



**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2021

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

January 28, 2022

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2020 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 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 14, and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the net OPEB liability and related ratios - single employer plan on pages 61 through 65 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,

Board of School Directors
Southeast Delco School District

the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 January 28, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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, 2021**

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, 2021.

FINANCIAL HIGHLIGHTS

Total net position for the District increased by \$382,314. Net deficit of governmental activities decreased by \$1,380,643, and net deficit of business-type activities increased by \$998,329. Program revenues accounted for \$28.3 million, or 31.2 percent of total governmental activities revenues (\$90.7 million); and general revenues accounted for \$62.4 million, or 68.8 percent of the total governmental activities revenues.

The District's proportionate share of the Public School Employees' Retirement System ("PSERS") net pension liability totaled \$113,841,000 at June 30, 2021. The District's proportionate share of the Public School Employees' Retirement System ("PSERS") net OPEB liability and the District's single employer OPEB plan totaled \$7,955,037 at June 30, 2021.

As of June 30, 2021, the general fund reported a fund balance of \$5.0 million. The debt service fund reported a restricted fund balance of \$15.2 million for debt service. The capital projects fund did not report a fund balance. The general fund will continue to fund any ongoing capital projects within the capital projects fund.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

- **Governmental Activities** – All the District's basic services are included here, such as instruction, administration, and community services. Property taxes, state, and federal subsidies and grants finance most of these activities.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2021**

- **Business-type Activities** – The District operates a food service function and charges fees to staff, students, and visitors. The food service function also is subsidized through state and federal subsidies.

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

ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$73.5 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 \$73.9 million.

The following table is a comparative analysis of fiscal year 2021 to 2020:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 36,173,323	\$ 29,637,163	\$ 14,255	\$ 962,311	\$ 36,187,578	\$ 30,599,474
Capital assets	59,788,300	61,966,364	91,603	79,015	59,879,903	62,045,379
Total Assets	<u>95,961,623</u>	<u>91,603,527</u>	<u>105,858</u>	<u>1,041,326</u>	<u>96,067,481</u>	<u>92,644,853</u>
Deferred outflows of resources:						
Deferred outflows relating to pension	16,510,840	14,714,788	412,940	368,020	16,923,780	15,082,808
Deferred outflows relating to OPEB	1,000,053	730,575	14,779	14,446	1,014,832	745,021
Total Deferred Outflows of Resources	<u>17,510,893</u>	<u>15,445,363</u>	<u>427,719</u>	<u>382,466</u>	<u>17,938,612</u>	<u>15,827,829</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 113,472,516</u>	<u>\$ 107,048,890</u>	<u>\$533,577</u>	<u>\$1,423,792</u>	<u>\$ 114,006,093</u>	<u>\$ 108,472,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)						
Liabilities:						
Current liabilities	\$ 16,049,111	\$ 14,603,775	5,319	3,980	\$ 16,054,430	\$ 14,607,755
Long-term liabilities	163,667,705	159,875,823	2,899,452	2,765,081	166,567,157	162,640,904
Total Liabilities	<u>179,716,816</u>	<u>174,479,598</u>	<u>2,904,771</u>	<u>2,769,061</u>	<u>182,621,587</u>	<u>177,248,659</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

STATEMENT OF NET POSITION

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Deferred inflows of resources:						
Deferred inflows relating to pension	2,942,410	4,020,448	73,590	100,552	3,016,000	4,121,000
Deferred inflows relating to OPEB	1,852,817	969,014	3,294	3,928	1,856,111	972,942
Total Deferred Inflows of Resources	<u>4,795,227</u>	<u>4,989,462</u>	<u>76,884</u>	<u>104,480</u>	<u>4,872,111</u>	<u>5,093,942</u>
Net Position (Deficit):						
Net investment in capital assets	13,054,859	14,119,343	91,603	79,015	13,146,462	14,198,358
Restricted for debt service	15,153,830	14,351,738	-	-	15,153,830	14,351,738
Unrestricted (deficit)	<u>(99,248,216)</u>	<u>(100,891,251)</u>	<u>(2,539,681)</u>	<u>(1,528,764)</u>	<u>(101,787,897)</u>	<u>(102,420,015)</u>
Total Net Position (Deficit)	<u>(71,039,527)</u>	<u>(72,420,170)</u>	<u>(2,448,078)</u>	<u>(1,449,749)</u>	<u>(73,487,605)</u>	<u>(73,869,919)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 113,472,516</u>	<u>\$ 107,048,890</u>	<u>\$ 533,577</u>	<u>\$ 1,423,792</u>	<u>\$ 114,006,093</u>	<u>\$ 108,472,682</u>

Total net deficit of the District decreased by \$382,314. The District's net investment in capital assets decreased by \$1,051,896. Total long-term liabilities increased by \$3,926,253 mainly attributable to the increase in the net pension liability as a result of a decrease in the value of pension assets.

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

STATEMENT OF ACTIVITIES

PROGRAM EXPENSES	2021		2020	
	Total Cost of Services	Net (Cost) Revenue	Total Cost of Services	Net (Cost) of Services
Governmental Activities:				
Instruction	\$ 60,908,028	\$ (44,069,505)	\$ 55,545,839	\$ (40,166,817)
Instructional support staff	7,941,882	(6,955,038)	5,880,534	(5,074,862)
Administration	6,551,140	(5,803,144)	6,579,811	(5,766,007)
Maintenance	6,104,507	(5,405,335)	5,592,001	(4,895,580)
Pupil transportation	3,261,417	(1,536,478)	4,969,258	(2,860,686)
Student activities	575,668	(507,807)	966,417	(830,997)
Community services	26,356	(26,356)	64,093	(41,240)
Interest and fiscal charges	3,976,964	3,250,121	3,932,777	(725,286)
Total Governmental Activities	<u>\$ 89,345,962</u>	<u>\$ (61,053,542)</u>	<u>\$ 83,530,730</u>	<u>\$ (60,361,475)</u>
Business-type Activities:				
Food service	<u>\$ 1,608,799</u>	<u>\$ (998,329)</u>	<u>\$ 2,393,160</u>	<u>\$ (257,583)</u>

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021

The net cost of services for governmental activities increased by \$692,067 primarily due to an increase in maintenance expenditures and the cost of services of instructional support staff programs.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Charges for services	\$ 388,993	\$ 424,190	\$ 12,392	\$ 164,887	\$ 401,385	\$ 589,077
Operating grants/contributions	22,298,572	21,098,936	598,078	1,970,690	22,896,650	23,069,626
Capital grants/contributions	5,604,855	1,646,129	-	-	5,604,855	1,646,129
Total Program Revenues	<u>28,292,420</u>	<u>23,169,255</u>	<u>610,470</u>	<u>2,135,577</u>	<u>28,902,890</u>	<u>25,304,832</u>
General Revenues:						
Property and other taxes	43,038,913	41,257,140	-	-	43,038,913	41,257,140
Grants and entitlements	19,610,835	19,610,635	-	-	19,610,835	19,610,635
Investment (losses) earnings	(226,846)	2,198,679	-	-	(226,846)	2,198,679
Miscellaneous	11,283	157,696	-	23,931	11,283	181,627
Total General Revenues	<u>62,434,185</u>	<u>63,224,150</u>	<u>-</u>	<u>23,931</u>	<u>62,434,185</u>	<u>63,248,081</u>
TOTAL REVENUES	<u>90,726,605</u>	<u>86,393,405</u>	<u>610,470</u>	<u>2,159,508</u>	<u>91,337,075</u>	<u>88,552,913</u>
EXPENSES						
Program Expenses:						
Instruction	60,908,028	55,545,839	-	-	60,908,028	55,545,839
Support Services:						
Instructional support staff	7,941,882	5,880,534	-	-	7,941,882	5,880,534
Administration	6,551,140	6,579,811	-	-	6,551,140	6,579,811
Maintenance	6,104,507	5,592,001	-	-	6,104,507	5,592,001
Pupil transportation	3,261,417	4,969,258	-	-	3,261,417	4,969,258
Student activities	575,668	966,417	-	-	575,668	966,417
Community services	26,356	64,093	-	-	26,356	64,093
Interest and fiscal charges	3,976,964	3,932,777	-	-	3,976,964	3,932,777
Food service	-	-	1,608,799	2,393,160	1,608,799	2,393,160
TOTAL EXPENSES	<u>89,345,962</u>	<u>83,530,730</u>	<u>1,608,799</u>	<u>2,393,160</u>	<u>90,954,761</u>	<u>85,923,890</u>
CHANGE IN NET DEFICIT	<u>\$ 1,380,643</u>	<u>\$ 2,862,675</u>	<u>\$ (998,329)</u>	<u>\$ (233,652)</u>	<u>\$ 382,314</u>	<u>\$ 2,629,023</u>

Governmental Activities

The cost of all governmental activities in 2020 - 2021 was \$89.3 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$43.0 million, or 48.2 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$47.5 million. As indicated by the governmental program expenses, instructional programs account for approximately 68.2 percent of the total expenses of the District's governmental activities.

