

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2019

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

December 16, 2019

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, 2019, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2019, 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 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated December 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13, 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 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries,

Board of School Directors
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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 December 16, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

Total net position for the District decreased by \$1,463,055. Net position of governmental activities decreased by \$1,745,858, and net position of business-type activities increased by \$282,803. Program revenues accounted for \$22.0 million, or 26.7 percent of total governmental activities revenues (\$82.2 million); and general revenues accounted for \$60.3 million, or 73.3 percent of the total governmental activities revenues.

The District's proportionate share of the Public School Employees' Retirement System ("PSERS") net pension liability totaled \$109,499,000 at June 30, 2019. 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 \$8,095,928 at June 30, 2019.

As of June 30, 2019, the general fund reported a deficit fund balance of \$1.2 million, of which \$29 thousand is classified as non-spendable. The debt service fund reported a restricted fund balance of \$11.4 million for debt service. The capital projects fund did not report a fund balance. The general fund will continue to fund any ongoing capital projects within the capital projects fund.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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, 2019**

- **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 \$76.5 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 \$75.0 million.

The following table is a comparative analysis of fiscal year 2019 to 2018:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 24,612,146	\$ 24,862,338	\$1,236,881	\$ 911,716	\$ 25,849,027	\$ 25,774,054
Capital assets	63,956,007	65,137,243	56,929	28,632	64,012,936	65,165,875
Total Assets	<u>88,568,153</u>	<u>89,999,581</u>	<u>1,293,810</u>	<u>940,348</u>	<u>89,861,963</u>	<u>90,939,929</u>
Deferred outflows of resources:						
Deferred outflows relating to pension	15,586,611	17,400,032	389,825	435,179	15,976,436	17,835,211
Deferred outflows relating to OPEB	584,741	480,238	10,805	6,569	595,546	486,807
Total Deferred Outflows of Resources	<u>16,171,352</u>	<u>17,880,270</u>	<u>400,630</u>	<u>441,748</u>	<u>16,571,982</u>	<u>18,322,018</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 104,739,505</u>	<u>\$ 107,879,851</u>	<u>\$1,694,440</u>	<u>\$1,382,096</u>	<u>\$ 106,433,945</u>	<u>\$ 109,261,947</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)						
Liabilities:						
Current liabilities	\$ 14,938,721	\$ 13,912,495	61,910	\$ 14	\$ 15,000,631	\$ 13,912,509
Long-term liabilities	161,875,265	165,150,197	2,787,822	2,823,276	164,663,087	167,973,473
Total Liabilities	<u>176,813,986</u>	<u>179,062,692</u>	<u>2,849,732</u>	<u>2,823,290</u>	<u>179,663,718</u>	<u>181,885,982</u>

SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019

STATEMENT OF NET POSITION

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Deferred inflows of resources:						
Deferred inflows relating to pension	2,237,051	2,078,028	55,949	51,972	2,293,000	2,130,000
Deferred inflows relating to OPEB	971,313	276,118	4,856	5,734	976,169	281,852
Total Deferred Inflows of Resources	<u>3,208,364</u>	<u>2,354,146</u>	<u>60,805</u>	<u>57,706</u>	<u>3,269,169</u>	<u>2,411,852</u>
Net Position (Deficit):						
Net investment in capital assets	14,964,874	14,940,563	56,929	28,632	15,021,803	14,969,195
Restricted for capital projects	11,399,602	8,958,775	-	-	11,399,602	8,958,775
Unrestricted (deficit)	<u>(101,647,321)</u>	<u>(97,436,325)</u>	<u>(1,273,026)</u>	<u>(1,527,532)</u>	<u>(102,920,347)</u>	<u>(98,963,857)</u>
Total Net Position (Deficit)	<u>(75,282,845)</u>	<u>(73,536,987)</u>	<u>(1,216,097)</u>	<u>(1,498,900)</u>	<u>(76,498,942)</u>	<u>(75,035,887)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 104,739,505</u>	<u>\$ 107,879,851</u>	<u>\$ 1,694,440</u>	<u>\$ 1,382,096</u>	<u>\$ 106,433,945</u>	<u>\$ 109,261,947</u>

Total net deficit of the District increased by \$1,463,055. The District's net investment in capital assets increased by \$52,608. Total long-term liabilities decreased by \$3,310,386 mainly attributable to the decrease in the net pension liability as a result of an increase in the value of pension assets and a decrease in the District's outstanding debt as a result of continued repayment of the District's debt.

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

STATEMENT OF ACTIVITIES

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 55,829,603	\$ (41,232,642)	\$ 54,725,407	\$ (40,947,989)
Instructional support staff	6,035,943	(5,269,569)	5,705,492	(4,956,944)
Administration	6,255,009	(5,548,493)	6,012,280	(5,316,295)
Maintenance	5,833,737	(5,178,411)	5,592,212	(4,939,960)
Pupil transportation	5,114,258	(3,038,642)	4,917,823	(2,869,170)
Student activities	904,309	(782,538)	914,020	(795,697)
Community services	156,927	(129,286)	182,282	(161,297)
Interest and fiscal charges	3,856,906	(851,806)	3,875,971	(969,246)
Total Governmental Activities	<u>\$ 83,986,692</u>	<u>\$ (62,031,387)</u>	<u>\$ 81,925,487</u>	<u>\$ (60,956,598)</u>
Business-type Activities:				
Food service	<u>\$ 2,506,173</u>	<u>\$ 282,803</u>	<u>\$ 2,342,286</u>	<u>\$ 318,240</u>

SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019

The net cost of services for governmental activities increased by \$1,074,789 primarily due to an increase in charter school tuition expenditures and the cost of services of providing education programs.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 184,464	\$ 67,709	\$ 185,178	\$ 192,772	\$ 369,642	\$ 260,481
Operating grants/contributions	20,222,209	19,358,882	2,603,798	2,467,754	22,826,007	21,826,636
Capital grants/contributions	1,548,632	1,542,298	-	-	1,548,632	1,542,298
Total Program Revenues	21,955,305	20,968,889	2,788,976	2,660,526	24,744,281	23,629,415
General Revenues:						
Property and other taxes	39,366,647	37,969,852	-	-	39,366,647	37,969,852
Grants and entitlements	18,853,116	18,482,396	-	-	18,853,116	18,482,396
Investment earnings	1,721,015	224,276	-	-	1,721,015	224,276
Miscellaneous	344,751	287,095	-	-	344,751	287,095
Total General Revenues	60,285,529	56,963,619	-	-	60,285,529	56,963,619
TOTAL REVENUES	82,240,834	77,932,508	2,788,976	2,660,526	85,029,810	80,593,034
EXPENSES						
Program Expenses:						
Instruction	55,829,603	54,725,407	-	-	55,829,603	54,725,407
Support Services:						
Instructional support staff	6,035,943	5,705,492	-	-	6,035,943	5,705,492
Administration	6,255,009	6,012,280	-	-	6,255,009	6,012,280
Maintenance	5,833,737	5,592,212	-	-	5,833,737	5,592,212
Pupil transportation	5,114,258	4,917,823	-	-	5,114,258	4,917,823
Student activities	904,309	914,020	-	-	904,309	914,020
Community services	156,927	182,282	-	-	156,927	182,282
Interest and fiscal charges	3,856,906	3,875,971	-	-	3,856,906	3,875,971
Food service	-	-	2,506,173	2,342,286	2,506,173	2,342,286
TOTAL EXPENSES	83,986,692	81,925,487	2,506,173	2,342,286	86,492,865	84,267,773
CHANGE IN NET DEFICIT	\$ (1,745,858)	\$ (3,992,979)	\$ 282,803	\$ 318,240	\$ (1,463,055)	\$ (3,674,739)

Governmental Activities

The cost of all governmental activities in 2018 - 2019 was \$84 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$39.4 million, or 46.9 percent. A majority of the other costs were paid by government agencies and organizations that subsidized

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**

funding with intergovernmental aid and contributions totaling \$40.6 million. As indicated by the governmental program expenses, instructional programs account for approximately 66.47 percent of the total expenses of the District's governmental activities.

