



**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**AUDIT REPORT**

**JUNE 30, 2014**

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SOUTHEAST DELCO SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Barbacane, Thornton & Company LLP  
200 Springer Building  
3411 Silverside Road  
Wilmington, Delaware 19810

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

December 17, 2014

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 Southeast Delco School District (the "District"), Folcroft, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Delco School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting



Board of School Directors  
Southeast Delco School District

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 17, 2014, on our consideration of Southeast Delco School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, 2014

This discussion and analysis of the financial performance of Southeast Delco School District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2014.

**FINANCIAL HIGHLIGHTS**

Total net position for the District increased by \$1,027,189. Net position of governmental activities increased by \$1,098,886, and net position of business-type activities decreased by \$71,697. Program revenues accounted for \$17.5 million, or 26 percent of total revenues (\$68.5 million); and general revenues accounted for \$51.0 million, or 74 percent of the total.

As of June 30, 2014, the general fund reported a positive fund balance of \$8.3 million, of which \$5.2 million is unassigned, \$3.0 million is committed for capital projects, \$80 thousand is classified as nonspendable, and \$3 thousand is assigned to athletic purposes. The capital projects fund reported a fund deficit of \$266 thousand. The general fund will fund this deficit with a transfer to subsidize capital projects activities in fiscal year 2015.

**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, and liabilities of the District (except for fiduciary funds held in trust for student purposes) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

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

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

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

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

**ENTITY-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$25.8 million at the close of the most recent fiscal year. In the prior year, assets and deferred outflows of resources exceeded liabilities by \$24.8 million.

A portion of the District's total net position (73.2 percent) reflects its net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table is a comparative analysis of fiscal year 2014 to 2013:

**STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Assets:						
Current and other assets	\$19,146,822	\$22,571,382	\$ 64,820	\$ 88,873	\$19,211,642	\$22,660,255
Capital assets	70,186,356	69,370,394	54,588	68,791	70,240,944	69,439,185
Total Assets	<u>89,333,178</u>	<u>91,941,776</u>	<u>119,408</u>	<u>157,664</u>	<u>89,452,586</u>	<u>92,099,440</u>
Deferred Outflows of Resources:						
Deferred charges on bond refunding	91,694	97,860	-	-	91,694	97,860
Total Deferred Outflows of Resources	<u>91,694</u>	<u>97,860</u>	<u>-</u>	<u>-</u>	<u>91,694</u>	<u>97,860</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$89,424,872</u>	<u>\$92,039,636</u>	<u>\$119,408</u>	<u>\$ 157,664</u>	<u>\$89,544,280</u>	<u>\$92,197,300</u>
<b>LIABILITIES AND NET POSITION</b>						
Liabilities:						
Current liabilities	\$11,460,807	\$12,940,514	\$ 65,846	\$ 32,405	\$11,526,653	\$12,972,919
Long-term liabilities	52,191,480	54,425,423	-	-	52,191,480	54,425,423
Total Liabilities	<u>63,652,287</u>	<u>67,365,937</u>	<u>65,846</u>	<u>32,405</u>	<u>63,718,133</u>	<u>67,398,342</u>
Net Position:						
Net investment in capital assets	18,853,615	15,576,779	54,588	68,791	18,908,203	15,645,570
Restricted for capital projects	-	2,285,300	-	-	-	2,285,300
Unrestricted (deficit)	6,918,970	6,811,620	(1,026)	56,468	6,917,944	6,868,088
Total Net Position	<u>25,772,585</u>	<u>24,673,699</u>	<u>53,562</u>	<u>125,259</u>	<u>25,826,147</u>	<u>24,798,958</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$89,424,872</u>	<u>\$92,039,636</u>	<u>\$ 119,408</u>	<u>\$ 157,664</u>	<u>\$89,544,280</u>	<u>\$92,197,300</u>



**SOUTHEAST DELCO SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

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

Total net position of the District's governmental activities increased by \$1,098,886, and overall unrestricted net position reflects a positive balance of \$6,918,970. The District's net investment in capital assets increased by \$3,262,633. Total long-term liabilities decreased \$2,233,943, mainly attributable to principal paid on general obligation debt during the current year.

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

**STATEMENT OF ACTIVITIES**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>PROGRAM EXPENSES</b>				
Governmental Activities:				
Instruction	\$ 42,911,886	\$(32,478,746)	\$ 42,514,505	\$(31,518,045)
Instructional support staff	4,251,535	(3,846,173)	4,980,751	(4,609,135)
Administration	5,257,633	(4,879,888)	4,967,926	(4,668,832)
Maintenance	4,887,097	(4,535,974)	4,644,596	(4,365,964)
Pupil transportation	3,847,671	(2,418,719)	3,733,205	(2,253,275)
Student activities	687,577	(618,396)	666,222	(610,556)
Community services	121,342	(106,092)	167,103	(148,803)
Interest and fiscal charges	3,478,430	(973,436)	3,420,661	(837,618)
<b>Total Governmental Activities</b>	<u>\$ 65,443,171</u>	<u>\$(49,857,424)</u>	<u>\$ 65,094,969</u>	<u>\$(49,012,228)</u>
Business-type Activities:				
Food service	<u>\$ 2,010,574</u>	<u>\$ (71,697)</u>	<u>\$ 2,035,066</u>	<u>\$ (170,416)</u>

The net cost of services for instruction increased by \$960 thousand, which was offset by a decrease in instructional support staff of \$763 thousand.