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021

Business-type Activities

Business-type activities is made up of the food service program. This program had an increase in the net deficit of \$998 thousand for the fiscal year.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Fund Financial Statements

The fund financial statements of the District's major funds provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state statute, while many other funds are established by the District to help manage money for particular 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.

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021

The District's governmental funds reported a combined fund balance of \$20.1 million, which is an increase of \$5.3 million from the previous year total. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2020 to June 30, 2021.

	<u>Fund Balance</u> <u>June 30, 2021</u>	<u>Fund Balance</u> <u>June 30, 2020</u>	<u>Increase</u>
General fund	\$ 4,981,481	\$ 480,060	\$ 4,501,421
Debt service fund	<u>15,153,830</u>	<u>14,351,738</u>	<u>802,092</u>
	<u>\$ 20,135,311</u>	<u>\$ 14,831,798</u>	<u>\$ 5,303,513</u>

The increase in fund balance for the general fund can be attributed mainly to an increase in property tax revenue due to an increase the millage rates of approximately three percent, as well as increases in state funding from the Basic Education funding subsidy, retirement subsidy funding, and COVID-19 funding. Instructional programs expenditures increased as a result of the District utilizing reduced substitute teacher services due to school closures from the COVID-19 pandemic, reduced educational services purchased from the Delaware County Intermediate Unit, and reduced cost in out-of-District special education placements as a result of the District closely monitoring and managing these placements. Transportation and crossing guard costs also decreased as a result of the school closures due to the COVID-19 pandemic. Finally, the District engaged in less capital projects during the year and, therefore, less transfers to the capital projects fund to subsidize such projects. The increase in fund balance for the debt service fund can be attributed to transfers from the general fund.

The capital projects fund does not report any fund balance because the general fund subsidized the cost of these capital projects and transfers funds to capital projects as funds are spent.

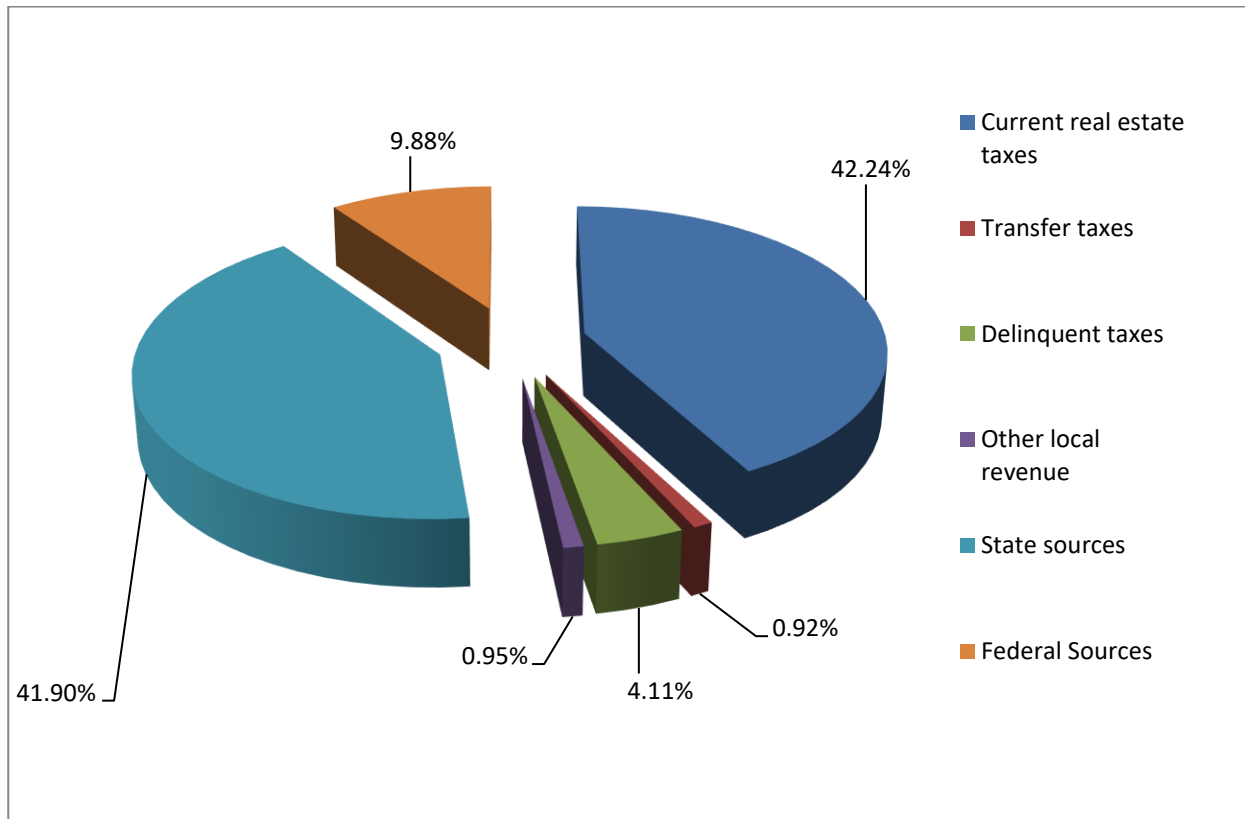
REVENUES

	<u>Fiscal Year</u>		<u>Variance</u>	
	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
General Fund:				
Current real estate taxes	\$ 38,645,386	\$ 37,236,891	\$ 1,408,495	3.78%
Transfer taxes	843,657	483,524	360,133	74.48%
Delinquent taxes	3,760,064	2,797,959	962,105	34.39%
Other local revenue	870,952	1,167,679	(296,727)	(25.41)%
State sources	38,339,090	37,137,140	1,201,950	3.24%
Federal sources	<u>9,037,683</u>	<u>5,062,903</u>	<u>3,974,780</u>	<u>78.51%</u>
TOTAL REVENUE	<u>\$ 91,496,832</u>	<u>\$ 83,886,096</u>	<u>\$ 7,610,736</u>	<u>9.07%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

Total general fund revenues exceeded expenditures and other financing uses by \$4.5 million. The millage rate for 2020 - 2021 was 46.0977 mills. The current year collection rate for 2020 - 2021 was approximately 92 percent.