Business-type Activities

Business-type activities is made up of the food service program. This program had an increase in net position of \$283 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,

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**

governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$10.2 million, which is a decrease of \$1.3 million from the previous year total. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2018 to June 30, 2019.

	<u>Fund Balance June 30, 2019</u>	<u>Fund Balance June 30, 2018</u>	<u>Increase (Decrease)</u>
General Fund	\$ (1,180,325)	\$ 2,567,597	\$ (3,747,922)
Debt Service Fund	<u>11,399,602</u>	<u>8,958,775</u>	<u>2,440,827</u>
	<u>\$ 10,219,277</u>	<u>\$ 11,526,372</u>	<u>\$ (1,307,095)</u>

The decrease in fund balance for the general fund can be attributed mainly to an increase in the cost of instructional programs, transfers out to capital projects to subsidize various capital projects, as well as an increase in retirement contributions PSERS. The increase in fund balance for the debt service fund can be attributed to a transfer of funds from the general fund and investment activity.

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.

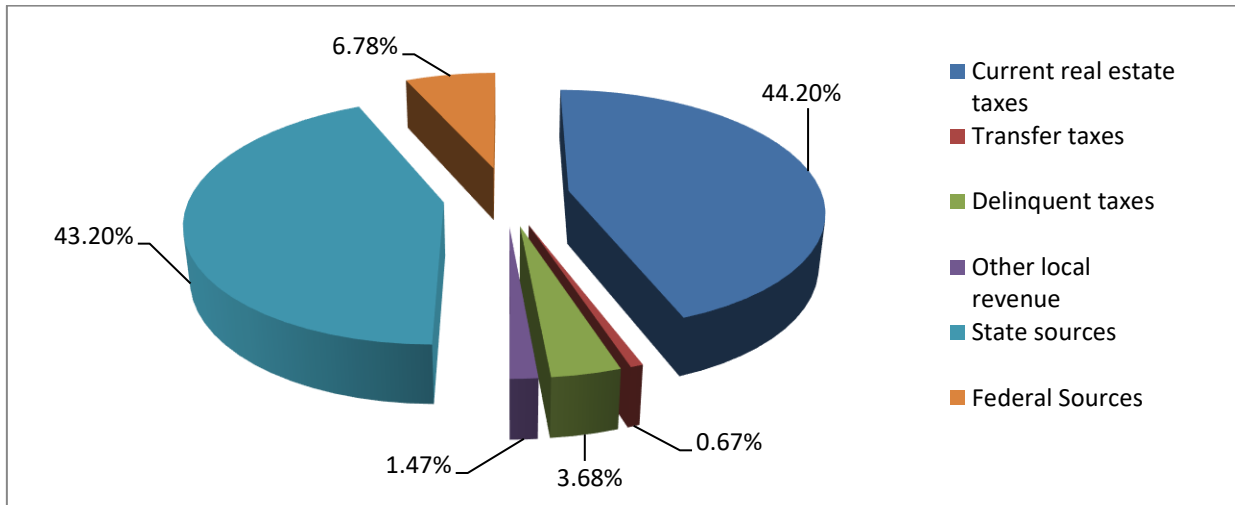
REVENUES

	<u>Fiscal Year</u>		<u>Variance</u>	
	<u>2019</u>	<u>2018</u>	<u>Amount</u>	<u>%</u>
General Fund:				
Current real estate taxes	\$ 35,840,110	\$ 34,890,733	\$ 949,377	2.72%
Transfer taxes	545,082	325,182	219,900	67.62%
Delinquent taxes	2,980,029	2,863,984	116,045	4.05%
Other local revenue	1,189,513	886,593	302,920	34.17%
State sources	35,027,046	34,352,064	674,982	1.96%
Federal sources	<u>5,497,523</u>	<u>4,954,711</u>	<u>542,812</u>	<u>10.96%</u>
TOTAL REVENUE	<u>\$ 81,079,303</u>	<u>\$ 78,273,267</u>	<u>\$ 2,806,036</u>	<u>3.58%</u>

Total general fund expenditures exceeded revenues and other financing sources by \$3.7 million. The millage rate for 2018 - 2019 was 43.0752 mills. The current year collection rate for 2018 - 2019 was approximately 91.32 percent.

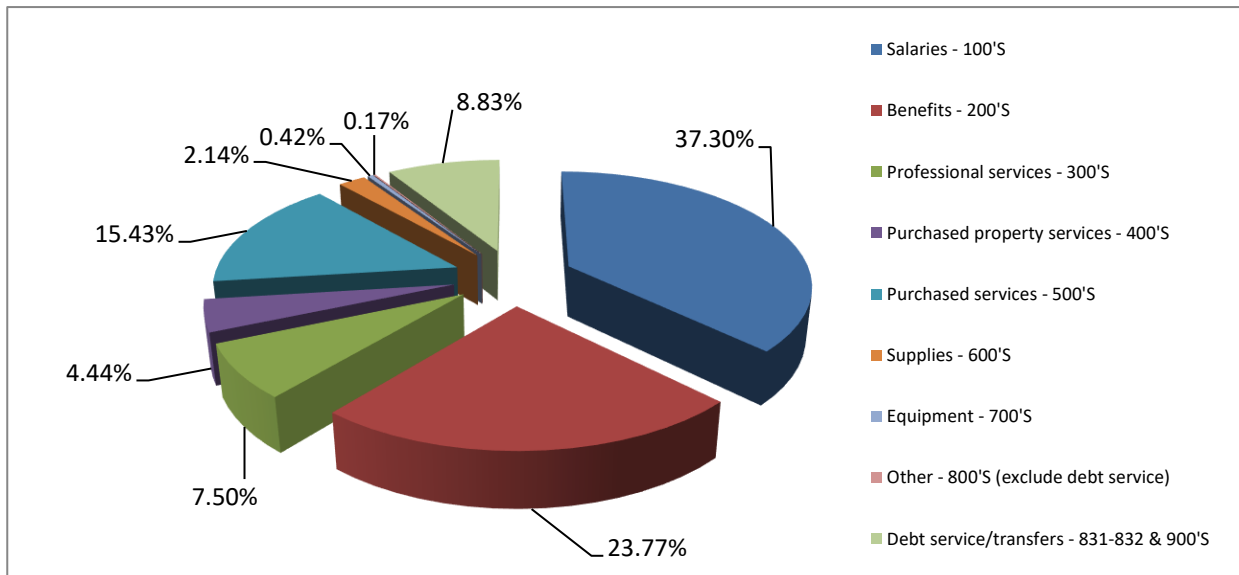
The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**



The District's current real estate tax revenue accounts for 44.20 percent of total general fund revenues, as illustrated in the graph above. State sources, which include grants and subsidies, accounted for 43.20 percent of general fund revenues.