**SOUTHEAST DELCO SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 90,413	\$ 82,970	\$ 455,923	\$ 477,774	\$ 546,336	\$ 560,744
Operating grants/contributions	13,966,229	14,395,516	1,482,954	1,386,876	15,449,183	15,782,392
Capital grants/contributions	1,529,105	1,604,255	-	-	1,529,105	1,604,255
<b>Total Program Revenues</b>	<b>15,585,747</b>	<b>16,082,741</b>	<b>1,938,877</b>	<b>1,864,650</b>	<b>17,524,624</b>	<b>17,947,391</b>
<b>General Revenues:</b>						
Property and other taxes	33,991,456	33,594,877	-	-	33,991,456	33,594,877
Grants and entitlements	16,836,157	16,132,278	-	-	16,836,157	16,132,278
Investment earnings	60,841	29,497	-	4	60,841	29,501
Miscellaneous	67,856	102,555	-	-	67,856	102,555
<b>Total General Revenues</b>	<b>50,956,310</b>	<b>49,859,207</b>	<b>-</b>	<b>4</b>	<b>50,956,310</b>	<b>49,859,211</b>
<b>TOTAL REVENUES</b>	<b>66,542,057</b>	<b>65,941,948</b>	<b>1,938,877</b>	<b>1,864,654</b>	<b>68,480,934</b>	<b>67,806,602</b>
<b>EXPENSES</b>						
<b>Program Expenses:</b>						
Instruction	42,911,886	42,514,505	-	-	42,911,886	42,514,505
<b>Support Services:</b>						
Instructional support staff	4,251,535	4,980,751	-	-	4,251,535	4,980,751
Administration	5,257,633	4,967,926	-	-	5,257,633	4,967,926
Maintenance	4,887,097	4,644,596	-	-	4,887,097	4,644,596
Pupil transportation	3,847,671	3,733,205	-	-	3,847,671	3,733,205
Student activities	687,577	666,222	-	-	687,577	666,222
Community services	121,342	167,103	-	-	121,342	167,103
Interest and fiscal charges	3,478,430	3,420,661	-	-	3,478,430	3,420,661
Food service	-	-	2,010,574	2,035,066	2,010,574	2,035,066
<b>TOTAL EXPENSES</b>	<b>65,443,171</b>	<b>65,094,969</b>	<b>2,010,574</b>	<b>2,035,066</b>	<b>67,453,745</b>	<b>67,130,035</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,098,886</b>	<b>\$ 846,979</b>	<b>\$ (71,697)</b>	<b>\$ (170,412)</b>	<b>\$ 1,027,189</b>	<b>\$ 676,567</b>

**Governmental Activities**

The cost of all governmental activities in 2013-2014 was \$65.4 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$34 million, or 51.9 percent. A majority of the other costs were paid by government agencies and organizations that subsidized funding with intergovernmental aid and contributions totaling \$32.6 million, or 49.7 percent. As indicated by the governmental program expenses, instructional programs account for approximately 65.6 percent of the total expenses of the District's governmental activities.

**Business-type Activities**

Business-type activities include the food service program. This program had a decrease in net position of \$72 thousand for the fiscal year.

SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

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

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

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

**Fund Financial Statements**

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

The District's governmental funds reported a combined fund balance of \$8.1 million, which is a decrease from the previous year's total of \$10.0 million. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2013 to June 30, 2014.

	Fund Balance (Deficit) <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Decrease</u>
General Fund	\$ 8,326,122	\$ 7,757,583	\$ 568,539
Capital Projects Fund	<u>(265,669)</u>	<u>2,285,300</u>	<u>(2,550,969)</u>
	<u>\$ 8,060,453</u>	<u>\$ 10,042,883</u>	<u>\$ (1,982,430)</u>

**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

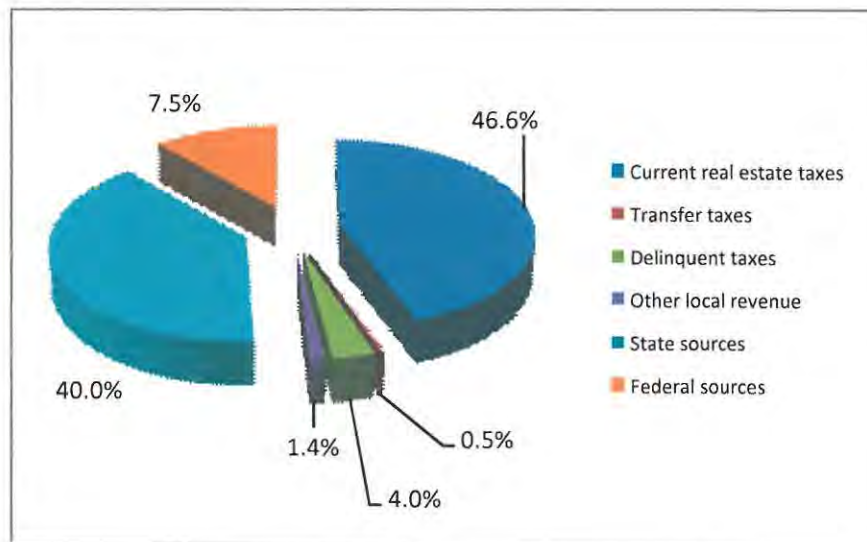
The increase in fund balance for the general fund can be attributed to an increase in property tax collections. In addition, there was a decrease in salaries due to personnel retiring. The general fund also transferred \$698 thousand to the capital projects fund for renovation projects completed at various buildings.

The capital projects fund balance decreased as the District spent down capital project funds for ongoing renovations at Academy Park High School. The ending fund deficit was \$266 thousand at June 30, 2014. This deficit will be funded by a transfer from the general fund in fiscal year 2015.

**REVENUES**

	Fiscal Year		Variance	
	2014	2013	Amount	%
General Fund:				
Current real estate taxes	\$ 30,936,710	\$ 30,555,091	\$ 381,619	1.25%
Transfer taxes	331,785	438,078	(106,293)	-24.26%
Delinquent taxes	2,630,300	2,199,557	430,743	19.58%
Other local revenue	954,605	1,157,041	(202,436)	-17.50%
State sources	26,578,808	25,056,403	1,522,405	6.08%
Federal sources	5,018,069	6,220,785	(1,202,716)	-19.33%
<b>TOTAL REVENUE</b>	<b>\$ 66,450,277</b>	<b>\$ 65,626,955</b>	<b>\$ 823,322</b>	<b>1.25%</b>

Total general fund revenues and other financing sources exceeded expenditures and other financing uses by \$568 thousand. The millage rate for 2013-2014 was 37.2849 mills. The current year collection rate for 2013-2014 was 91.8 percent. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.