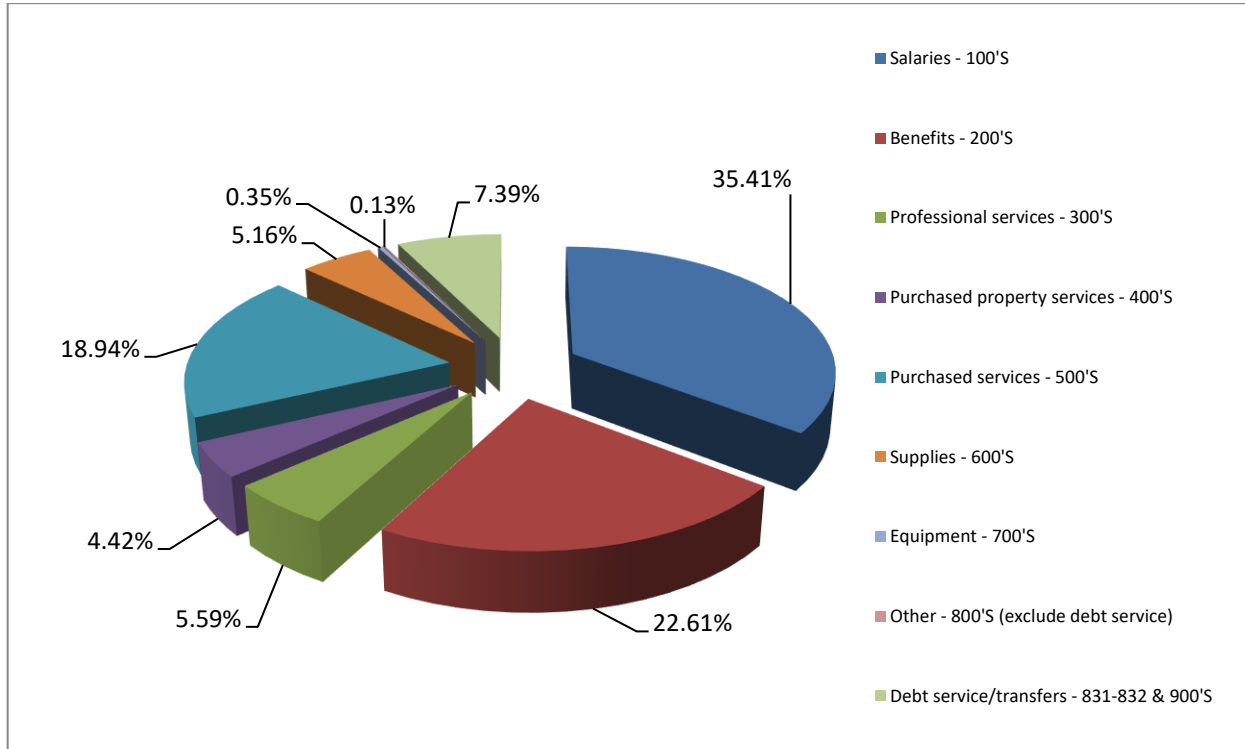
The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.



The District's current real estate tax revenue accounts for 42.24 percent of total general fund revenues, as illustrated in the graph above. State sources, which include grants and subsidies, accounted for 41.90 percent of general fund revenues.

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**



The District's current real estate tax revenue accounts for 44.42 percent of total general fund expenditures.

EXPENDITURES AND OTHER FINANCING USES

Object	<u>2021</u>	<u>2020</u>	<u>Amount</u>	<u>%</u>
Salaries	\$ 30,801,150	\$ 32,347,548	\$ (1,546,398)	(4.8)%
Benefits	19,670,914	20,203,631	(532,717)	(2.6)%
Professional services	4,864,304	5,334,117	(469,813)	(8.8)%
Purchased property services	3,845,581	3,543,359	302,222	8.5%
Purchased services	16,481,087	12,340,720	4,140,367	33.6%
Supplies	4,489,156	1,613,003	2,876,153	178.3%
Equipment	301,359	99,130	202,229	204.0%
Other	111,013	127,788	(16,775)	(13.1)%
Debt service/transfers	6,430,847	6,616,415	(185,568)	(2.8)%
Total Expenditures by Object and Other Financing Uses	<u>\$ 86,995,411</u>	<u>\$ 82,225,711</u>	<u>\$ 4,769,700</u>	<u>5.8%</u>

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021

General fund expenditures increased by \$4.7 million, or 5.8 percent. This can be attributed to increased costs in the instructional program and capital project costs as discussed in the fund financial statement section at page 9.

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	\$ 32,047,387	\$ 30,606,776	\$ (1,440,611)	(0.04)%
1200	Special programs	19,152,150	19,152,146	(4)	0.0%
1300	Vocational programs	1,077,116	1,077,116	-	0.0%
1400	Other instructional programs	1,515,697	2,956,309	1,440,612	95.0%
1600	Adult education programs	349,333	349,333	-	0.0%
	Total Instruction	<u>54,141,683</u>	<u>54,141,680</u>	<u>(3)</u>	<u>0.0%</u>
	Support services:				
2100	Pupil personnel services	2,768,148	2,768,148	-	0.0%
2200	Instructional staff support	2,154,307	2,154,308	1	0.0%
2300	Administrative services	4,596,504	4,596,506	2	0.0%
2400	Pupil health	826,121	826,121	-	0.0%
2500	Business office	1,335,437	1,335,437	-	0.0%
2600	Maintenance and facilities	6,164,201	6,164,202	1	0.0%
2700	Student transportation services	5,113,185	5,113,185	-	0.0%
2800	Information services	527,168	527,168	-	0.0%
2900	Other support services	29,558	29,558	-	0.0%
	Total Support Services	<u>23,514,629</u>	<u>23,514,633</u>	<u>3</u>	<u>0.0%</u>
	Operation of noninstructional activities:				
3200	Student activities	936,980	936,980	-	0.0%
3300	Community services	185,000	185,000	-	0.0%
	Total Operation of Noninstructional Services	<u>1,121,980</u>	<u>1,121,980</u>	<u>-</u>	<u>0.0%</u>
5100	Debt service/transfers	<u>6,403,305</u>	<u>6,403,305</u>	<u>-</u>	<u>0.0%</u>
	TOTAL EXPENDITURES	<u>\$ 85,181,597</u>	<u>\$ 85,181,598</u>	<u>\$ -</u>	<u>0.0%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$59.9 million invested in capital assets, net of accumulated depreciation; \$92 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, 2021, the District had \$46.7 million in outstanding bonds and capital leases payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The District's property tax base is relatively flat and has remained so for a number of years. Assessed market values of taxable real estate increased slightly over the previous year. Very little new housing 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 2020 - 2021 was 4,130, and the enrollment in October 2021 was 4,373.

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.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China ("the COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full economic impact of the COVID-19 pandemic is still largely unknown. While Federal CARES Act funding will cover most of the immediate incremental spending on cleaning and other PPE supplies needed to open schools, the longer-term costs associated with these items is unknown.

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

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 Craig Butler, 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, 2021
(With Summarized Comparative Data for June 30, 2020)

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 8,792,682	\$ 45,487	\$ 8,838,169	\$ 5,843,231
Cash and cash equivalents with fiscal agent	1,787		1,787	3,743
Investments with fiscal agent	15,152,043		15,152,043	14,347,995
Internal balances	144,656	(144,656)	-	-
Taxes receivable	4,262,909	-	4,262,909	4,563,411
Due from other governments	7,179,606	112,800	7,292,406	5,464,152
Other receivables	186,125	624	186,749	352,888
Prepaid expenses	432,000	-	432,000	-
Prepaid bond insurance	21,515	-	21,515	24,054
Land	60,811	-	60,811	60,811
Land improvements	5,311,017	-	5,311,017	5,311,017
Buildings and improvements	89,318,124	-	89,318,124	89,318,124
Furniture and equipment	7,659,652	404,814	8,064,466	7,994,923
Accumulated depreciation	(42,561,304)	(313,211)	(42,874,515)	(40,639,496)
TOTAL ASSETS	95,961,623	105,858	96,067,481	92,644,853
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to pension	16,510,840	412,940	16,923,780	15,082,808
Deferred outflows relating to OPEB	1,000,053	14,779	1,014,832	745,021
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,510,893	427,719	17,938,612	15,827,829
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 113,472,516	\$ 533,577	\$ 114,006,093	\$ 108,472,682
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 2,461,940	\$ 5,319	\$ 2,467,259	\$ 1,550,483
Unearned revenues	209,996	-	209,996	-
Accrued salaries and benefits	9,253,013	-	9,253,013	8,965,373
Accrued interest	1,296,285	-	1,296,285	1,283,477
Long-term liabilities:				
Portion due or payable within one year:				
Bonds in future years, net	2,716,669	-	2,716,669	2,701,727
Capital leases payable	111,208	-	111,208	106,695
Portion due or payable after one year:				
Bonds in future years, net	43,877,039	-	43,877,039	44,898,861
Capital leases payable	28,525	-	28,525	139,738
Compensated absences	865,556	-	865,556	826,835
Net pension liability	111,063,280	2,777,720	113,841,000	108,395,000
Net OPEB liability	7,833,305	121,732	7,955,037	8,380,470
TOTAL LIABILITIES	179,716,816	2,904,771	182,621,587	177,248,659
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to pensions	2,942,410	73,590	3,016,000	4,121,000
Deferred inflows relating to OPEB	1,852,817	3,294	1,856,111	972,942
TOTAL DEFERRED INFLOWS OF RESOURCES	4,795,227	76,884	4,872,111	5,093,942
NET POSITION (DEFICIT):				
Net investment in capital assets	13,054,859	91,603	13,146,462	14,198,358
Restricted for debt service	15,153,830	-	15,153,830	14,351,738
Unrestricted (deficit)	(99,248,216)	(2,539,681)	(101,787,897)	(102,420,015)
TOTAL NET DEFICIT	(71,039,527)	(2,448,078)	(73,487,605)	(73,869,919)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 113,472,516	\$ 533,577	\$ 114,006,093	\$ 108,472,682