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



**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**

The District's current real estate tax revenue accounts for 42.03 percent of total general fund expenditures.

EXPENDITURES

Object	Fiscal Year		Variance	
	2019	2018	Amount	%
Salaries	\$ 31,643,142	\$ 31,083,505	\$ 559,637	1.8%
Benefits	20,161,786	19,837,974	323,812	1.6%
Professional services	6,360,288	6,972,515	(612,227)	-8.8%
Purchased property services	3,769,031	3,636,017	133,014	3.7%
Purchased services	13,090,731	11,126,121	1,964,610	17.7%
Supplies	1,814,657	1,903,804	(89,147)	-4.7%
Equipment	358,923	285,920	73,003	25.5%
Other	136,296	376,955	(240,659)	-63.8%
Debt service/transfers	7,492,371	7,668,191	(175,820)	-2.3%
Total Expenditures by Object	\$ 84,827,225	\$ 82,891,002	\$ 1,936,223	2.3%

General fund expenditures increased by \$1.9 million, or 2.3 percent. This can be attributed to the rising cost of retirement contributions to PSERS, planned capital projects, charter school tuition expenditures, and the cost of providing instructional programs, offset by a decrease in professional educational services.

General Fund Budget Information

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

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

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Instruction:				
1100	Regular programs	\$ 30,381,709	\$ 30,099,183	\$ (282,526)	(0.01)
1200	Special programs	17,460,153	17,460,145	(8)	0.0%
1300	Vocational programs	1,016,097	1,016,097	-	0.0%
1400	Other instructional programs	2,147,702	2,424,321	276,619	12.9%
1600	Adult education programs	349,333	349,333	-	0.0%
	Total Instruction	\$ 51,354,994	\$ 51,349,079	\$ (5,915)	0.0%

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**

EXPENDITURES:

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Support services:				
2100	Pupil personnel services	2,513,535	2,513,530	(5)	0.0%
2200	Instructional staff support	2,152,696	2,159,469	6,773	0.3%
2300	Administrative services	4,550,282	4,549,422	(860)	0.0%
2400	Pupil health	808,370	808,374	4	0.0%
2500	Business office	1,301,039	1,301,040	1	0.0%
2600	Maintenance and facilities	5,956,252	5,956,254	2	0.0%
2700	Student transportation services	4,686,199	4,686,198	(1)	0.0%
2800	Information services	512,494	512,495	1	0.0%
2900	Other support services	29,558	29,558	-	0.0%
	Total Support Services	<u>22,510,425</u>	<u>22,516,340</u>	<u>5,915</u>	<u>0.0%</u>
	Operation of noninstructional activities:				
3200	Student activities	929,539	929,539	-	0.0%
3300	Community services	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>0.0%</u>
	Total Operation of Noninstructional Services	<u>1,089,539</u>	<u>1,089,539</u>	<u>-</u>	<u>0.0%</u>
5100	Debt service/transfers	<u>6,368,799</u>	<u>6,368,799</u>	<u>-</u>	<u>0.0%</u>
	TOTAL EXPENDITURES	<u>\$ 81,323,757</u>	<u>\$ 81,323,757</u>	<u>\$ -</u>	<u>0.0%</u>

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$64.0 million invested in capital assets, net of accumulated depreciation; \$57 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, 2019, the District had \$49.0 million in outstanding bonds, notes, and capital leases payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

**SOUTHEAST DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2019**

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 2018 - 2019 was 4,315, and the enrollment in October 2019 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.

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, 2019
(With Summarized Comparative Data for June 30, 2018)

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 5,455,609	\$ -	\$ 5,455,609	\$ 7,518,253
Cash and cash equivalents with fiscal agent	3,461	-	3,461	2,237
Investments with fiscal agent	11,396,141	-	11,396,141	8,956,538
Internal balances	(893,154)	893,154	-	-
Taxes receivable	3,729,213	-	3,729,213	3,756,925
Due from other governments	4,019,227	343,103	4,362,330	4,579,213
Other receivables	846,080	624	846,704	158,012
Prepaid expenses	28,826	-	28,826	773,444
Prepaid bond insurance	26,743	-	26,743	29,432
Land	60,811	-	60,811	60,811
Land improvements	5,311,017	-	5,311,017	5,283,204
Construction-in-progress	22,450	-	22,450	682,812
Buildings and improvements	89,010,216	-	89,010,216	87,216,201
Furniture and equipment	7,576,265	345,954	7,922,219	7,838,829
Accumulated depreciation	(38,024,752)	(289,025)	(38,313,777)	(35,915,982)
TOTAL ASSETS	88,568,153	1,293,810	89,861,963	90,939,929
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to pension	15,586,611	389,825	15,976,436	17,835,211
Deferred outflows relating to OPEB	584,741	10,805	595,546	486,807
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,171,352	400,630	16,571,982	18,322,018
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 104,739,505	\$ 1,694,440	\$ 106,433,945	\$ 109,261,947
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Cash overdraft	\$ -	\$ 54,362	\$ 54,362	\$ -
Accounts payable	2,167,893	7,548	2,175,441	1,744,666
Unearned revenues	-	-	-	30,521
Accrued salaries and benefits	8,772,827	-	8,772,827	8,133,531
Accrued interest	1,269,041	-	1,269,041	1,253,397
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable in future years, net	2,626,595	-	2,626,595	2,608,372
Capital leases payable	102,365	-	102,365	142,022
Portion due or payable after one year:				
Bonds and notes payable in future years, net	46,015,740	-	46,015,740	47,097,488
Capital leases payable	246,433	-	246,433	348,798
Compensated absences	805,986	-	805,986	861,664
Net pension liability	106,827,224	2,671,776	109,499,000	111,124,000
Net OPEB liability	7,979,882	116,046	8,095,928	8,541,523
TOTAL LIABILITIES	176,813,986	2,849,732	179,663,718	181,885,982
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to pensions	2,237,051	55,949	2,293,000	2,130,000
Deferred inflows relating to OPEB	971,313	4,856	976,169	281,852
TOTAL DEFERRED INFLOWS OF RESOURCES	3,208,364	60,805	3,269,169	2,411,852
NET POSITION (DEFICIT):				
Net investment in capital assets	14,964,874	56,929	15,021,803	14,969,195
Restricted for debt service	11,399,602	-	11,399,602	8,958,775
Unrestricted (deficit)	(101,647,321)	(1,273,026)	(102,920,347)	(98,963,857)
TOTAL NET DEFICIT	(75,282,845)	(1,216,097)	(76,498,942)	(75,035,887)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 104,739,505	\$ 1,694,440	\$ 106,433,945	\$ 109,261,947