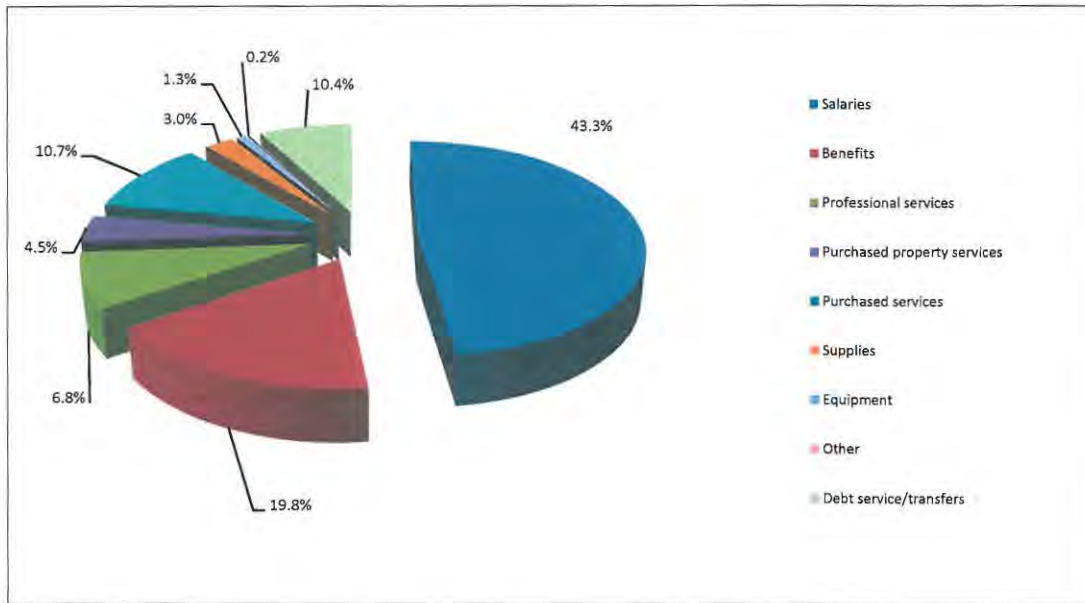


**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

The District's current real estate tax revenue accounts for 46.6 percent of total funding, as illustrated in the above graph. State sources which include grants and subsidies accounted for 40.0 percent of District revenue.

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



**EXPENDITURES**

<b>Object</b>	<b>Fiscal Year</b>		<b>Variance</b>	
	<u>2014</u>	<u>2013</u>	<u>Amount</u>	<u>%</u>
Salaries	\$ 28,657,009	\$ 29,894,049	\$ (1,237,040)	-4.1%
Benefits	13,082,466	12,750,692	331,774	2.6%
Professional services	4,517,463	4,649,119	(131,656)	-2.8%
Purchased property services	2,956,053	2,812,506	143,547	5.1%
Purchased services	7,114,222	6,640,412	473,810	7.1%
Supplies	1,982,996	2,196,122	(213,126)	-9.7%
Equipment	875,610	1,023,676	(148,066)	-14.5%
Other	134,632	130,334	4,298	3.3%
Debt service/transfers	6,919,199	6,762,393	156,806	2.3%
<b>Total Expenditures by Object</b>	<u>\$ 66,239,650</u>	<u>\$ 66,859,303</u>	<u>\$ (619,653)</u>	<u>-0.9%</u>



**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

General fund expenditures decreased \$620 thousand, or 0.9 percent. This can be attributed to staff retirements that were replaced with entry level positions with reduced salary costs.

**General Fund Budget Information**

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

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

**EXPENDITURES:**

Function Code	Description	Budgeted Amounts		Variance	
		Original	Final	Amount	%
	Instruction:				
1100	Regular programs	\$ 25,797,550	\$ 25,732,551	\$ (64,999)	-0.3%
1200	Special programs	12,974,489	12,974,489	-	0.0%
1300	Vocational programs	904,727	904,727	-	0.0%
1400	Other instructional programs	1,441,353	1,441,353	-	0.0%
1600	Higher education programs	336,511	336,511	-	0.0%
	Total Instruction	<u>41,454,630</u>	<u>41,389,631</u>	<u>(64,999)</u>	<u>-0.2%</u>
	Support Services:				
2100	Pupil personnel services	1,875,629	1,778,829	(96,800)	-5.2%
2200	Instructional staff support	1,386,012	1,386,012	-	0.0%
2300	Administrative services	3,565,795	3,662,594	96,799	2.7%
2400	Pupil health	610,479	610,479	-	0.0%
2500	Business office	1,153,216	1,153,216	-	0.0%
2600	Maintenance and facilities	4,930,273	4,995,273	65,000	1.3%
2700	Student transportation services	3,439,229	3,439,229	-	0.0%
2800	Information services	426,688	426,688	-	0.0%
2900	Other support services	29,550	29,550	-	0.0%
	Total Support Services	<u>17,416,871</u>	<u>17,481,870</u>	<u>64,999</u>	<u>0.4%</u>
	Operation of Noninstructional Services:				
3200	Student activities	614,198	614,198	-	0.0%
3300	Community services	125,000	125,000	-	0.0%
	Total Operation of Noninstructional Services	<u>739,198</u>	<u>739,198</u>	<u>-</u>	<u>0.0%</u>
5110	Debt service	<u>6,258,280</u>	<u>6,258,280</u>	<u>-</u>	<u>0.0%</u>
	TOTAL EXPENDITURES	<u>\$ 65,868,979</u>	<u>\$ 65,868,979</u>	<u>\$ -</u>	<u>0.0%</u>

Using spending variances in excess of \$50,000 and using 10 percent as a spending tolerance, there were no significant changes in the District's original versus final budgeted expenditures.

**SOUTHEAST DELCO SCHOOL DISTRICT  
FOLCROFT, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)  
JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At June 30, 2014, the District had \$70.2 million invested in capital assets, net of accumulated depreciation; \$54.6 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, 2014, the District had \$50.7 million in outstanding bonds and notes payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

**FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS**

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

The District's student enrollment for 2013-2014 was 4,350 and is projected to increase to 4,543 in 2014-2015.

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

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

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

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

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(With Summarized Comparative Data for June 30, 2013)**