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2021	2020
GOVERNMENTAL ACTIVITIES								
Instruction	\$60,908,028	\$ 388,493	\$16,450,030	\$ -	\$(44,069,505)	\$ -	\$(44,069,505)	\$(40,166,817)
Instructional student support	7,941,882	-	986,844	-	(6,955,038)	-	(6,955,038)	(5,074,862)
Administrative and financial support services	6,551,140	-	747,996	-	(5,803,144)	-	(5,803,144)	(5,766,007)
Operation and maintenance of plant services	6,104,507	-	699,172	-	(5,405,335)	-	(5,405,335)	(4,895,580)
Pupil transportation	3,261,417	500	1,724,439	-	(1,536,478)	-	(1,536,478)	(2,860,686)
Student activities	575,668	-	67,861	-	(507,807)	-	(507,807)	(830,997)
Community services	26,356	-	-	-	(26,356)	-	(26,356)	(41,240)
Interest on long-term debt	3,976,964	-	1,622,230	5,604,855	3,250,121	-	3,250,121	(725,286)
TOTAL GOVERNMENTAL ACTIVITIES	<u>89,345,962</u>	<u>388,993</u>	<u>22,298,572</u>	<u>5,604,855</u>	<u>(61,053,542)</u>	<u>-</u>	<u>(61,053,542)</u>	<u>(60,361,475)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,608,799	12,392	598,078	-	-	(998,329)	(998,329)	(257,583)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>1,608,799</u>	<u>12,392</u>	<u>598,078</u>	<u>-</u>	<u>-</u>	<u>(998,329)</u>	<u>(998,329)</u>	<u>(257,583)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$90,954,761</u>	<u>\$ 401,385</u>	<u>\$22,896,650</u>	<u>\$ 5,604,855</u>	<u>(61,053,542)</u>	<u>(998,329)</u>	<u>(62,051,871)</u>	<u>(60,619,058)</u>
			GENERAL REVENUES					
			Property taxes levied for general purposes		42,195,256	-	42,195,256	40,773,616
			Taxes levied for specific purposes		843,657	-	843,657	483,524
			Grants and entitlements not restricted to specific programs		19,610,835	-	19,610,835	19,610,635
			Investment (losses) earnings		(226,846)	-	(226,846)	2,198,679
			Insurance recoveries		-	-	-	23,931
			Miscellaneous		11,283	-	11,283	157,696
			TOTAL GENERAL REVENUES		<u>62,434,185</u>	<u>-</u>	<u>62,434,185</u>	<u>63,248,081</u>
			CHANGE IN NET DEFICIT		1,380,643	(998,329)	382,314	2,629,023
			NET DEFICIT, BEGINNING OF YEAR		<u>(72,420,170)</u>	<u>(1,449,749)</u>	<u>(73,869,919)</u>	<u>(76,498,942)</u>
			NET DEFICIT, END OF YEAR		<u>\$(71,039,527)</u>	<u>\$(2,448,078)</u>	<u>\$(73,487,605)</u>	<u>\$(73,869,919)</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021
(With Summarized Comparative Data for June 30, 2020)**

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2021	2020
ASSETS					
Cash and cash equivalents	\$ 8,792,682	\$ -	\$ -	\$ 8,792,682	\$ 5,724,066
Cash and cash equivalents with fiscal agent	-	1,787	-	1,787	3,743
Investments with fiscal agent	-	15,152,043	-	15,152,043	14,347,995
Taxes receivable	4,262,909	-	-	4,262,909	4,563,411
Due from other funds	144,656	-	-	144,656	-
Due from other governments	6,661,297	-	-	6,661,297	4,928,429
Other receivables	186,125	-	-	186,125	352,264
Prepaid items	432,000	-	-	432,000	-
TOTAL ASSETS	<u>\$ 20,479,669</u>	<u>\$ 15,153,830</u>	<u>\$ -</u>	<u>\$ 35,633,499</u>	<u>\$ 29,919,908</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,461,940	\$ -	\$ -	\$ 2,461,940	\$ 1,546,503
Due to other funds	-	-	-	-	823,377
Unearned revenues	209,996	-	-	209,996	-
Accrued salaries and benefits	9,253,013	-	-	9,253,013	8,965,373
TOTAL LIABILITIES	<u>11,924,949</u>	<u>-</u>	<u>-</u>	<u>11,924,949</u>	<u>11,335,253</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	3,573,239	-	-	3,573,239	3,752,857
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,573,239</u>	<u>-</u>	<u>-</u>	<u>3,573,239</u>	<u>3,752,857</u>
FUND BALANCES:					
Nonspendable - prepaid items	432,000	-	-	432,000	-
Restricted for debt service	-	15,153,830	-	15,153,830	14,351,738
Unassigned	4,549,481	-	-	4,549,481	480,060
TOTAL FUND BALANCES	<u>4,981,481</u>	<u>15,153,830</u>	<u>-</u>	<u>20,135,311</u>	<u>14,831,798</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 20,479,669</u>	<u>\$ 15,153,830</u>	<u>\$ -</u>	<u>\$ 35,633,499</u>	<u>\$ 29,919,908</u>

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, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 20,135,311

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

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

Land	\$ 60,811	
Land improvements	5,311,017	
Buildings and improvements	89,318,124	
Furniture and equipment	7,659,652	
Accumulated depreciation	<u>(42,561,304)</u>	59,788,300

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

Bonds payable, net	(46,593,708)	
Capital leases payable	(139,733)	
Net OPEB liability	(7,833,305)	
Net pension liability	(111,063,280)	
Compensated absences	(865,556)	
Accrued interest	<u>(1,296,285)</u>	(167,791,867)

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. 21,515

Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service related payments are recognized as expenditures in the funds when they are due; therefore, the related subsidy reimbursement is recognized as the debt payment is accrued, regardless of when it is due. 518,309

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

Deferred outflows of resources:		
Deferred outflows relating to pension	16,510,840	
Deferred outflows relating to OPEB	1,000,053	
Deferred inflows of resources:		
Deferred inflows relating to pension	(2,942,410)	
Deferred inflows relating to OPEB	<u>(1,852,817)</u>	12,715,666

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 3,573,239

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (71,039,527)