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
							2019
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 55,829,603	\$ 121,210	\$ 14,475,751	\$ -	\$ (41,232,642)	\$ -	\$ (40,947,989)
Instructional student support	6,035,943	-	766,374	-	(5,269,569)	-	(4,956,944)
Administrative and financial support services	6,255,009	-	706,516	-	(5,548,493)	-	(5,316,295)
Operation and maintenance of plant services	5,833,737	-	655,326	-	(5,178,411)	-	(4,939,960)
Pupil transportation	5,114,258	16,596	2,059,020	-	(3,038,642)	-	(2,869,170)
Student activities	904,309	19,017	102,754	-	(782,538)	-	(795,697)
Community services	156,927	27,641	-	-	(129,286)	-	(161,297)
Interest on long-term debt	3,856,906	-	1,456,468	1,548,632	(851,806)	-	(969,246)
TOTAL GOVERNMENTAL ACTIVITIES	83,986,692	184,464	20,222,209	1,548,632	(62,031,387)	-	(60,956,598)
BUSINESS-TYPE ACTIVITIES							
Food service	2,506,173	185,178	2,603,798	-	-	282,803	318,240
TOTAL BUSINESS-TYPE ACTIVITIES	2,506,173	185,178	2,603,798	-	-	282,803	318,240
TOTAL PRIMARY GOVERNMENT	\$ 86,492,865	\$ 369,642	\$ 22,826,007	\$ 1,548,632	(62,031,387)	282,803	(60,638,358)
GENERAL REVENUES							
Property taxes levied for general purposes					38,821,565	-	37,644,670
Taxes levied for specific purposes					545,082	-	325,182
Grants and entitlements not restricted to specific programs					18,853,116	-	18,482,396
Investment earnings					1,721,015	-	224,276
Miscellaneous					344,751	-	287,095
TOTAL GENERAL REVENUES					60,285,529	-	56,963,619
CHANGE IN NET DEFICIT					(1,745,858)	282,803	(3,674,739)
NET DEFICIT, BEGINNING OF YEAR					(73,536,987)	(1,498,900)	(71,361,148)
NET DEFICIT, END OF YEAR					\$ (75,282,845)	\$ (1,216,097)	\$ (75,035,887)

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

SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019
(With Summarized Comparative Data for June 30, 2018)

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2019	2018
ASSETS					
Cash and cash equivalents	\$ 5,455,609	\$ -	\$ -	\$ 5,455,609	\$ 7,259,129
Cash and cash equivalents with fiscal agent	-	3,461	-	3,461	2,237
Investments with fiscal agent	-	11,396,141	-	11,396,141	8,956,538
Taxes receivable	3,729,213	-	-	3,729,213	3,756,925
Due from other funds	-	-	22,998	22,998	480,221
Due from other governments	3,596,567	-	-	3,596,567	4,054,089
Other receivables	846,080	-	-	846,080	157,388
Prepaid items	28,826	-	-	28,826	773,444
TOTAL ASSETS	\$ 13,656,295	\$ 11,399,602	\$ 22,998	\$ 25,078,895	\$ 25,439,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,144,895	\$ -	\$ 22,998	\$ 2,167,893	\$ 1,744,652
Due to other funds	916,152	-	-	916,152	1,027,522
Unearned revenues	-	-	-	-	30,521
Accrued salaries and benefits	8,772,827	-	-	8,772,827	8,133,531
TOTAL LIABILITIES	11,833,874	-	22,998	11,856,872	10,936,226
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	3,002,746	-	-	3,002,746	2,977,373
TOTAL DEFERRED INFLOWS OF RESOURCES	3,002,746	-	-	3,002,746	2,977,373
FUND BALANCES:					
Nonspendable - prepaid items	28,826	-	-	28,826	773,444
Restricted for debt service	-	11,399,602	-	11,399,602	8,958,775
Assigned for athletic purposes	-	-	-	-	185,274
Unassigned (deficit)	(1,209,151)	-	-	(1,209,151)	1,608,879
TOTAL FUND BALANCES (DEFICIT)	(1,180,325)	11,399,602	-	10,219,277	11,526,372
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,656,295	\$ 11,399,602	\$ 22,998	\$ 25,078,895	\$ 25,439,971

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, 2019**

TOTAL GOVERNMENTAL FUND BALANCES \$ 10,219,277

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	
Construction-in-progress	22,450	
Buildings and improvements	89,010,216	
Furniture and equipment	7,576,265	
Accumulated depreciation	<u>(38,024,752)</u>	63,956,007

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

Bonds and notes payable, net	(48,642,335)	
Capital leases payable	(348,798)	
Net OPEB liability	(7,979,882)	
Net pension liability	(106,827,224)	
Compensated absences	(805,986)	
Accrued interest	<u>(1,269,041)</u>	(165,873,266)

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. 26,743

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. 422,660

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	15,586,611	
Deferred outflows relating to OPEB	584,741	
Deferred inflows of resources:		
Deferred inflows relating to pension	(2,237,051)	
Deferred inflows relating to OPEB	<u>(971,313)</u>	12,962,988

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. 3,002,746

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (75,282,845)

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, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)**

