total contributions	86,402	-
Contributions subsequent to the date of measurement	<u>5,978,968</u>	<u>-</u>
	<u>\$ 6,065,370</u>	<u>\$ 8,742,000</u>

Deferred outflows of resources were reported as \$5,978,968, resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Year Ended June 30,

2016	\$ 2,143,517
2017	2,143,517
2018	2,143,517
2019	2,143,517
2020	<u>81,530</u>
	<u>\$ 8,655,598</u>

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the system's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Directors at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 111,678,000	\$ 89,532,000	\$ 70,624,000

NOTE 10 JOINT VENTURES

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

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

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

Future Authority rental payments are:

Year Ending June 30,

2016	\$ 74,000
2017	73,312
2018	73,192
2019	73,160
2020	73,062
2021-2025	336,619
2026-2030	313,443
2031-2033	231,976
Total	<u>1,248,764</u>
Less: Interest requirements	<u>(351,929)</u>
Outstanding rental payments	<u>\$ 896,835</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

Capital Improvement Commitments

As of June 30, 2015, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2015</u>	<u>Commitment</u>
Capital project	\$ 913,391	\$ 381,296	\$ 532,095

In addition, the District has incurred costs in the amount of \$4,572 that were not under a formal construction commitment as of June 30, 2015.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2014-2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 SPECIAL TERMINATION BENEFITS

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 SPECIAL TERMINATION BENEFITS (cont'd)

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, 2014, the District paid \$180,557 in healthcare costs for its retirees. The estimated present value of future healthcare payments for retirees is \$970,773 and is recorded as a liability in the governmental activities as of June 30, 2015. The annual healthcare cost trend rate used to estimate the cost of the medical insurance benefit was 6.5 percent, declining to an ultimate rate of 4.2 percent.

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. For fiscal year 2015, plan members receiving benefits contributed \$629,595 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Annual required contribution	\$ 384,938
Interest on net OPEB obligation	85,252
Adjustment to annual required contribution	<u>(116,305)</u>
Annual OPEB cost (expense)	353,885
Contributions made	<u>(317,305)</u>
Increase in net OPEB obligation	36,580
Net OPEB obligation - beginning of year	<u>1,894,483</u>
Net OPEB obligation - end of year	<u>\$ 1,931,063</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 Accrued 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]
7/1/2014	\$ -	\$3,301,872	\$3,301,872	0.00%	\$22,884,704	14.43%
7/1/2012	\$ -	\$5,200,460	\$5,200,460	0.00%	\$24,528,124	21.20%
7/1/2010	\$ -	\$7,250,576	\$7,250,576	0.00%	\$26,448,530	27.41%

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

In the July 1, 2014 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 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2015 was 23 years.

NOTE 15 HEALTHCARE TRUST

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

The District's contributions to the Trust, including that of its employees for the year ended June 30, 2015, totaled \$5,145,510.

NOTE 16 DEFICIT NET POSITION

For governmental activities, business-type activities, and food service fund, the unrestricted net deficit amounts of \$83,824,502 (governmental activities) and \$2,196,232 (business-type activities and food service fund), respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 17 PRIOR PERIOD RESTATEMENT

The District has restated its July 1, 2013 net position in its governmental activities, business-type activities, and food service fund to record the net pension liability and deferred outflows at June 30, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$88,674,019 in governmental activities net position and a decrease of \$2,217,759 in business-type activities and food service fund net position.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 17 PRIOR PERIOD RESTATEMENT (cont'd)

In addition, the District also restated its July 1, 2013 fund balance in the debt service fund and its governmental activities net position based on an error detected in recording general fund transfers to the debt service fund, which were shown as debt service payments and not escrowed funds on hand for debt service. The net result of this change is an increase of \$1,481,649 in debt service fund balance and a decrease of \$30,767 in governmental activities net position.

NOTE 18 SUBSEQUENT EVENTS

The District receives approximately 41 percent of its general fund revenues from State sources (including federal funds passed through the State). As of the date of this report, the Commonwealth of Pennsylvania has not approved a budget for the 2015-2016 fiscal year and, as a result, appropriations of funds have not been released to Pennsylvania school districts. To ensure consistency and comparability in financial reporting, receivables from the State which would normally be received within 60 days of the fiscal year end but have not yet been received as a result of the budget impasse are considered available under the modified accrual basis of accounting, as permitted by GASB.

The District has evaluated all subsequent events through December 14, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	June 30, 2014
District's proportion of the net pension liability	0.2262%
District's proportion of the net pension liability - dollar value	\$ 89,532,000
District's covered employee payroll	\$ 28,864,272
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.18%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

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

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

	June 30, 2015
Contractually required contribution	\$ 5,806,879
Contributions in relation to the contractually required contribution	5,806,879
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$28,326,239
Contributions as a percentage of covered-employee payroll	20.50%

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

SINGLE AUDIT SUPPLEMENT

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

December 14, 2015

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southeast Delco School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southeast Delco School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southeast Delco School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Delco School District's internal control.