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, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2021	2020
REVENUES:					
Local sources	\$ 44,120,059	\$ 1,787	\$ -	\$ 44,121,846	\$ 43,360,678
State sources	38,339,088	-	-	38,339,088	37,137,140
Federal sources	9,037,685	-	-	9,037,685	5,062,902
TOTAL REVENUES	<u>91,496,832</u>	<u>1,787</u>	<u>-</u>	<u>91,498,619</u>	<u>85,560,720</u>
EXPENDITURES:					
Current:					
Instruction	57,409,568	-	-	57,409,568	52,706,732
Support services	22,522,236	-	-	22,522,236	21,881,666
Operation of noninstructional services	586,565	-	-	586,565	1,001,765
Capital outlay	-	-	7,413	7,413	286,928
Debt service	5,638,749	-	-	5,638,749	5,059,764
TOTAL EXPENDITURES	<u>86,157,118</u>	<u>-</u>	<u>7,413</u>	<u>86,164,531</u>	<u>80,936,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,339,714</u>	<u>1,787</u>	<u>(7,413)</u>	<u>5,334,088</u>	<u>4,623,865</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	800,305	7,413	807,718	1,564,440
Transfers out	(807,718)	-	-	(807,718)	(1,564,440)
Refund of prior year receipts	(30,575)	-	-	(30,575)	(11,344)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(838,293)</u>	<u>800,305</u>	<u>7,413</u>	<u>(30,575)</u>	<u>(11,344)</u>
NET CHANGE IN FUND BALANCES	4,501,421	802,092	-	5,303,513	4,612,521
FUND BALANCES, BEGINNING OF YEAR	<u>480,060</u>	<u>14,351,738</u>	<u>-</u>	<u>14,831,798</u>	<u>10,219,277</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,981,481</u>	<u>\$ 15,153,830</u>	<u>\$ -</u>	<u>\$ 20,135,311</u>	<u>\$ 14,831,798</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, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,303,513
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.	(2,178,064)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(179,618)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	1,131,965
Governmental funds report bond discounts and prepaid bond insurance as expenditures. However, these amounts are reported on the statement of net position as deferred charges and amortized over the life of the debt.	(20,924)
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.)	(38,721)
OPEB expenses in the statement of activities differs from the amount reported in the governmental funds because OPEB expenses are recognized in the statement of activities based on the District's proportionate share of the expenses of the cost-sharing OPEB plan and expenses of the single employer plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	(187,403)
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	(2,439,028)
Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service-related payments are recognized as expenditures in the funds when they are due, therefore, the related subsidy reimbursements are recognized as the related debt payment is accrued, regardless of when it is due.	1,731
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(12,808)</u>
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,380,643</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 43,223,778	\$ 43,223,778	\$ 44,120,059	\$ 896,281
State sources	36,441,938	36,441,938	38,339,090	1,897,152
Federal sources	5,596,812	5,596,812	9,037,683	3,440,871
TOTAL REVENUES	<u>85,262,528</u>	<u>85,262,528</u>	<u>91,496,832</u>	<u>6,234,304</u>
EXPENDITURES				
Instruction:				
Regular programs	32,047,387	30,606,776	34,561,943	(3,955,167)
Special programs	19,152,150	19,152,146	19,431,693	(279,547)
Vocational programs	1,077,116	1,077,116	1,023,315	53,801
Other instructional programs	1,515,697	2,956,309	2,051,170	905,139
Nonpublic school programs	-	-	1,215	(1,215)
Adult vocational education programs	349,333	349,333	340,232	9,101
Total Instruction	<u>54,141,683</u>	<u>54,141,680</u>	<u>57,409,568</u>	<u>(3,267,888)</u>
Support services:				
Pupil personnel services	2,768,148	2,768,148	2,703,041	65,107
Instructional staff services	2,154,307	2,154,308	4,046,505	(1,892,197)
Administrative services	4,596,504	4,596,506	4,573,582	22,924
Pupil health	826,121	826,121	751,954	74,167
Business services	1,335,437	1,335,437	1,028,529	306,908
Operation and maintenance of plant services	6,164,201	6,164,202	5,771,796	392,406
Student transportation services	5,113,185	5,113,185	3,074,087	2,039,098
Central	527,168	527,168	544,923	(17,755)
Other support services	29,558	29,558	27,819	1,739
Total Support Services	<u>23,514,629</u>	<u>23,514,633</u>	<u>22,522,236</u>	<u>992,397</u>
Operation of noninstructional activities:				
Student activities	936,980	936,980	560,209	376,771
Community services	185,000	185,000	26,356	158,644
Total Operation of Noninstructional Activities	<u>1,121,980</u>	<u>1,121,980</u>	<u>586,565</u>	<u>535,415</u>
Debt service	5,039,448	5,039,448	5,638,749	(599,301)
TOTAL EXPENDITURES	<u>83,817,740</u>	<u>83,817,741</u>	<u>86,157,118</u>	<u>(2,339,377)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,444,788</u>	<u>1,444,787</u>	<u>5,339,714</u>	<u>3,894,927</u>
OTHER FINANCING USES				
Transfers out	(1,363,857)	(1,363,857)	(807,718)	556,139
Refunds of prior year receipts	-	-	(30,575)	(30,575)
TOTAL OTHER FINANCING USES	<u>(1,363,857)</u>	<u>(1,363,857)</u>	<u>(838,293)</u>	<u>525,564</u>
NET CHANGE IN FUND BALANCE	80,931	80,930	4,501,421	4,420,491
FUND BALANCE, BEGINNING OF YEAR	<u>480,060</u>	<u>480,060</u>	<u>480,060</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 560,991</u>	<u>\$ 560,990</u>	<u>\$ 4,981,481</u>	<u>\$ 4,420,491</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021 AND 2020**

	Major Fund	
	Food Service Fund	
	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,487	\$ 119,165
Due from other funds	-	823,377
Due from other governments	112,800	19,145
Other receivables	624	624
Total Current Assets	158,911	962,311
CAPITAL ASSETS:		
Furniture and equipment	404,814	378,448
Accumulated depreciation	(313,211)	(299,433)
Capital Assets, Net	91,603	79,015
TOTAL ASSETS	250,514	1,041,326
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to pension	412,940	368,020
Deferred outflows relating to OPEB	14,779	14,446
TOTAL DEFERRED OUTFLOWS OF RESOURCES	427,719	382,466
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 678,233	\$ 1,423,792
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,319	\$ 3,980
Due to other funds	144,656	-
Total Current Liabilities	149,975	3,980
NONCURRENT LIABILITIES:		
Net pension liability	2,777,720	2,644,838
Net OPEB liability	121,731	120,243
Total Noncurrent Liabilities	2,899,451	2,765,081
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to pension	73,590	100,552
Deferred inflows relating to OPEB	3,294	3,928
Total Deferred Inflows of Resources	76,884	104,480
NET POSITION (DEFICIT):		
Investment in capital assets	91,603	79,015
Unrestricted (deficit)	(2,539,680)	(1,528,764)
Total Net Deficit	(2,448,077)	(1,449,749)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 678,233	\$ 1,423,792

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Major Fund	
	Food Service Fund	
	2021	2020
OPERATING REVENUES		
Food service revenues	\$ 12,392	\$ 164,887
Total Operating Revenues	<u>12,392</u>	<u>164,887</u>
OPERATING EXPENSES		
Salaries	750,288	845,028
Employee benefits	500,862	521,979
Supplies	319,763	979,693
Equipment repairs	23,549	23,623
Other expenses	558	12,429
Depreciation	13,778	10,408
Total Operating Expenses	<u>1,608,798</u>	<u>2,393,160</u>
OPERATING LOSS	<u>(1,596,406)</u>	<u>(2,228,273)</u>
NONOPERATING REVENUES		
Insurance recoveries	-	23,931
State sources	18,251	68,781
Federal sources	579,827	1,901,909
Total Nonoperating Revenues	<u>598,078</u>	<u>1,994,621</u>
CHANGE IN NET DEFICIT	(998,328)	(233,652)
NET DEFICIT, BEGINNING OF YEAR	<u>(1,449,749)</u>	<u>(1,216,097)</u>
NET DEFICIT, END OF YEAR	<u>\$ (2,448,077)</u>	<u>\$ (1,449,749)</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Major Fund	
	Food Service Fund	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 12,392	\$ 164,886
Payments to suppliers	708,329	(868,450)
Payments to employees	(1,189,629)	(1,327,909)
NET CASH USED BY OPERATING ACTIVITIES	(468,908)	(2,031,473)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	14,515	81,837
Federal sources	407,081	2,077,364
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	421,596	2,159,201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(26,366)	(32,494)
Insurance recoveries	-	23,931
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(26,366)	(8,563)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,678)	119,165
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	119,165	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 45,487	\$ 119,165
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,596,406)	\$ (2,228,273)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,778	10,408
Donated commodities	82,827	135,447
(Increase) Decrease in:		
Due from other funds	823,377	69,777
Deferred outflows relating to pension	(44,920)	21,805
Deferred outflows relating to OPEB	(333)	(3,641)
Increase (Decrease) in:		
Accounts payable	1,339	(57,930)
Due to other funds	144,656	-
Net pension liability	132,882	(26,938)
Net OPEB liability	1,488	4,197
Deferred inflows relating to pension	(26,962)	44,603
Deferred inflows relating to OPEB	(634)	(928)
NET CASH USED BY OPERATING ACTIVITIES	\$ (468,908)	\$ (2,031,473)
<u>SUPPLEMENTAL DISCLOSURE</u>		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 82,827	\$ 135,447