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 12,786,239	\$ -	\$ 12,786,239	\$ 16,859,006
Internal balances	322,349	(322,349)	-	-
Taxes receivable	3,375,453	-	3,375,453	3,237,429
Due from other governments	2,487,421	372,424	2,859,845	2,464,177
Other receivables	146,534	-	146,534	56,072
Prepaid expenses	28,826	-	28,826	28,826
Inventories	-	14,745	14,745	14,745
Land	60,811	-	60,811	60,811
Land improvements	3,858,833	-	3,858,833	3,858,833
Construction-in-progress	22,500	-	22,500	28,634,254
Buildings and improvements	85,733,325	-	85,733,325	54,134,540
Furniture and equipment	6,600,591	294,100	6,894,691	6,235,232
Accumulated depreciation	(26,089,704)	(239,512)	(26,329,216)	(23,484,485)
<b>TOTAL ASSETS</b>	<b>89,333,178</b>	<b>119,408</b>	<b>89,452,586</b>	<b>92,099,440</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charges on bond refunding	91,694	-	91,694	97,860
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 89,424,872</b>	<b>\$ 119,408</b>	<b>\$ 89,544,280</b>	<b>\$ 92,197,300</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Cash overdraft	\$ -	\$ 65,656	\$ 65,656	\$ 23,079
Accounts payable	1,747,954	190	1,748,144	3,817,348
Due to other governments	21,100	-	-	-
Accrued salaries and benefits	5,734,016	-	5,734,016	5,186,693
Accrued interest	1,196,855	-	1,196,855	1,172,278
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	939,155	-	939,155	1,026,838
Notes payable	1,660,120	-	1,660,120	1,666,847
Capital leases payable	161,607	-	161,607	79,836
Portion due or payable after one year:				
Bonds payable, net	20,462,714	-	20,462,714	21,413,596
Notes payable	27,254,384	-	27,254,384	28,902,777
Capital leases payable	946,455	-	946,455	801,581
Other post-employment benefits	1,894,483	-	1,894,483	1,636,171
Compensated absences/early retirement incentive plan	1,633,444	-	1,633,444	1,671,298
<b>TOTAL LIABILITIES</b>	<b>63,652,287</b>	<b>65,846</b>	<b>63,697,033</b>	<b>67,398,342</b>
<b>NET POSITION:</b>				
Net investment in capital assets	18,853,615	54,588	18,908,203	15,645,570
Restricted for capital projects	-	-	-	2,285,300
Unrestricted (Deficit)	6,918,970	(1,026)	6,917,944	6,868,088
<b>TOTAL NET POSITION</b>	<b>25,772,585</b>	<b>53,562</b>	<b>25,826,147</b>	<b>24,798,958</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 89,424,872</b>	<b>\$ 119,408</b>	<b>\$ 89,544,280</b>	<b>\$ 92,197,300</b>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(With Summarized Comparative Data for the Year Ended June 30, 2013)**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
	Expenses	Capital Grants and Contributions	Totals	
<b>GOVERNMENTAL ACTIVITIES</b>			2014	2013
Instruction	\$ 42,911,886	\$ -	\$(32,478,746)	\$(31,518,045)
Instructional student support	4,251,535	405,362	(3,846,173)	(4,609,135)
Administrative and financial support services	5,257,633	377,745	(4,879,888)	(4,668,832)
Operation and maintenance of plant services	4,887,097	351,123	(4,535,974)	(4,365,964)
Pupil transportation	3,847,671	1,400,357	(2,418,719)	(2,253,275)
Student activities	687,577	49,578	(618,396)	(610,556)
Community services	121,342	-	(106,092)	(148,803)
Interest on long-term debt	3,478,430	975,889	(973,436)	(837,618)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>65,443,171</b>	<b>1,529,105</b>	<b>(49,857,424)</b>	<b>(49,012,228)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	2,010,574	-	-	(170,416)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>2,010,574</b>	<b>-</b>	<b>(71,697)</b>	<b>(170,416)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 67,453,745</b>	<b>\$ 15,449,183</b>	<b>(49,929,121)</b>	<b>(49,182,644)</b>
<b>GENERAL REVENUES</b>				
Property taxes levied for general purposes			33,659,671	33,156,799
Taxes levied for specific purposes			331,785	438,078
Grants and entitlements not restricted to specific programs			16,836,157	16,132,278
Investment earnings			60,841	29,501
Miscellaneous			67,856	102,555
<b>TOTAL GENERAL REVENUES</b>			<b>50,956,310</b>	<b>49,859,211</b>
<b>CHANGE IN NET POSITION</b>			<b>1,098,886</b>	<b>676,567</b>
<b>NET POSITION, BEGINNING OF YEAR</b>			<b>24,673,699</b>	<b>24,122,391</b>
<b>NET POSITION, END OF YEAR</b>			<b>\$ 25,772,585</b>	<b>\$ 24,798,958</b>

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014  
(With Summarized Comparative Data for June 30, 2013)**

	Major Funds		Totals
	General Fund	Capital Projects Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,719,952	\$ 66,287	\$ 12,786,239
Taxes receivable	3,375,453	-	3,375,453
Due from other funds	306,046	16,303	322,349
Due from other governments	1,976,326	-	1,976,326
Other receivables	146,534	-	146,534
Prepaid items	80,257	-	80,257
<b>TOTAL ASSETS</b>	<b>\$ 18,604,568</b>	<b>\$ 82,590</b>	<b>\$ 18,687,158</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,399,695	\$ 348,259	\$ 1,747,954
Due to other governments	21,100	-	21,100
Accrued salaries and benefits	5,734,016	-	5,734,016
<b>TOTAL LIABILITIES</b>	<b>7,154,811</b>	<b>348,259</b>	<b>7,503,070</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues - delinquent taxes	3,123,635	-	3,123,635
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,123,635</b>	<b>-</b>	<b>3,123,635</b>
<b>FUND BALANCES (DEFICIT):</b>			
Nonspendable	80,257	-	80,257
Restricted for capital projects	-	-	-
Committed for capital projects	3,000,000	-	3,000,000
Assigned for athletic purposes	2,718	-	2,718
Unassigned (Deficit)	5,243,147	(265,669)	4,977,478
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>8,326,122</b>	<b>(265,669)</b>	<b>8,060,453</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 18,604,568</b>	<b>\$ 82,590</b>	<b>\$ 18,687,158</b>

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



**SOUTHEAST DELCO SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

TOTAL GOVERNMENTAL FUND BALANCES \$ 8,060,453

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

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

Land	\$ 60,811	
Land improvements	3,858,833	
Construction-in-progress	22,500	
Buildings and improvements	85,733,325	
Furniture and equipment	6,600,591	
Accumulated depreciation	<u>(26,089,704)</u>	70,186,356

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

Bonds payable, net	(21,401,869)	
Notes payable	(28,914,504)	
Capital leases payable	(1,108,062)	
Other post-employment benefits	(1,894,483)	
Accumulated compensated absences/early retirement incentive plan	(1,633,444)	
Accrued interest	<u>(1,196,855)</u>	(56,149,217)

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. 91,694

Other assets related to long-term debt are not available to pay for current-period expenditures and are, therefore, not reported in the funds. 459,664

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. 3,123,635

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 25,772,585

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, 2014**  
**(With Summarized Comparative Data for the Year Ended June 30, 2013)**