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

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

Board of Directors
Southeast Delco School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southeast Delco School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

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

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December 14, 2015

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Southeast Delco School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Southeast Delco School District's major federal programs for the year ended June 30, 2015. The Southeast Delco School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of School Directors
Southeast Delco School District

Opinion on Each Major Federal Program

In our opinion, the Southeast Delco School District, Folcroft, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

84.287

Twenty-First Century Community Learning Centers

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

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

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

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2015
U.S. Department of Education										
Passed through Pennsylvania Department of Education										
Title I Grants to Local Educational Agencies	I	84.010	013-14-0402	08/12/13-09/30/14	\$ 1,193,877	\$ 170,554	\$ 170,554	-	-	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-15-0402	08/20/14-09/30/15	1,375,225	1,003,895	-	1,159,380	1,159,380	155,485
Title I Program Improvement - Set Aside	I	84.010	042-13-0402	07/01/13-09/30/14	161,209	64,484	232	64,252	64,252	-
Total CFDA #84.010						1,238,933	170,786	1,223,632	1,223,632	155,485
Title II - Improving Teacher Quality	I	84.367	020-14-0402	08/12/13-09/30/14	278,758	39,645	39,645	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-15-0402	08/12/14-09/30/15	279,660	299,760	-	279,660	279,660	19,900
Total CFDA #84.367						299,405	39,645	279,660	279,660	19,900
Twenty-First Century Community Learning Centers	I	84.287	4100058706	10/01/13-06/30/14	480,000	210,046	210,046	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100058706	10/01/14-06/30/15	480,000	-	-	76,595	76,595	76,595
Twenty-First Century Community Learning Centers	I	84.287	4100060877	10/01/13-06/30/14	369,866	97,734	97,734	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100060877	10/01/14-06/30/15	369,866	-	-	283,771	283,771	283,771
Twenty-First Century Community Learning Centers	I	84.287	4100068099	10/01/14-06/30/15	327,136	-	-	135,132	135,132	135,132
Total CFDA #84.287						307,780	307,780	495,498	495,498	495,498
Subgrant from U.S. Department of Education										
Passed through Delaware County Intermediate Unit										
I.D.E.A.	I	84.027	N/A	07/01/13-06/30/14	639,224	635,224	635,224	-	-	-
I.D.E.A.	I	84.027	N/A	07/01/14-06/30/15	717,994	717,994	-	717,994	717,994	-
Total CFDA #84.027						1,353,218	635,224	717,994	717,994	-
I.D.E.A. - Preschool Grants	I	84.173	N/A	07/01/13-06/30/14	4,571	4,571	4,571	-	-	-
I.D.E.A. - Preschool Grants	I	84.173	N/A	07/01/14-06/30/15	6,893	-	-	6,893	6,893	6,893
Total CFDA #84.173						4,571	4,571	6,893	6,893	6,893
Total I.D.E.A. Program Cluster						1,357,789	639,795	724,887	724,887	6,893
Race to the Top	I	84.413A	N/A	07/01/12-09/30/15	104,592	87,844	87,844	16,748	16,748	16,748
TOTAL U.S. DEPARTMENT OF EDUCATION						3,291,751	1,245,850	2,740,425	2,740,425	694,524
U.S. Department of Health and Human Services										
Passed through PA Department of Education										
Medical Assistance Program	I	93.778	N/A	07/01/14-06/30/15	N/A	-	-	6,643	6,643	6,643
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						-	-	6,643	6,643	6,643

Continued on next page.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2015
(cont'd)										
U.S. Department of Agriculture Passed through Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	68,445	-	68,445	68,445	-
Passed through Pennsylvania Department of Education National School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	290,958	290,958	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	1,198,975	-	1,260,970	1,260,970	61,995
Total CFDA# 10.555						1,558,378	290,958	1,329,415	1,329,415	61,995
Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	61,806	61,806	-	-	-
Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	249,120	-	262,778	262,738	13,618
Total CFDA# 10.553						310,926	61,806	262,778	262,738	13,618
Total Child Nutrition Cluster						1,869,304	352,764	1,592,193	1,592,153	75,613
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,869,304	352,764	1,592,193	1,592,153	75,613
TOTAL FEDERAL AWARDS						\$ 5,161,055	\$ 1,598,614	\$ 4,339,261	\$ 4,339,221	\$ 776,780

Source Code:

I = Indirect Funding

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, National School Lunch Program - Commodities, represent surplus food consumed by the District during the 2014-2015 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, 2015 was \$340,000.

NOTE E BUILD AMERICA BONDS

The District was eligible to participate in the School Construction Bonds Program through the American Recovery and Reinvestment Act. As such, the District is eligible for reimbursement of certain amounts relating to the future debt service due on the bonds. These reimbursements are not considered federal financial assistance. The amount recognized for the year ended June 30, 2015 was \$1,532,385.