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021
(With Summarized Comparative Data For June 30, 2020)**

	Private-purpose Trust Fund	Custodial Fund	Totals	
			2021	2020
ASSETS:				
Cash and cash equivalents	\$ 9,583	\$ 144,573	\$ 154,156	\$ 141,141
TOTAL ASSETS	\$ 9,583	\$ 144,573	\$ 154,156	\$ 141,141
LIABILITIES AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,364
NET POSITION:				
Reserved for student activities	-	144,573	144,573	128,295
Reserved for trust	9,583	-	9,583	9,482
TOTAL NET POSITION	9,583	144,573	154,156	137,777
TOTAL LIABILITIES AND NET POSITION	\$ 9,583	\$ 144,573	\$ 154,156	\$ 141,141

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	Private-purpose Trust Fund	Custodial Fund	Totals	
			2021	2020
ADDITIONS				
Local sources	\$ 101	\$ 28,690	\$ 28,791	\$ 38,346
TOTAL ADDITIONS	<u>101</u>	<u>28,690</u>	<u>28,791</u>	<u>38,346</u>
DEDUCTIONS				
Operation of noninstructional activities	<u>-</u>	<u>12,412</u>	<u>12,412</u>	<u>36,771</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>12,412</u>	<u>12,412</u>	<u>36,771</u>
CHANGE IN NET POSITION	101	16,278	16,379	1,575
NET POSITION, BEGINNING OF YEAR	<u>9,482</u>	<u>128,295</u>	<u>137,777</u>	<u>136,202</u>
NET POSITION, END OF YEAR	<u>\$ 9,583</u>	<u>\$ 144,573</u>	<u>\$ 154,156</u>	<u>\$ 137,777</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

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

Fund Financial Statements

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

Governmental Funds

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust fund and custodial 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 custodial fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the private-purpose trust fund and custodial fund is the same as for proprietary funds.

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances." The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Property Taxes

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

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

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2020 - 2021 was 46.0977 mills (\$46.0977 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 and building improvements	10 - 50 years
Land improvements	20 - 30 years
Furniture and equipment	3 - 20 years

Compensated Absences

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities, net of premiums, discounts, and prepaid bond insurance costs in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums, discounts, and prepaid bond insurance costs 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

Deferred Inflows and Outflows of Resources

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

Fund Equity

Fund balances of the governmental funds are classified as applicable, as follows:

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

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

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

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

Unassigned – all other spendable amounts.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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. 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, 2020, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2021:

Regular programs	\$ 3,955,167
Special programs	\$ 279,547
Nonpublic school programs	\$ 1,215
Instructional staff services	\$ 1,892,197
Central	\$ 17,755
Debt service	\$ 599,301

The excess of expenditures over appropriations was financed with positive budget variances in other functions and revenues having a positive budget variance.

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, 2021, the carrying amount of the District's deposits was \$8,994,112, and the bank balance was \$9,681,389. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,338,214 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured, and the collateral held by the depository's agent was not in the District's name.

The remaining cash deposits of the District in the amount of \$8,093,175 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, 2021, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Investments

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

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The District has the following recurring fair value measurements as of June 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Matures in Greater Than Five Years</u>
U.S. Treasury bonds and notes	\$ 15,152,043	\$ 15,152,043	\$ 15,152,043

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, 2021, the District's investments in U.S. Treasury bonds and notes had maturity dates of greater than five years.

Custodial Credit Risk - Investments

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

Credit Risk

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Total Capital Assets Not Being Depreciated	60,811	-	-	60,811
Capital assets being depreciated:				
Land improvements	5,311,017	-	-	5,311,017
Buildings and building improvements	89,318,124	-	-	89,318,124
Furniture and equipment	7,616,475	43,177	-	7,659,652
Total Capital Assets Being Depreciated	102,245,616	43,177	-	102,288,793
Less accumulated depreciation for:				
Land improvements	3,855,979	256,077	-	4,112,056
Buildings and building improvements	28,867,608	1,921,988	-	30,789,596
Furniture and equipment	7,616,476	43,176	-	7,659,652
Total Accumulated Depreciation	40,340,063	2,221,241	-	42,561,304
Total Capital Assets Being Depreciated, Net	61,905,553	(2,178,064)	-	59,727,489
Governmental Activities Assets, Net	\$ 61,966,364	\$(2,178,064)	\$ -	\$ 59,788,300
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 378,448	\$ 26,366	\$ -	\$ 404,814
Total Capital Assets Being Depreciated	378,448	26,366	-	404,814
Less accumulated depreciation for:				
Furniture and equipment	299,433	13,778	-	313,211
Total Accumulated Depreciation	299,433	13,778	-	313,211
Business-type Activities, Net	\$ 79,015	\$ 12,588	\$ -	\$ 91,603

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

Governmental Activities:	
Instruction	\$ 1,584,263
Instructional student support	207,010
Administrative and financial support services	170,400
Operation and maintenance of plant services	159,277
Pupil transportation	84,832
Student activities	15,459
Total Depreciation Expense - Governmental Activities	\$ 2,221,241

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Business-type Activities:	
Food Service	<u>\$ 13,778</u>

NOTE 5 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Bonds payable, net	\$ 47,600,588	\$ -	\$ 1,006,880	\$ 46,593,708	\$ 2,735,054
Capital lease payable	246,433	-	106,700	139,733	111,208
Net OPEB liability	8,260,227	-	426,922	7,833,305	-
Net pension liability	105,750,162	5,313,118	-	111,063,280	-
Compensated absences	826,835	38,721	-	865,556	-
TOTALS	\$162,684,245	\$5,351,839	\$1,540,502	\$166,495,582	\$2,846,262

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 46,743,051
Unamortized discount	<u>(149,343)</u>
Bonds payable, net	<u>\$ 46,593,708</u>
Amounts due in one year	\$ 2,735,054
Amounts due after one year	<u>43,858,654</u>
Bonds payable, net	<u>\$ 46,593,708</u>

Payments of long-term liabilities for governmental activities are expected to be funded by the general fund and debt service fund.

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2021:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Net OPEB liability	\$ 120,243	\$ 1,489	-	\$ 121,732
Net pension liability	2,644,838	132,882	-	2,777,720
TOTALS	\$ 2,765,081	\$ 134,371	\$ -	\$ 2,899,452

Payments of long-term liabilities for business-type activities are expected to be funded by the food service fund.

General Obligation Bonds

Series of 1999, capital appreciation bonds, maturing through February 1, 2025, accreting interest from 4.4% to 5.3%, payable on February 1. \$ 2,080,051

Series A of 2017, maturing through October 1, 2028, bearing interest from 2.00% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2011. 9,485,000

Series B of 2017, maturing through October 1, 2029, bearing interest from 1.15% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2012. 4,220,000

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

Series C of 2011 QSCB, requiring sinking deposits through September 2029, bearing interest of 5.088%, interest payable semi-annually in March and September. 5,900,000

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

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

TOTAL **\$ 46,743,051**

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 2,735,054	\$ 3,624,025	\$ 6,359,079
2023	2,806,742	3,647,931	6,454,673
2024	2,835,054	3,669,484	6,504,538
2025	3,412,589	2,977,111	6,389,700
2026	4,129,847	2,116,611	6,246,458
2027 - 2030	<u>16,881,606</u>	<u>4,754,621</u>	<u>21,636,227</u>
	32,800,892	20,789,783	53,590,675
Sinking fund deposits	<u>13,942,159</u>	<u>-</u>	<u>13,942,159</u>
	<u>\$ 46,743,051</u>	<u>\$ 20,789,783</u>	<u>\$ 67,532,834</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, and vehicles	\$ 1,275,750
Less: accumulated depreciation	<u>(1,169,438)</u>
TOTAL	<u>\$ 106,312</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30,</u>	
2022	\$ 115,306
2023	<u>28,826</u>
Total minimum lease payments	144,132
Less: amount representing interest	<u>(4,399)</u>
Present value of minimum lease payments	<u>\$ 139,733</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OPERATING LEASES

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

<u>Year Ending June 30,</u>	
2022	\$ 49,319
2023	26,291
2024	10,242
2025	<u>1,273</u>
Total	<u>\$ 87,125</u>

The total amount charged to expense for the year ended June 30, 2021 was \$761,654.