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2014	2013
REVENUES:				
Local sources	\$ 34,853,400		\$ 34,887,027	\$ 34,354,423
State sources	26,578,808	33,627	26,578,808	25,056,403
Federal sources	5,018,069	-	5,018,069	6,220,785
<b>TOTAL REVENUES</b>	<b>66,450,277</b>	<b>33,627</b>	<b>66,483,904</b>	<b>65,631,611</b>
EXPENDITURES:				
Current:				
Instruction	40,811,327	-	40,811,327	41,388,315
Support services	17,688,808	-	17,688,808	17,870,243
Operation of noninstructional services	777,522	-	777,522	811,438
Capital outlay	-	3,282,588	3,282,588	10,551,120
Debt service	6,221,207	-	6,221,207	6,067,446
<b>TOTAL EXPENDITURES</b>	<b>65,498,864</b>	<b>3,282,588</b>	<b>68,781,452</b>	<b>76,688,562</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>951,413</b>	<b>(3,248,961)</b>	<b>(2,297,548)</b>	<b>(11,056,951)</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	697,992	697,992	694,947
Transfers out	(697,992)	-	(697,992)	(694,947)
Refund of prior year receipts	(42,794)	-	(42,794)	(26,914)
Proceeds from capital lease	357,912	-	357,912	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(382,874)</b>	<b>697,992</b>	<b>315,118</b>	<b>(26,914)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>568,539</b>	<b>(2,550,969)</b>	<b>(1,982,430)</b>	<b>(11,083,865)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>7,757,583</b>	<b>2,285,300</b>	<b>10,042,883</b>	<b>21,126,748</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 8,326,122</b>	<b>\$ (265,669)</b>	<b>\$ 8,060,453</b>	<b>\$ 10,042,883</b>

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, 2014**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,982,430)

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

Capital outlays are reported in governmental funds as expenditures, either as District-wide (capital outlay) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay (\$3,646,490) exceeded depreciation (\$2,830,528). 815,962

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 92,661

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurring debt increases liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 2,439,158

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

In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave), other post-employment benefits ("OPEB"), and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the net effect of the differences in the treatment of these items. (220,458)

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. 8,285

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. (24,577)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,098,886

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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 34,248,013	\$ 34,248,013	\$ 34,853,400	\$ 605,387
State sources	25,477,763	25,477,763	26,578,808	1,101,045
Federal sources	4,717,837	4,717,837	5,018,069	300,232
<b>TOTAL REVENUES</b>	<u>64,443,613</u>	<u>64,443,613</u>	<u>66,450,277</u>	<u>2,006,664</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	25,797,550	25,732,551	25,345,169	387,382
Special programs	12,974,489	12,974,489	12,447,222	527,267
Vocational programs	904,727	904,727	904,727	-
Other instructional programs	1,441,353	1,441,353	1,777,697	(336,344)
Community/Junior college educational programs	336,511	336,511	336,512	(1)
Total Instruction	<u>41,454,630</u>	<u>41,389,631</u>	<u>40,811,327</u>	<u>578,304</u>
Support services:				
Pupil personnel services	1,875,629	1,778,829	1,917,592	(138,763)
Instructional staff services	1,386,012	1,386,012	1,893,198	(507,186)
Administrative services	3,565,795	3,662,594	3,450,719	211,875
Pupil health	610,479	610,479	572,411	38,068
Business services	1,153,216	1,153,216	1,040,821	112,395
Operation and maintenance of plant services	4,930,273	4,995,273	4,647,222	348,051
Student transportation services	3,439,229	3,439,229	3,658,814	(219,585)
Central	426,688	426,688	478,211	(51,523)
Other support services	29,550	29,550	29,820	(270)
Total Support Services	<u>17,416,871</u>	<u>17,481,870</u>	<u>17,688,808</u>	<u>(206,938)</u>
Operation of noninstructional activities:				
Student activities	614,198	614,198	656,180	(41,982)
Community services	125,000	125,000	121,342	3,658
Total Operation of Noninstructional Services	<u>739,198</u>	<u>739,198</u>	<u>777,522</u>	<u>(38,324)</u>
Debt service	6,258,280	6,258,280	6,221,207	37,073
<b>TOTAL EXPENDITURES</b>	<u>65,868,979</u>	<u>65,868,979</u>	<u>65,498,864</u>	<u>370,115</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,425,366)</u>	<u>(1,425,366)</u>	<u>951,413</u>	<u>2,376,779</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(697,992)	(697,992)
Refund of prior year receipts	-	-	(42,794)	(42,794)
Proceeds from capital lease	-	-	357,912	357,912
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(382,874)</u>	<u>(382,874)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,425,366)</u>	<u>(1,425,366)</u>	<u>568,539</u>	<u>1,993,905</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>7,757,583</u>	<u>7,757,583</u>	<u>7,757,583</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,332,217</u>	<u>\$ 6,332,217</u>	<u>\$ 8,326,122</u>	<u>\$ 1,993,905</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2014**  
**(With Comparative Data for June 30, 2013)**

	Major Fund	
	Food Service Fund	
	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Due from other governments	\$ 372,424	\$ 229,397
Other receivables	-	21,185
Inventories	14,745	14,745
Total Current Assets	387,169	265,327
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	294,100	294,100
Accumulated depreciation	(239,512)	(225,309)
Capital Assets, Net	54,588	68,791
<b>TOTAL ASSETS</b>	<b>\$ 441,757</b>	<b>\$ 334,118</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Cash overdraft	\$ 65,656	\$ 23,079
Accounts payable	190	9,326
Due to other funds	322,349	176,454
Total Current Liabilities	388,195	208,859
<b>NET POSITION:</b>		
Net investment in capital assets	54,588	68,791
Unrestricted (Deficit)	(1,026)	56,468
Total Net Position	53,562	125,259
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 441,757</b>	<b>\$ 334,118</b>

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



**SOUTHEAST DELCO SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(With Comparative Data for the Year Ended June 30, 2013)**

	Major Fund	
	Food Service Fund	
	2014	2013
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 455,923	\$ 477,774
Total Operating Revenues	<u>455,923</u>	<u>477,774</u>
<b>OPERATING EXPENSES</b>		
Salaries	721,541	750,116
Employee benefits	254,180	238,563
Supplies	1,002,347	996,676
Equipment repairs	15,028	25,750
Other expenses	3,275	10,457
Depreciation	14,203	13,504
Total Operating Expenses	<u>2,010,574</u>	<u>2,035,066</u>
<b>OPERATING LOSS</b>	<u>(1,554,651)</u>	<u>(1,557,292)</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	-	4
State sources	75,287	70,891
Federal sources	1,407,667	1,315,985
Total Nonoperating Revenues	<u>1,482,954</u>	<u>1,386,880</u>
<b>CHANGE IN NET POSITION</b>	(71,697)	(170,412)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>125,259</u>	<u>295,671</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 53,562</u>	<u>\$ 125,259</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(With Comparative Data for the Year Ended June 30, 2013)**