	Major Funds			Totals	
	General Fund	Debt Service Fund	Capital Projects Fund	2019	2018
REVENUES:					
Local sources	\$ 40,554,734	\$ 1,157,902	\$ -	\$ 41,712,636	\$ 38,966,492
State sources	35,027,046	-	-	35,027,046	34,352,064
Federal sources	5,497,523	-	-	5,497,523	4,954,711
TOTAL REVENUES	<u>81,079,303</u>	<u>1,157,902</u>	<u>-</u>	<u>82,237,205</u>	<u>78,273,267</u>
EXPENDITURES:					
Current:					
Instruction	53,830,831	-	-	53,830,831	52,445,085
Support services	22,438,874	-	-	22,438,874	21,437,492
Operation of noninstructional services	1,034,192	-	-	1,034,192	1,068,637
Capital outlay	-	-	1,216,147	1,216,147	1,535,734
Debt service	5,000,309	-	-	5,000,309	4,836,517
TOTAL EXPENDITURES	<u>82,304,206</u>	<u>-</u>	<u>1,216,147</u>	<u>83,520,353</u>	<u>81,323,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,224,903)</u>	<u>1,157,902</u>	<u>(1,216,147)</u>	<u>(1,283,148)</u>	<u>(3,050,198)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	1,282,925	1,216,147	2,499,072	2,838,683
Transfers out	(2,499,072)	-	-	(2,499,072)	(2,838,683)
Refund of prior year receipts	(23,947)	-	-	(23,947)	(459,692)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,523,019)</u>	<u>1,282,925</u>	<u>1,216,147</u>	<u>(23,947)</u>	<u>(459,692)</u>
NET CHANGE IN FUND BALANCES	<u>(3,747,922)</u>	<u>2,440,827</u>	<u>-</u>	<u>(1,307,095)</u>	<u>(3,509,890)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,567,597</u>	<u>8,958,775</u>	<u>-</u>	<u>11,526,372</u>	<u>15,036,262</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (1,180,325)</u>	<u>\$ 11,399,602</u>	<u>\$ -</u>	<u>\$ 10,219,277</u>	<u>\$ 11,526,372</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, 2019**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,307,095)
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.	(1,181,236)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25,373
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	1,223,932
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.	(21,074)
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.)	55,678
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.	(140,901)
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	(387,094)
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.	2,203
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>(15,644)</u>
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,745,858)</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, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 40,398,943	\$ 40,398,943	\$ 40,554,734	\$ 155,791
State sources	34,660,746	34,660,746	35,027,046	366,300
Federal sources	5,379,383	5,379,383	5,497,523	118,140
TOTAL REVENUES	<u>80,439,072</u>	<u>80,439,072</u>	<u>81,079,303</u>	<u>640,231</u>
EXPENDITURES				
Instruction:				
Regular programs	30,381,709	30,099,183	31,122,063	(1,022,880)
Special programs	17,460,153	17,460,145	18,964,219	(1,504,074)
Vocational programs	1,016,097	1,016,097	886,335	129,762
Other instructional programs	2,147,702	2,424,321	2,508,881	(84,560)
Community/Junior college educational programs	349,333	349,333	349,333	-
Total Instruction	<u>51,354,994</u>	<u>51,349,079</u>	<u>53,830,831</u>	<u>(2,481,752)</u>
Support services:				
Pupil personnel services	2,513,535	2,513,530	2,941,348	(427,818)
Instructional staff services	2,152,696	2,159,469	2,150,679	8,790
Administrative services	4,550,282	4,549,422	4,466,089	83,333
Pupil health	808,370	808,374	788,216	20,158
Business services	1,301,039	1,301,040	1,060,021	241,019
Operation and maintenance of plant services	5,956,252	5,956,254	5,594,872	361,382
Student transportation services	4,686,199	4,686,198	4,931,848	(245,650)
Central	512,494	512,495	476,622	35,873
Other support services	29,558	29,558	29,179	379
Total Support Services	<u>22,510,425</u>	<u>22,516,340</u>	<u>22,438,874</u>	<u>77,466</u>
Operation of noninstructional activities:				
Student activities	929,539	929,539	877,265	52,274
Community services	160,000	160,000	156,927	3,073
Total Operation of Noninstructional Services	<u>1,089,539</u>	<u>1,089,539</u>	<u>1,034,192</u>	<u>55,347</u>
Debt service	5,085,874	5,085,874	5,000,309	85,565
TOTAL EXPENDITURES	<u>80,040,832</u>	<u>80,040,832</u>	<u>82,304,206</u>	<u>(2,263,374)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>398,240</u>	<u>398,240</u>	<u>(1,224,903)</u>	<u>(1,623,143)</u>
OTHER FINANCING USES				
Transfers out	(1,282,925)	(1,282,925)	(2,499,072)	(1,216,147)
Refunds of prior year receipts	-	-	(23,947)	(23,947)
TOTAL OTHER FINANCING USES	<u>(1,282,925)</u>	<u>(1,282,925)</u>	<u>(2,523,019)</u>	<u>(1,240,094)</u>
NET CHANGE IN FUND BALANCE	(884,685)	(884,685)	(3,747,922)	(2,863,237)
FUND BALANCE, BEGINNING OF YEAR	<u>2,567,597</u>	<u>2,567,597</u>	<u>2,567,597</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 1,682,912</u>	<u>\$ 1,682,912</u>	<u>\$ (1,180,325)</u>	<u>\$ (2,863,237)</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2019 AND 2018**

	Major Fund	
	Food Service Fund	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ -	\$ 259,124
Due from other funds	343,103	547,301
Due from other governments	893,154	104,667
Other receivables	624	624
Total Current Assets	1,236,881	911,716
CAPITAL ASSETS:		
Furniture and equipment	345,954	310,082
Accumulated depreciation	(289,025)	(281,450)
Capital Assets, Net	56,929	28,632
TOTAL ASSETS	1,293,810	940,348
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to pension	389,825	435,179
Deferred outflows relating to OPEB	10,805	6,569
TOTAL DEFERRED OUTFLOWS OF RESOURCES	400,630	441,748
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,694,440	\$ 1,382,096
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Cash overdraft	\$ 54,362	\$ -
Accounts payable	7,548	14
Total Current Liabilities	61,910	14
NONCURRENT LIABILITIES:		
Net pension liability	2,671,776	2,711,426
Net OPEB liability	116,046	111,850
Total Noncurrent Liabilities	2,787,822	2,823,276
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to pension	55,949	51,823
Deferred inflows relating to OPEB	4,856	5,883
Total Deferred Inflows of Resources	60,805	57,706
NET POSITION (DEFICIT):		
Investment in capital assets	56,929	28,632
Unrestricted (deficit)	(1,273,026)	(1,527,532)
Total Net Deficit	(1,216,097)	(1,498,900)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 1,694,440	\$ 1,382,096

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, 2019 AND 2018

	Major Fund	
	Food Service Fund	
	2019	2018
OPERATING REVENUES		
Food service revenues	\$ 185,178	\$ 192,772
Total Operating Revenues	185,178	192,772
OPERATING EXPENSES		
Salaries	798,152	771,399
Employee benefits	462,838	432,600
Supplies	1,185,737	1,091,212
Equipment repairs	32,674	31,686
Other expenses	19,197	9,423
Depreciation	7,575	5,966
Total Operating Expenses	2,506,173	2,342,286
OPERATING LOSS	(2,320,995)	(2,149,514)
NONOPERATING REVENUES		
State sources	95,480	93,684
Federal sources	2,508,318	2,374,070
Total Nonoperating Revenues	2,603,798	2,467,754
CHANGE IN NET DEFICIT	282,803	318,240
NET DEFICIT, BEGINNING OF YEAR	(1,498,900)	(1,817,140)
NET DEFICIT, END OF YEAR	\$ (1,216,097)	\$ (1,498,900)

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, 2019 AND 2018**

	Major Fund	
	Food Service Fund	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 185,178	\$ 192,772
Payments to suppliers	(1,354,311)	(1,619,861)
Payments to employees	(1,252,227)	(1,186,039)
NET CASH USED BY OPERATING ACTIVITIES	(2,421,360)	(2,613,128)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	86,269	103,673
Federal sources	2,111,839	2,450,135
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,198,108	2,553,808
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(35,872)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(35,872)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(259,124)	(59,320)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	259,124	318,444
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 259,124
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (2,320,995)	\$ (2,149,514)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	7,575	5,966
Donated commodities	167,254	153,782
(Increase) Decrease in:		
Due from other funds	(345,853)	(547,301)
Deferred outflows relating to pension	45,354	57,535
Deferred outflows relating to OPEB	(4,236)	(437)
Increase (Decrease) in:		
Cash overdraft	54,362	-
Accounts payable	7,534	(1,804)
Due to other funds	-	(92,217)
Net pension liability	(39,650)	(23,766)
Net OPEB liability	4,196	(7,027)
Deferred inflows relating to pension	4,126	(14,079)
Deferred inflows relating to OPEB	(1,027)	5,734
NET CASH USED BY OPERATING ACTIVITIES	\$ (2,421,360)	\$ (2,613,128)
<u>SUPPLEMENTAL DISCLOSURE</u>		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 167,254	\$ 153,782

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

	Private - Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 8,854	\$ 127,348
TOTAL ASSETS	<u>\$ 8,854</u>	<u>\$ 127,348</u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student groups	\$ -	\$ 127,348
NET POSITION:		
Reserved for trust	<u>8,854</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,854</u>	<u>\$ 127,348</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Private-Purpose Trust	
	2019	2018
ADDITIONS		
Local sources	\$ 2,859	\$ 1,760
TOTAL ADDITIONS	2,859	1,760
DEDUCTIONS		
Operation of non-instructional activities	2,200	1,000
TOTAL DEDUCTIONS	2,200	1,000
CHANGE IN NET POSITION	659	760
NET POSITION, BEGINNING OF YEAR	8,195	7,435
NET POSITION, END OF YEAR	\$ 8,854	\$ 8,195

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Receivables and Payables

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

Property Taxes

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

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

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2018 - 2019 was 43.0752 mills (\$43.0752 for \$1,000 of assessed valuation).