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food service fund	<u>\$ 144,656</u>	General fund	<u>\$ 144,656</u>
	<u>\$ 144,656</u>		<u>\$ 144,656</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses.

Interfund transfers for the year ended June 30, 2021 are as follows:

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital projects fund	\$ 7,413	General fund	\$ 7,413
Debt service fund	<u>800,305</u>	General fund	<u>800,305</u>
	<u>\$ 807,718</u>		<u>\$ 807,718</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN

Plan Description

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

Benefits Provided

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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 Membership Class T-D, 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 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. Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the Act 5 defined contribution plan. The District's contribution to PSERS for the year ended June 30, 2021 was \$10,186,326.

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

At June 30, 2021, the District reported a liability of \$113,841,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

system's total pension liability as of June 30, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.2312 percent, which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$12,686,354. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 5,003,000	\$ -
Changes in proportions	1,212,000	288,000
Difference between expected and actual experience	298,000	2,728,000
Difference between employer contributions and proportionate share of total contributions	224,454	-
Contributions subsequent to the date of measurement	10,186,326	-
	<u>\$ 16,923,780</u>	<u>\$ 3,016,000</u>

An amount of \$10,186,326 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,

2022	\$ 212,870
2023	593,252
2024	1,428,332
2025	1,487,000
	<u>\$ 3,721,454</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 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 – 7.25 percent, including inflation of 2.75 percent
- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth, and 2.25 percent for merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Private equity	15.0%	7.2%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100.0%</u>	

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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, 2020.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 140,845,000	\$ 113,841,000	\$ 90,965,000

Pension Plan Fiduciary Net Position

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

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

Health Insurance Premium Assistance Program

The PSERS provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

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

OPEB Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the Act 5 defined contribution plan. The District's OPEB contribution to PSERS for the year ended June 30, 2021 was \$249,263.

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

At June 30, 2021, the District reported a liability of \$4,989,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2309 percent, which was an decrease of 0.0008 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$270,607. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 9,000	\$ -
Change in proportions	92,000	26,000
Difference between expected and actual experience	46,000	-
Change in assumptions	203,000	109,000
Difference between employer contributions and proportionate share of total contributions	6,433	-
Contributions subsequent to the date of measurement	<u>249,263</u>	<u>-</u>
	<u>\$ 605,696</u>	<u>\$ 135,000</u>

Change in assumption: The discount rate used to measure the total OPEB liability decreased from 2.79 percent as of June 30, 2019 to 2.66 percent as of June 30, 2020.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

An amount of \$249,263 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 33,607
2023	32,607
2024	30,607
2025	70,275
2026	41,241
Thereafter	<u>13,096</u>
	<u>\$ 221,433</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the system's total OPEB liability as of June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percent of pay
- Investment return – 2.66 percent, S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2020.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63 percent of eligible retirees are assumed to elect premium assistance.
- Morality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real of Return</u>
Cash	50.3%	(1.0%)
U.S. core fixed income	46.5%	(0.1%)
Non-U.S. developed fixed income	3.2%	(0.1%)
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2020, retirees' premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2020, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>1.66%</u>	Current Trend Rate <u>2.66%</u>	1% Increase <u>3.66%</u>
District's proportionate share of the net OPEB liability	\$ 4,988,000	\$ 4,989,000	\$ 4,990,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.66 percent) or one percentage point higher (3.66 percent) than the current rate:

	1% Decrease <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase <u>3.66%</u>
District's proportionate share of the net OPEB liability	\$ 5,688,000	\$ 4,989,000	\$ 4,410,000

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

OPEB Plan Fiduciary Net Position

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

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2021, the District paid \$91,269 to plan members eligible for receiving benefits.

Participants

As of July 1, 2020, the plan had 403 participants (371 active, 32 retired).

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2020. The total OPEB liability as of July 1, 2020 was determined by rolling forward the plan's total OPEB liability as of the July 1, 2020 actuarial valuation to the July 1, 2021 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 1.86 percent and 3.36 percent for the measurement dates of July 1, 2020 and July 1, 2019, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2020.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Salary Increases

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

Disability

No disability was assumed.

Withdrawal

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

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

Mortality Rates

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Retirement

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Percent of Eligible Retirees Electing Coverage in Plan

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

Percent Married at Retirement

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

Spouse Age

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

Per Capita Claims Cost

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

Age	Medical and Prescription Drug Combined	
	Male	Female
45 - 49	\$ 6,338	\$ 9,154
50 - 54	\$ 8,395	\$ 10,346
55 - 59	\$ 10,225	\$ 10,825
60 - 64	\$ 13,343	\$ 12,436

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Retiree Contributions

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

Healthcare Cost Trend

The healthcare cost trend was 5.5 percent in 2020 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 4.0 percent in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

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

Actuarial Cost Method – Entry Age Normal

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

Participant Data

Participant data is based on census information as of July 2020. Due to the timing of District turnover, the data is believed to be representative of the population for the 2020 - 2021 school year.

Sensitivity Analysis

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

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
Total OPEB liability	\$ 3,201,532	\$ 2,966,037	\$ 2,744,189
Fiduciary net position	-	-	-
Net OPEB liability	\$ 3,201,532	\$ 2,966,037	\$ 2,744,189

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,610,787	\$ 2,966,037	\$ 3,386,353
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,610,787</u>	<u>\$ 2,966,037</u>	<u>\$ 3,386,353</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 3,452,470
Service cost	264,462
Interest	122,153
Differences between expected and actual experience	(1,064,462)
Changes of assumptions	341,722
Benefit payments	(150,308)
Net change	<u>(486,433)</u>
Total OPEB liability - ending	<u>\$ 2,966,037</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$257,851 for the year ended June 30, 2021. An amount of \$91,269 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual and actual experience	\$ -	\$ 1,594,431
Change in assumptions	317,867	126,680
Contributions subsequent to the date of measurement	<u>91,269</u>	<u>-</u>
	<u>\$ 409,136</u>	<u>\$ 1,721,111</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Year Ending June 30,

2022	\$ (128,764)
2023	(128,764)
2024	(128,764)
2025	(128,764)
2026	(128,764)
Thereafter	<u>(759,424)</u>
	<u>\$ (1,403,244)</u>

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

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

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District Plan (See Note 11)	\$ 2,966,037	\$ 409,136	\$ 1,721,111
PSERS Plan (See Note 10)	<u>4,989,000</u>	<u>605,696</u>	<u>135,000</u>
Total	<u>\$ 7,955,037</u>	<u>\$ 1,014,832</u>	<u>\$ 1,856,111</u>

NOTE 13 JOINT VENTURES

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 JOINT VENTURES (cont'd)

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,

2022	\$	69,540
2023		67,081
2024		62,009
2025		61,946
2026		61,954
2027 - 2031		309,748
2032 - 2035		155,474
Total		787,752
Less: interest requirements		(159,269)
Outstanding rental payments	\$	628,483

NOTE 14 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2020 - 2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 HEALTHCARE TRUST

The District participates in the Delaware County Public Schools Healthcare Trust ("the 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 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, 2021, totaled \$4,858,706.

NOTE 17 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$99,248,216 (governmental activities) and \$2,539,681 (business-type activities and food service fund), respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from differences between projected and actual investment earnings and differences between expected and actual experience. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from changes in proportions.