	Major Fund	
	Food Service Fund	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for services	\$ 477,108	\$ 466,274
Payments to suppliers	(770,645)	(1,039,240)
Payments to employees	(975,721)	(988,679)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(1,269,258)</b>	<b>(1,561,645)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	67,872	75,604
Federal sources	1,201,386	1,332,582
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,269,258</b>	<b>1,408,186</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	-	(11,988)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(11,988)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Earnings on investments	-	4
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>4</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>(165,443)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>-</b>	<b>165,443</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (1,554,651)	\$ (1,557,292)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	14,203	13,504
Donated commodities	70,669	71,775
(Increase) Decrease in:		
Other receivables	21,185	(11,500)
Increase (Decrease) in:		
Accounts payable and cash overdraft	33,441	15,462
Due to other funds	145,895	(93,594)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (1,269,258)</b>	<b>\$ (1,561,645)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	\$ 70,669	\$ 71,775

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

**SOUTHEAST DELCO SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2014**

	<u>Private - Purpose Trust</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash and cash equivalents	<u>\$ 13,578</u>	<u>\$ 85,607</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,578</u></u>	<u><u>\$ 85,607</u></u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES:</b>		
Due to student groups	\$ -	\$ 85,607
<b>NET POSITION:</b>		
Reserved for trust	<u>13,578</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 13,578</u></u>	<u><u>\$ 85,607</u></u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT**  
**STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
(With Comparative Data for the Year Ended June 30, 2013)

	<u>Private-Purpose Trust</u>	
	<u>2014</u>	<u>2013</u>
ADDITIONS		
Local sources	<u>\$ 4,893</u>	<u>\$ 4,412</u>
TOTAL ADDITIONS	<u>4,893</u>	<u>4,412</u>
DEDUCTIONS		
Operation of non-instructional activities	<u>5,650</u>	<u>20,459</u>
TOTAL DEDUCTIONS	<u>5,650</u>	<u>20,459</u>
CHANGE IN NET POSITION	(757)	(16,047)
NET POSITION, BEGINNING OF YEAR	<u>14,335</u>	<u>30,382</u>
NET POSITION, END OF YEAR	<u><u>\$ 13,578</u></u>	<u><u>\$ 14,335</u></u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

***Entity-wide Financial Statements***

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

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

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



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

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

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

Expenditure Recognition

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

***Proprietary Funds***

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

***Fiduciary Funds***

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

Cash and Cash Equivalents

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

Receivables and Payables

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

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

Property Taxes

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

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

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2013-2014 was 37.2849 mills (\$37.2849 for \$1,000 of assessed valuation).

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Prepaid Items and Inventories

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

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Obligations

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.



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has two types of items that qualify for reporting in this category. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

Fund Equity

As of June 30, 2014, 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 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



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2014:

Other instructional	\$	336,344
Community/Junior college educational programs	\$	1
Pupil personnel services	\$	138,763
Instructional staff services	\$	507,186
Student transportation services	\$	219,585
Central	\$	51,523
Other support services	\$	270
Student activities	\$	41,982

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

NOTE 3 DEPOSITS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2014, the carrying amount of the District's deposits was \$12,819,768, and the bank balance was \$13,804,931. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$921,836 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2014, PLGIT was rated as AAAm by a nationally recognized statistical rating agency.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	28,634,254	2,987,031	31,598,785	22,500
Total Capital Assets Not Being Depreciated	<u>28,695,065</u>	<u>2,987,031</u>	<u>31,598,785</u>	<u>83,311</u>
Capital assets being depreciated:				
Land improvements	3,858,833	-	-	3,858,833
Buildings	54,134,540	31,598,785	-	85,733,325
Furniture and equipment	5,941,132	659,459	-	6,600,591
Total Capital Assets Being Depreciated	<u>63,934,505</u>	<u>32,258,244</u>	<u>-</u>	<u>96,192,749</u>
Less accumulated depreciation for:				
Land improvements	2,260,989	188,716	-	2,449,705
Buildings	15,844,929	1,825,785	-	17,670,714
Furniture and equipment	5,153,258	816,027	-	5,969,285
Total Accumulated Depreciation	<u>23,259,176</u>	<u>2,830,528</u>	<u>-</u>	<u>26,089,704</u>
Total Capital Assets Being Depreciated, Net	<u>40,675,329</u>	<u>29,427,716</u>	<u>-</u>	<u>70,103,045</u>
Governmental Activities Assets, Net	<u>\$69,370,394</u>	<u>\$32,414,747</u>	<u>\$31,598,785</u>	<u>\$70,186,356</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 294,100	\$ -	\$ -	\$ 294,100
Total Capital Assets Being Depreciated	<u>294,100</u>	<u>-</u>	<u>-</u>	<u>294,100</u>
Less accumulated depreciation for:				
Furniture and equipment	225,309	14,203	-	239,512
Total Accumulated Depreciation	<u>225,309</u>	<u>14,203</u>	<u>-</u>	<u>239,512</u>
Business-type Activities, Net	<u>\$ 68,791</u>	<u>\$ (14,203)</u>	<u>\$ -</u>	<u>\$ 54,588</u>

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

<b>Governmental Activities:</b>	
Instruction	\$ 1,952,752
Instructional student support	209,729
Administrative and financial support services	239,221
Operation and maintenance of plant services	222,361
Pupil transportation	175,068
Student activities	31,397
Total Depreciation Expense - Governmental Activities	<u>\$ 2,830,528</u>
Business-type Activities - Food Service	<u>\$ 14,203</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Bonds payable	\$ 22,813,244	\$ -	\$ 1,050,387	\$ 21,762,857
Bond discount	(372,810)	-	(23,549)	(349,261)
Deferred charges on refunding	(97,860)	-	(6,166)	(91,694)
Notes payable	30,569,624	-	1,666,847	28,902,777
Capital leases payable	881,417	357,912	131,267	1,108,062
Other post-employment benefits	1,636,171	258,312	-	1,894,483
Accumulated compensated absences/early retirement incentive plan	1,671,298	25,149	63,003	1,633,444
<b>TOTALS</b>	<u>\$ 57,101,084</u>	<u>\$ 641,373</u>	<u>\$ 2,881,789</u>	<u>\$ 54,860,668</u>