Prepaid Items and Inventories

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

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

Capital Assets

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Compensated Absences

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

Long-term Obligations

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

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

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting, are reflected as deferred inflows

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Fund Equity

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

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

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

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

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

Unassigned – all other spendable amounts.

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

Use of Estimates in the Preparation of Financial Statements

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2019:

Regular programs	\$ 1,022,880
Special programs	\$ 1,504,074
Other instructional programs	\$ 84,560
Pupil personnel services	\$ 427,818
Student transportation services	\$ 245,650

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2019, the carrying amount of the District's deposits was \$5,540,910, and the bank balance was \$7,017,381. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,445,597 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 \$4,321,784 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, 2019, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

Investments

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Matures in Greater Than Five Years</u>
U.S. Treasury bonds and notes	\$ 11,396,141	\$ 11,396,141	\$ 11,396,141

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

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, 2019, 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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	682,812	707,468	(1,367,830)	22,450
Total Capital Assets Not Being Depreciated	<u>743,623</u>	<u>707,468</u>	<u>(1,367,830)</u>	<u>83,261</u>
Capital assets being depreciated:				
Land improvements	5,283,204	27,813	-	5,311,017
Buildings	87,216,201	1,794,015	-	89,010,216
Furniture and equipment	7,528,747	47,518	-	7,576,265
Total Capital Assets Being Depreciated	<u>100,028,152</u>	<u>1,869,346</u>	<u>-</u>	<u>101,897,498</u>
Less accumulated depreciation for:				
Land improvements	3,344,520	255,382	-	3,599,902
Buildings	25,053,325	1,892,703	-	26,946,028
Furniture and equipment	7,236,687	242,135	-	7,478,822
Total Accumulated Depreciation	<u>35,634,532</u>	<u>2,390,220</u>	<u>-</u>	<u>38,024,752</u>
Total Capital Assets Being Depreciated, Net	<u>64,393,620</u>	<u>(520,874)</u>	<u>-</u>	<u>63,872,746</u>
Governmental Activities Assets, Net	<u>\$65,137,243</u>	<u>\$ 186,594</u>	<u>\$ (1,367,830)</u>	<u>\$63,956,007</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 310,082	\$ 35,872	\$ -	\$ 345,954
Total Capital Assets Being Depreciated	310,082	35,872	-	345,954
Less accumulated depreciation for:				
Furniture and equipment	281,450	7,575	-	289,025
Total Accumulated Depreciation	281,450	7,575	-	289,025
Business-type Activities, Net	\$ 28,632	\$ 28,297	\$ -	\$ 56,929

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

Governmental Activities:

Instruction	\$ 1,671,489
Instructional student support	181,261
Administrative and financial support services	185,936
Operation and maintenance of plant services	172,464
Pupil transportation	152,027
Student activities	27,043

Total Depreciation Expense - Governmental Activities \$ 2,390,220

Business-type Activities:

Food Service	\$ 7,575
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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, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bonds payable, net	\$ 49,705,860	\$ -	\$ 1,063,525	\$ 48,642,335	\$ 2,626,595
Capital lease payable	490,820	-	142,022	348,798	102,365
Net OPEB liability	8,429,673	-	449,791	7,979,882	-
Net pension liability	108,412,574	-	1,585,350	106,827,224	-
Compensated absences	861,664	-	55,678	805,986	-
TOTALS	\$167,900,591	\$ -	\$ 3,296,366	\$164,604,225	\$ 2,728,960

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 48,828,448
Unamortized discount	<u>(186,113)</u>
 Bonds and Notes payable, net	 <u>\$ 48,642,335</u>
 Amounts due in one year	 \$ 2,626,595
Amounts due after one year	<u>46,015,740</u>
 Bonds and Notes payable, net	 <u>\$ 48,642,335</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, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Net OPEB liability	\$ 111,850	\$ 4,196	\$ -	\$ 116,046
Net pension liability	<u>2,711,426</u>	<u>-</u>	<u>39,650</u>	<u>2,671,776</u>
 TOTALS	 <u>\$ 2,823,276</u>	 <u>\$ 4,196</u>	 <u>\$ 39,650</u>	 <u>\$ 2,787,822</u>

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. \$ 3,447,448

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. 9,495,000

Series B of 2017, maturing through October 1, 2029, bearing interest from 2.00% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2012. 4,755,000

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Series of 2004, maturing through September 25, 2019, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index.	173,000
Series B of 2010 QZAB, requiring sinking fund deposits through September 2028, bearing interest of 6.495%, interest payable semi-annually in March and September.	15,750,000
Series C of 2011 QSCB, requiring sinking deposits through September 2029, bearing interest of 5.088%, interest payable semi-annually in March and September.	5,900,000
Series B of 2011 QZAB, requiring sinking fund deposits through September 2026, bearing interest of 5.426%, interest payable semi-annually in March and September.	7,008,000
Series D of 2011 QZAB, requiring sinking fund deposits through September 2029, bearing interest of 5.138%, interest payable semi-annually in March and September.	<u>2,300,000</u>
TOTAL	<u>\$ 48,828,448</u>

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

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2020	\$ 2,644,980	\$ 3,568,368	\$ 6,212,348
2021	2,720,113	3,596,623	6,316,736
2022	2,735,054	3,624,025	6,359,079
2023	2,806,743	3,647,931	6,454,674
2024	2,835,054	3,669,484	6,504,538
2025 - 2029	20,327,579	9,606,010	29,933,589
2030	4,096,464	242,333	4,338,797
	38,165,987	27,953,774	66,119,761
Sinking fund deposits	10,662,461	-	10,662,461
	\$ 48,828,448	\$ 27,953,774	\$ 76,782,222

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,

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES – LESSEE (cont'd)

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	\$ 1,636,957
Less: accumulated depreciation	<u>(1,360,545)</u>
 TOTAL	 <u><u>\$ 276,412</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30,

2020	\$ 115,306
2021	115,306
2022	115,306
2023	<u>28,825</u>
Total minimum lease payments	374,743
Less: amount representing interest	<u>(25,945)</u>
 Present value of minimum lease payments	 <u><u>\$ 348,798</u></u>

NOTE 7 OPERATING LEASES

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

Year Ending June 30,

2020	\$ 298,044
2021	1,643,700
2022	16,433
2023	<u>953</u>
 Total	 <u><u>\$ 1,959,130</u></u>

The total amount charged to expense for the year ended June 30, 2019 was \$774,361.