NOTE 19 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2021, economic and operational uncertainties have arisen which may impact the District in fiscal year 2022. There exist uncertainties surrounding the District's operations in the 2021 -2022 school year

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 19 UNCERTAINTIES (cont'd)

in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 20 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through January 28, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	MEASUREMENT DATE						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2312%	0.2317%	0.2281%	0.2250%	0.2262%	0.2240%	0.2262%
District's proportion of the net pension liability - dollar value	\$ 113,841,000	\$ 108,395,000	\$ 109,499,000	\$ 111,124,000	\$ 112,098,000	\$ 97,026,000	\$ 89,532,000
District's covered employee payroll	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239	\$ 28,864,272
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	350.68%	338.23%	346.57%	366.86%	380.91%	342.53%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 10,186,326	\$ 10,829,695	\$ 10,447,679	\$ 10,028,174	\$ 8,841,510	\$ 7,357,168	\$ 5,806,879
Contributions in relation to the contractually required contribution	<u>10,186,326</u>	<u>10,829,695</u>	<u>10,447,679</u>	<u>10,028,174</u>	<u>8,841,510</u>	<u>7,357,168</u>	<u>5,806,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239
Contributions as a percentage of covered employee payroll	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

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

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

	MEASUREMENT DATE			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2309%	0.2317%	0.2281%	0.2250%
District's proportion of the net OPEB liability - dollar value	\$ 4,989,000	\$ 4,928,000	\$ 4,756,000	\$ 4,584,000
District's covered employee payroll	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.37%	15.38%	15.05%	15.13%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

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

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

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 249,263	\$ 272,690	\$ 265,999	\$ 262,236
Contributions in relation to the contractually required contribution	<u>249,263</u>	<u>272,690</u>	<u>265,999</u>	<u>262,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751
Contributions as a percentage of covered employee payroll	0.82%	0.84%	0.83%	0.83%

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

**SOUTHEAST DELCO SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Single Employer Plan**

	MEASUREMENT DATE			
	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>				
Service cost	\$ 264,462	\$ 265,474	\$ 263,798	\$ 277,011
Interest cost	122,153	105,023	128,438	100,413
Difference between expected and actual experience	(1,064,462)	-	(795,406)	-
Changes in assumptions	341,722	(108,184)	3,160	(50,756)
Benefit payments	(150,308)	(149,771)	(217,585)	(272,252)
NET CHANGE IN TOTAL OPEB LIABILITY	(486,433)	112,542	(617,595)	54,416
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	3,452,470	3,339,928	3,957,523	3,903,107
TOTAL OPEB LIABILITY, END OF YEAR	\$ 2,966,037	\$ 3,452,470	\$ 3,339,928	\$ 3,957,523
<u>PLAN FIDUCIARY NET POSITION</u>				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefits payments	-	-	-	-
Administrative expenses	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-	-	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	-	-	-	-
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -	\$ -	\$ -	\$ -
DISTRICT'S NET OPEB LIABILITY	\$ 2,966,037	\$ 3,452,470	\$ 3,339,928	\$ 3,957,523
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 26,890,112	\$ 27,954,060	\$ 27,954,060	\$ 22,505,447
District's net OPEB liability as a percentage of covered payroll	11.03%	12.35%	11.95%	17.58%
Expected average remaining service years of all participants	10	10	10	11

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

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

January 28, 2022

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 ("the District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

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

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

Board of School Directors
Southeast Delco School District

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

January 28, 2022

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 ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2021. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of School Directors
Southeast Delco School District

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL 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 REVENUE 07/01/2020	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2021	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Education											
Passed through Pennsylvania Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	013-20-0402	08/27/19-09/30/20	\$1,712,423	\$ 244,545	\$ 244,545	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-21-0402	08/19/20-09/30/21	1,546,496	1,340,251	-	1,546,496	1,546,496	206,245	-
Total CFDA #84.010						1,584,796	244,545	1,546,496	1,546,496	206,245	-
Title II Improving Teacher Quality State Grants	I	84.367	020-19-0402	08/29/18-09/30/19	235,740	16,287	16,287	-	-	-	-
Title II Improving Teacher Quality State Grants	I	84.367	020-20-0402	08/27/19-09/30/20	222,784	32,302	32,302	-	-	-	-
Title II Improving Teacher Quality State Grants	I	84.367	020-21-0402	08/19/20-09/30/21	195,505	172,095	-	195,505	195,505	23,410	-
Total CFDA #84.367						220,684	48,589	195,505	195,505	23,410	-
Title IV Student Support and Academic Enrichment	I	84.424	144-19-0402	08/29/18-09/30/19	110,100	23,593	23,593	-	-	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-20-0402	08/27/19-09/30/20	130,437	18,634	18,634	-	-	-	-
Title IV Student Support and Academic Enrichment		84.424	144-21-0402	08/19/20-09/30/21	129,868	111,315	-	129,868	129,868	18,553	-
Total CFDA #84.424						153,542	42,227	129,868	129,868	18,553	-
Twenty-First Century Community Learning Centers	I	84.287	4100068099	07/01/19-06/30/20	327,136	39,467	39,467	-	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100068099	07/01/20-06/30/21	327,136	62,333	-	62,333	62,333	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100083547	07/01/19-06/30/20	399,180	60,685	60,685	-	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100083547	07/01/20-06/30/21	399,180	226,664	-	261,970	261,970	35,306	-
Total CFDA #84.287						389,149	100,152	324,303	324,303	35,306	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0402	03/13/20-09/30/21	1,406,489	962,335	-	1,288,382	1,288,382	326,047	-
Governor's Emergency Education Relief Fund	I	84.425C	252-20-0402	03/13/20-09/30/21	84,255	53,214	-	-	-	(53,214)	-
Governor's Emergency Education Relief Fund	I	84.425C	253-20-0402	03/13/20-09/30/21	35,700	18,790	-	-	-	(18,790)	-
Governor's Emergency Education Relief Fund	I	84.425C	254-20-0402	03/13/20-09/30/21	149,774	78,828	-	-	-	(78,828)	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-0402	03/13/20-09/30/23	5,765,932	402,274	-	343,110	343,110	(59,164)	-
						1,515,441	-	1,631,492	1,631,492	116,051	-
Passed through Delaware County Intermediate Unit											
IDEA - Special Education	I	84.027	N/A	07/01/19-06/30/20	773,454	769,454	769,454	-	-	-	-
IDEA - Special Education	I	84.027	N/A	07/01/20-06/30/21	902,217	4,000	-	902,217	902,217	898,217	-
Total CFDA #84.027						773,454	769,454	902,217	902,217	898,217	-
IDEA - Special Education - Preschool Grants	I	84.173	N/A	07/01/19-06/30/20	1,990	1,990	1,990	-	-	-	-
IDEA - Special Education - Preschool Grants	I	84.173	N/A	07/01/20-06/30/21	2,548	-	-	2,548	2,548	2,548	-
Total CFDA #84.173						1,990	1,990	2,548	2,548	2,548	-
Total IDEA Program Cluster						775,444	771,444	904,765	904,765	900,765	-
TOTAL U.S. DEPARTMENT OF EDUCATION						4,639,056	1,206,957	4,732,429	4,732,429	1,300,330	-

Continued on next page.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

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 REVENUE 07/01/2020	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2021	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of the Treasury											
Passed through Pennsylvania Commission on Crime and Delinquency											
District Learning Grant	I	21.019	202-CS-01-33804	03/01/20-10/30/20	294,349	294,349	-	294,349	294,349	-	-
Passed through Delaware County Intermediate Unit											
District Learning Grant	I	21.019	N/A	07/01/20-06/30/21	2,120,943	2,120,943	-	2,120,943	2,120,943	-	-
TOTAL U.S. DEPARTMENT OF THE TREASURY						2,415,292	-	2,415,292	2,415,292	-	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Education											
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	20,025	20,025	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/20-06/30/21	N/A	4,519	-	33,622	33,622	29,103	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						24,544	20,025	33,622	33,622	29,103	-
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	82,827	-	82,827	82,827	-	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	18,723	18,723	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	256,498	-	322,821	322,821	66,323	-
Total CFDA #10.555						358,048	18,723	405,648	405,648	66,323	-
Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	131,860	-	174,179	174,179	42,319	-
Total CFDA #10.553						131,860	-	174,179	174,179	42,319	-
Total Child Nutrition Cluster						489,908	18,723	579,827	579,827	108,642	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						489,908	18,723	579,827	579,827	108,642	-
TOTAL FEDERAL AWARDS						\$ 7,568,800	\$ 1,245,705	\$ 7,761,170	\$ 7,761,170	\$ 1,438,075	\$ -

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, represent surplus food consumed by the District during the 2020 - 2021 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, 2021 was \$300,000.

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, 2021 was \$1,556,342.

NOTE F INDIRECT COST RATE

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

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 the Uniform Guidance?

_____ Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants to Local Education Agencies

84.425C and 84.425D

Elementary and Secondary School Emergency

21.019

Relief Fund

District Learning Grant

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

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

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.