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

***General Obligation Bonds***

Series of 1999, capital appreciation bonds, maturing through February 1, 2025, accreting interest from 4.4% to 5.3%, payable on February 1. \$ 7,607,857

Series of 2011, maturing through October 1, 2028, bearing interest from 1.00% to 3.65%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 9,985,000

Series of 2012, maturing through October 1, 2029, accreting interest from 1.00% to 3.70%, payable on April 1 and October 1. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation Bonds, Series of 2006. 4,170,000

***General Obligation Notes***

Series of 2004, maturing through September 25, 2019, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. 943,000

Series of 2010, maturing through September 1, 2028, bearing interest at 6.50%, payable on September 1 and March 1. 13,892,648

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Series of 2011, maturing through September 1, 2026, bearing interest at 5.43%, payable on September 1 and March 1.	6,073,600
Series C of 2011, maturing through September 1, 2029, bearing interest at 5.09%, payable on September 1 and March 1.	5,890,000
Series D of 2011, maturing through September 1, 2029, bearing interest at 5.14%, payable on September 1 and March 1.	<u>2,103,529</u>
TOTAL	<u>\$ 50,665,634</u>

Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 50,665,634
Unamortized discount	<u>(349,261)</u>
Bonds and Notes payable, net	<u>\$ 50,316,373</u>
Amounts due in one year	\$ 2,599,275
Amounts due after one year	<u>47,717,098</u>
Bonds and Notes payable, net	<u>\$ 50,316,373</u>

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

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2015	\$ 2,622,824	\$ 3,472,701	\$ 6,095,525
2016	2,575,907	3,518,049	6,093,956
2017	2,531,212	3,560,724	6,091,936
2018	2,607,947	3,595,402	6,203,349
2019	2,596,758	3,626,283	6,223,041
2020-2024	13,516,943	18,517,989	32,034,932
2025-2029	20,122,579	9,849,799	29,972,378
2030	<u>4,091,464</u>	<u>249,976</u>	<u>4,341,440</u>
	<u>\$ 50,665,634</u>	<u>\$ 46,390,923</u>	<u>\$ 97,056,557</u>



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE

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

The assets acquired through the capital leases are as follows:

Office equipment, computers, vehicles, and buses	\$ 1,633,662
Less: accumulated depreciation	<u>(580,053)</u>
TOTAL	<u>\$ 1,053,609</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30,

2015	\$ 153,450
2016	203,977
2017	203,977
2018	203,073
2019	161,994
2020-2023	<u>374,744</u>
Total minimum lease payments	1,301,215
Less: amount representing interest	<u>(193,153)</u>
Present value of minimum lease payments	<u>\$ 1,108,062</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,

2015	\$ 258,623
2016	75,163
2017	25,932
2018	<u>1,101</u>
Total	<u>\$ 360,819</u>

The total amount charged to expense for the year ended June 30, 2014 was \$437,180.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable from</u>	<u>Amount</u>
General Fund	\$ 306,046	Food Service	\$ 306,046
Capital Projects Fund	16,303	Food Service	16,303
	<u>\$ 322,349</u>		<u>\$ 322,349</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, 2014 are as follows:

<u>Transfer In</u>		<u>Transfer Out</u>	
Capital Projects Fund	\$ 697,992	General Fund	\$ 697,992

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

NOTE 9 PENSION PLAN

Plan Description

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

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Individual employees contribute between 6.25 and 10.30 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2012, 2013,

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

and 2014 were \$2,613,155, \$3,665,472, and \$4,881,366, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 10 JOINT VENTURES

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

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

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

Future Authority rental payments are:

Year Ending June 30,

2015	\$ 56,439
2016	45,152
2017	45,152
2018	45,152
2019	45,153
2020-2024	213,816
2025-2029	201,869
2030-2033	161,495
Total	<u>814,228</u>
Less: Interest requirements	<u>(237,029)</u>
Outstanding rental payments	<u>\$ 577,199</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2013-2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 SPECIAL TERMINATION BENEFITS

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

The District's current ERIP plans provide for the payment of each of the participants' healthcare premiums. Currently, eight retirees of the District are participating in the District's ERIP plans. For five of the eight retirees, the District will pay their medical, dental, drug, and vision insurance costs for the remainder of their lives. For the other retirees, the District will pay the employee's medical, dental, drug, and vision insurance costs until the age of 65. During the year ended June 30, 2014, the District paid \$180,557 in healthcare costs for its retirees. The estimated present value of future healthcare payments for retirees is \$963,247 and is recorded as a liability in the governmental activities as of June 30, 2014. The annual healthcare cost trend rate used to estimate the cost of the medical insurance benefit was 8.5 percent, declining to an ultimate rate of 5.0 percent.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. For fiscal year 2014, plan members receiving benefits contributed \$326,138 through their required monthly contributions.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 611,269
Interest on net OPEB obligation	73,628
Adjustment to annual required contribution	<u>(100,447)</u>
Annual OPEB cost (expense)	584,450
Contributions made	<u>(326,138)</u>
Increase in net OPEB obligation	258,312
Net OPEB obligation - beginning of year	<u>1,636,171</u>
Net OPEB obligation - end of year	<u>\$ 1,894,483</u>



SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2012	\$ -	\$5,200,460	\$5,200,460	0.00%	\$24,528,124	21.20%
7/1/2010	\$ -	\$7,250,576	\$7,250,576	0.00%	\$26,448,530	27.41%
7/1/2008	\$ -	\$6,004,081	\$6,004,081	0.00%	\$25,745,027	23.32%

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

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent in 2012, reduced by 0.5 percent per year to 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2014 was 24 years.

NOTE 15 HEALTHCARE TRUST

The District participates in the Delaware County Public Schools Healthcare Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Delaware County Intermediate Unit. Both the District and employees contribute to the cost of insurance premiums. The Healthcare Trust was established in 2013 to provide Districts with medical coverage at an affordable price.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 HEALTHCARE TRUST (cont'd)

The Trust works with a broker consultant and carriers to create comprehensive health benefits. The Trust has an excess (stop-loss) insurance policy to limit the self-insured loss retention on individual health insurance claims. The policy provides insurance for losses in excess of the maximum self-insured loss retention of \$250,000. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the trust. The Trust can be reached at 200 Yale Avenue, Morton, PA 19070.

The District's contributions to the Trust, including that of its employees for the year ended June 30, 2014, totaled \$4,658,000.

NOTE 16 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 17, 2014, the date the financial statements were available to be issued.