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

<u>Receivable to</u>	<u>Amount</u>	<u>Payable from</u>	<u>Amount</u>
Capital Projects Fund	\$ 22,998	General Fund	\$ 22,998
Food Service Fund	<u>893,154</u>	General Fund	<u>893,154</u>
	<u>\$ 916,152</u>		<u>\$ 916,152</u>

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

Interfund transfers for the year ended June 30, 2019 are as follows:

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 1,216,147	General Fund	\$ 1,216,147
Debt Service Fund	<u>1,282,925</u>	General Fund	<u>1,282,925</u>
	<u>\$ 2,499,072</u>		<u>\$ 2,499,072</u>

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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

Member Contributions

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

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

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

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, the rate of the employer contribution was 33.43 percent of covered payroll, which was comprised of 32.60 percent for pension contributions and 0.83 percent for healthcare contributions. The District's contribution to PSERS for the year ended June 30, 2019 was \$10,447,679.

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

At June 30, 2019, the District reported a liability of \$109,499,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.2281 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$10,844,454. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 537,000	\$ -
Changes in proportions	1,469,000	598,000
Difference between expected and actual experience	881,000	1,695,000
Change in assumptions	2,040,000	-
Difference between employer contributions and proportionate share of total contributions	601,757	-
Contributions subsequent to the date of measurement	<u>10,447,679</u>	<u>-</u>
	<u>\$ 15,976,436</u>	<u>\$ 2,293,000</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 537,000	\$ -
Changes in proportions	1,469,000	598,000
Difference between expected and actual experience	881,000	1,695,000
Change in assumptions	2,040,000	-
Difference between employer contributions and proportionate share of total contributions	601,757	-
Contributions subsequent to the date of measurement	10,447,679	-
	<u>\$ 15,976,436</u>	<u>\$ 2,293,000</u>

An amount of \$10,447,679 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, 2020. Other amounts will be reported as deferred outflows and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$2,623,393
2021	1,818,746
2022	(788,382)
2023	(418,000)
	<u>\$3,235,757</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

- 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	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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 <u>6.25%</u>	Current Rate Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$ 135,732,000	\$ 109,499,000	\$ 87,318,000

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 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:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- 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, 2018, 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 of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, the rate of the employer contribution was 33.43 percent of covered payroll, allocated 32.60 percent to pensions and 0.83 percent to health insurance assistance. The District's OPEB contribution to PSERS for the year ended June 30, 2019 was \$265,999.

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

At June 30, 2019, the District reported a liability of \$4,756,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.2281 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$228,363. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 8,000	\$ -
Change in proportions	57,000	19,000
Difference between expected and actual experience	29,000	-
Change in assumptions	75,000	180,000
Difference between employer contributions and proportionate share of total contributions	7,859	-
Contributions subsequent to the date of measurement	265,999	-
	\$ 442,858	\$ 199,000

An amount of \$265,999 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, 2020. 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:

Year Ending June 30,	
2020	\$ (9,635)
2021	(9,635)
2022	(9,635)
2023	(10,635)
2024	(11,635)
Thereafter	29,034
	\$ (22,141)

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the system's total OPEB liability as of June 30, 2017 actuarial valuation to June 30, 2018 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 – 2.98 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, 2016 determined the employer contribution rate for fiscal year 2018.
- 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.
- 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.

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Asset Class	Target Allocation	Long-term Expected Real of Return
Global public entity	5.9%	0.3%
U.S. Core Fixed income	92.8%	1.2%
Non-U.S. Developed Fixed Income	1.3%	0.4%
	100.0%	

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, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98 percent. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018, 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:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,755,000	\$ 4,756,000	\$ 4,757,000

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 2.98 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 (1.98 percent) or one percentage-point higher (3.98 percent) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 5,409,000	\$ 4,756,000	\$ 4,214,000

OPEB Plan Fiduciary Net Position

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 2019, the District paid \$149,771 to plan members eligible for receiving benefits.

Participants

As of July 1, 2018, the plan had 464 participants (418 active, 46 retired).

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2018 was projected from the actuarial valuation as of July 1, 2018, using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 2.98 percent and 3.13 percent for the measurement dates of July 1, 2018 and July 1, 2017, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2018.

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%

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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

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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Per Capita Claims Cost

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

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
45 - 49	\$ 7,515	\$ 10,854
50 - 54	\$ 9,953	\$ 12,267
55 - 59	\$ 12,123	\$ 12,835
60 - 64	\$ 15,819	\$ 14,745

Retiree Contributions

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

Healthcare Cost Trend

The healthcare cost trend was 6.0 percent in 2018 and 5.5 percent in 2019 through 2021. Rates gradually decrease from 5.4 percent in 2022 to 3.8 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 May 2019. Due to the timing of District turnover, the data is believed to be representative of the population for the 2018 - 2019 school year.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Sensitivity Analysis

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

	1% Decrease 1.98%	Current Rate Discount Rate 2.98%	1% Increase 3.98%
Total OPEB liability	\$ 3,622,786	\$ 3,339,928	\$ 3,076,790
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,622,786</u>	<u>\$ 3,339,928</u>	<u>\$ 3,076,790</u>

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,938,716	\$ 3,339,928	\$ 3,817,007
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,938,716</u>	<u>\$ 3,339,928</u>	<u>\$ 3,817,007</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 3,957,523
Service cost	263,798
Interest	128,438
Differences between expected and actual experience	(795,406)
Changes of assumptions	3,160
Benefit payments	(217,585)
Net change	<u>(617,595)</u>
Total OPEB liability - ending	<u>\$ 3,339,928</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The amount of OPEB expense for the single employer plan recognized by the District was \$327,390 for the year ended June 30, 2019. An amount of \$149,771 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, 2020. At June 30, 2019, the District reported deferred outflows 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	\$ -	\$ 734,221
Change in assumptions	2,917	42,948
Contributions subsequent to the date of measurement	<u>149,771</u>	<u>-</u>
	<u>\$ 152,668</u>	<u>\$ 777,169</u>

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

Year Ending June 30,

2020	\$ (64,846)
2021	(64,846)
2022	(64,846)
2023	(64,846)
2024	(64,846)
Thereafter	<u>(450,022)</u>
	<u>\$ (774,252)</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)	\$ 3,339,928	\$ 152,688	\$ 777,169
PSERS Plan (See Note 10)	<u>4,756,000</u>	<u>442,858</u>	<u>199,000</u>
Total	<u>\$ 8,095,928</u>	<u>\$ 595,546</u>	<u>\$ 976,169</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 JOINT VENTURES

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

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

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

Future Authority rental payments are:

Year Ending June 30,

2020	\$ 72,205
2021	72,092
2022	69,540
2023	67,081
2024	62,009
2025 - 2029	309,781
2030 - 2034	257,636
2035	<u>21,704</u>
Total	<u>932,048</u>
Less: Interest requirements	<u>(211,509)</u>
Outstanding rental payments	<u>\$ 720,539</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

Capital Improvement Commitments

As of June 30, 2019, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2019</u>	<u>Commitment</u>
Capital project	<u>\$ 245,950</u>	<u>\$ 22,450</u>	<u>\$ 223,500</u>

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 2018 - 2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 HEALTHCARE TRUST

The District participates in the Delaware County Public Schools Healthcare Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Delaware County Intermediate Unit. Both the District and employees contribute to the cost of insurance premiums. The Healthcare Trust was established in 2013 to provide Districts with medical coverage at an affordable price. The Trust works with a broker consultant and carriers to create comprehensive health benefits. The Trust has an excess (stop-loss) insurance policy to limit the self-insured loss retention on

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 HEALTHCARE TRUST (cont'd)

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, 2019, totaled \$5,525,070.

NOTE 17 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$101,647,321 (governmental activities) and \$1,273,026 (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.

The General Fund finished the year ended June 30, 2019 with a deficit in fund balance of \$1,209,151. The deficit can be attributed to transfers to the debt service fund and capital projects fund to cover their related expenses. The District plans to monitor expenses moving forward to remedy the deficit balance.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 16, 2019, 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, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.2281%	0.2250%	0.2262%	0.2240%
District's proportion of the net pension liability - dollar value	\$ 109,499,000	\$ 111,124,000	\$ 112,098,000	\$ 97,026,000
District's covered employee payroll	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	346.57%	366.86%	380.91%	342.53%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%
				0.2262%
				\$ 89,532,000
				\$ 28,864,272
				310.18%
				57.24%

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

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

	<u>June 30, 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	\$ 10,447,679	\$ 10,028,174	\$ 8,841,510	\$ 7,357,168	\$ 5,806,879
Contributions in relation to the contractually required contribution	<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>
District's covered-employee payroll	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239
Contributions as a percentage of covered-employee payroll	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)**

	MEASUREMENTDATE	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.2281%	0.2250%
District's proportion of the net OPEB liability - dollar value	\$ 4,756,000	\$ 4,584,000
District's covered employee payroll	\$ 31,594,751	\$ 30,290,825
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.05%	15.13%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 265,999	\$ 262,236
Contributions in relation to the contractually required contribution	<u>265,999</u>	<u>262,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 32,048,095	\$ 31,594,751
Contributions as a percentage of covered-employee payroll	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 OPEB PLAN**

	MEASUREMENT DATE	
	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>		
Service cost	\$ 263,798	\$ 277,011
Interest cost	128,438	100,413
Difference between expected and actual experience	(795,406)	-
Changes in assumptions	3,160	(50,756)
Benefit payments	(217,585)	(272,252)
NET CHANGE IN TOTAL OPEB LIABILITY	(617,595)	54,416
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	3,957,523	3,903,107
TOTAL OPEB LIABILITY, END OF YEAR	\$ 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	\$ 3,339,928	\$ 3,957,523
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered employee payroll	\$ 27,954,060	\$ 22,505,447
District's net OPEB liability as a percentage of covered payroll	11.95%	17.58%
Expected average remaining service years of all participants	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

December 16, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 16, 2019.

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



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

December 16, 2019

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Southeast Delco School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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 (UNEARNED) REVENUE 07/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2019	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	013-18-0402	08/30/17-09/30/18	\$ 1,523,427	\$ 319,718	\$ 319,718	\$ -	\$ -	\$ -	\$ -
Title II Grants to Local Educational Agencies	I	84.010	013-19-0402	08/30/18-09/30/19	1,742,794	1,388,492	-	1,742,794	1,742,794	354,302	-
Total CFDA #84.010						1,708,210	319,718	1,742,794	1,742,794	354,302	-
Title II Improving Teacher Quality State Grants											
Title II Improving Teacher Quality State Grants	I	84.367	020-18-0402	08/15/17-09/30/18	247,058	34,655	34,655	-	-	-	-
Total CFDA #84.367						170,590	-	235,740	235,740	65,150	-
Title IV Student Support and Academic Enrichment											
Title IV Student Support and Academic Enrichment	I	84.424	144-18-0402	08/15/17-09/30/18	34,469	-	(30,521)	30,521	30,521	-	-
Total CFDA #84.424						78,643	-	110,100	110,100	31,457	-
Twenty-First Century Community Learning Centers											
Twenty-First Century Community Learning Centers	I	84.287	4100068099	07/01/17-06/30/18	327,136	57,899	57,899	-	-	-	-
Total CFDA #84.287						199,854	-	337,972	337,972	138,118	-
Passed through Delaware County Intermediate Unit											
I.D.E.A. - Special Education	I	84.027	N/A	07/01/17-06/30/19	794,363	790,363	790,363	-	-	-	-
I.D.E.A. - Special Education	I	84.027	N/A	07/01/18-06/30/19	766,155	766,155	-	766,155	766,155	-	-
I.D.E.A. - Special Education	I	84.027	N/A	07/01/18-06/30/19	10,000	-	-	9,396	9,396	9,396	-
Total CFDA #84.027						1,556,518	790,363	775,551	775,551	9,396	-
I.D.E.A. - Special Education - Preschool Grants											
I.D.E.A. - Special Education - Preschool Grants	I	84.173	N/A	07/01/17-06/30/18	4,340	4,340	4,340	-	-	-	-
Total CFDA #84.173						4,340	-	1,115	1,115	1,115	-
Total I.D.E.A. Program Cluster						1,560,858	794,703	776,666	776,666	10,511	-
English Language Acquisition State Grants	I	84.365	FA-010-18-0625	07/01/17-06/30/18	4,753	4,753	4,753	-	-	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						3,815,462	1,181,207	3,233,793	3,233,793	599,538	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Education											
Medical Assistance Program	I	93.778	N/A	07/01/17-06/30/18	N/A	23,039	23,039	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	N/A	20,335	-	27,302	27,302	6,967	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						43,374	23,039	27,302	27,302	6,967	-

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2019	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
<i>(cont'd)</i>											
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	167,254	-	167,254	167,254	-	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	81,055	81,055	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	1,637,977	-	1,904,421	1,904,421	266,444	-
Total CFDA #10.555						1,886,286	81,055	2,071,675	2,071,675	266,444	-
Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	19,345	19,345	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	353,180	-	412,948	412,948	59,768	-
Total CFDA #10.553						372,525	19,345	412,948	412,948	59,768	-
Total Child Nutrition Cluster						2,258,811	100,400	2,484,623	2,484,623	326,212	-
After School Snacks	I	10.582	N/A	07/01/18-06/30/19	N/A	20,282	-	23,695	23,695	3,413	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,279,093	100,400	2,508,318	2,508,318	329,625	-
TOTAL FEDERAL AWARDS						\$ 6,137,929	\$ 1,304,646	\$ 5,769,413	\$ 5,769,413	\$ 936,130	\$ -

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 2018 - 2019 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, 2019 was \$690,000.

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, 2019 was \$1,546,428.

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 program:

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

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

Unmodified

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

_____ Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.553 and 10.555

Child Nutrition Cluster

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.