**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

Barbacane, Thornton & Company LLP  
200 Springer Building  
3411 Silverside Road  
Wilmington, Delaware 19810

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

December 17, 2014

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 Southeast Delco School District, Folcroft, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Southeast Delco School District's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

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

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

Board of Directors  
Southeast Delco School District

Compliance and Other Matters

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

Purpose of this Report

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

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



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

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

December 17, 2014

Board of School Directors  
Southeast Delco School District  
Folcroft, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Southeast Delco School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Southeast Delco School District's major federal programs for the year ended June 30, 2014. Southeast Delco School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of School Directors  
Southeast Delco School District

Opinion on Each Major Federal Program

In our opinion, Southeast Delco School District, Folcroft, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

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

Unmodified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

Unmodified

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

\_\_\_\_\_ Yes        X   No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.027, 84.173

IDEA Cluster

10.553, 10.555

Child Nutrition Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

SOUTHEAST DELCO SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTD)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**SOUTHEAST DELCO SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 07/01/2013	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2014
<b>U.S. Department of Education</b>										
Passed through Pennsylvania Department of Education										
Title I Grants to Local Educational Agencies	I	84.010	013-13-0402	07/01/11-09/30/12	\$1,473,923	\$ 30	\$ 30	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-13-0402	08/14/12-09/30/13	1,326,530	94,722	80,969	13,753	13,753	-
Title I Grants to Local Educational Agencies	I	84.010	013-14-0402	08/12/13-09/30/14	1,193,877	1,023,323	-	1,193,877	1,193,877	170,554
Title I Program Improvement - Set Aside	I	84.010	042-12-0402	06/05/12-09/30/13	106,872	13,359	560	12,799	12,799	-
Title I Program Improvement - Set Aside	I	84.010	042-13-0402	07/01/13-09/30/14	161,209	96,725	-	96,957	96,957	232
Total CFDA #84.010					1,228,159	1,228,159	81,559	1,317,386	1,317,386	170,786
<b>Title II - Improving Teacher Quality</b>										
Title II - Improving Teacher Quality	I	84.367	020-13-0402	08/14/12-09/30/13	289,671	20,167	1,768	18,399	18,399	-
Total CFDA #84.367	I	84.367	020-14-0402	08/12/13-09/30/14	278,758	239,113	-	278,758	278,758	39,645
						259,280	1,768	297,157	297,157	39,645
<b>Twenty-First Century Community Learning Centers</b>										
Twenty-First Century Community Learning Centers	I	84.287	4100052224	07/01/12-06/30/13	168,000	85,629	85,629	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100058706	10/01/12-06/30/13	480,000	480,000	312,634	167,366	167,366	-
Twenty-First Century Community Learning Centers	I	84.287	4100058706	10/01/13-06/30/14	480,000	151,584	-	343,871	343,871	192,287
Twenty-First Century Community Learning Centers	I	84.287	4100060877	10/01/12-06/30/13	377,320	377,320	306,378	70,942	70,942	-
Twenty-First Century Community Learning Centers	I	84.287	4100060877	10/01/13-06/30/14	377,320	89,900	-	311,569	311,569	221,669
Total CFDA #84.287					1,184,433	1,184,433	704,641	893,748	893,748	413,956
<b>Subgrant from U.S. Department of Education</b>										
Passed through Tuscarora Intermediate Unit	I	84.377	N/A	07/01/12-06/30/13	10,000	10,000	10,000	-	-	-
School Improvement Grant										
<b>Subgrant from U.S. Department of Education</b>										
Passed through Delaware County Intermediate Unit	I	84.027	062-10-0025	07/01/12-06/30/13	656,984	383,280	383,280	-	-	-
I.D.E.A.	I	84.027	062-11-0025	07/01/13-06/30/14	639,224	4,000	-	639,224	639,224	635,224
Total CFDA #84.027					1,296,208	387,280	383,280	639,224	639,224	635,224
<b>I.D.E.A. - Preschool Grants</b>										
I.D.E.A. - Preschool Grants	I	84.173	062-11-0025	07/01/12-06/30/13	5,474	5,474	5,474	4,571	4,571	4,571
Total CFDA #84.173	I	84.173	062-11-0025	07/01/13-06/30/14	4,571	5,474	-	4,571	4,571	4,571
						5,474	5,474	4,571	4,571	4,571
Total I.D.E.A. Program Cluster					102,844	392,754	388,754	643,795	643,795	639,795
Race to the Top	I	84.413A	N/A	07/01/13-06/30/14	102,844	-	-	87,844	87,844	87,844
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						3,074,626	1,186,722	3,239,930	3,239,930	1,352,026

Continued on next page.



**SOUTHEAST DELCO SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 07/01/2013	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2014
(cont'd)										
U.S. Department of Health and Human Services Passed through PA Department of Education Medical Assistance Program	I	93.778	N/A	07/01/13-06/30/14	N/A	21,459	6,140	15,319	15,319	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>21,459</u>	<u>6,140</u>	<u>15,319</u>	<u>15,319</u>	<u>-</u>
U.S. Department of Agriculture Passed through Pennsylvania Department of Agriculture Value of U.S.D.A. Donated Commodities	I	10.555	N/A	07/01/13-06/30/14	N/A	70,669	-	70,669	70,669	-
Passed through Pennsylvania Department of Education National School Lunch Program	I	10.555	N/A	07/01/12-06/30/13	N/A	179,213	179,213	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	821,664	-	1,112,622	1,112,622	290,958
Total CFDA# 10.555						<u>1,071,546</u>	<u>179,213</u>	<u>1,183,291</u>	<u>1,183,291</u>	<u>290,958</u>
Breakfast Program	I	10.553	N/A	07/01/12-06/30/13	N/A	37,939	37,939	-	-	-
Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	162,570	-	224,376	224,376	61,806
Total CFDA# 10.553						<u>200,509</u>	<u>37,939</u>	<u>224,376</u>	<u>224,376</u>	<u>61,806</u>
Total Child Nutrition Cluster						<u>1,272,055</u>	<u>217,152</u>	<u>1,407,667</u>	<u>1,407,667</u>	<u>352,764</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>1,272,055</u>	<u>217,152</u>	<u>1,407,667</u>	<u>1,407,667</u>	<u>352,764</u>
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 4,368,140</u>	<u>\$ 1,410,014</u>	<u>\$ 4,662,916</u>	<u>\$ 4,662,916</u>	<u>\$ 1,704,790</u>

Source Code:

I = Indirect Funding

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, National School Lunch Program - Commodities, represent surplus food consumed by the District during the 2013-2014 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, 2014 was \$242,000.

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, 2014 was \$1,520,820.