

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2022

SOUTHEAST DELCO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

March 3, 2023

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District (the District), Folcroft, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District, Folcroft, Pennsylvania, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Board of School Directors
Southeast Delco School District

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of a Matter

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the requirements of GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases.

Report on Summarized Comparative Information

We have previously audited the District's 2021 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 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 14, and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the net OPEB liability and related ratios - single employer plan on pages 60 through 64 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 the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Board of School Directors
Southeast Delco School District

Awards (Uniform Guidance), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2022**

This discussion and analysis of the financial performance of the Southeast Delco School District (the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

Total net position for the District increased by \$13,420,438. Net deficit of governmental activities decreased by \$12,706,102, and net deficit of business-type activities decreased by \$714,336. Program revenues accounted for \$32.3 million, or 33.4% of total governmental activities revenues (\$96.9 million); and general revenues accounted for \$64.5 million, or 66.6% of the total governmental activities revenues.

The District's proportionate share of the Public School Employees' Retirement System (PSERS) net pension liability totaled \$90,120,000 at June 30, 2022. The District's proportionate share of the Public School Employees' Retirement System (PSERS) net OPEB liability and the District's single employer OPEB plan totaled \$8,289,602 at June 30, 2022.

As of June 30, 2022, the general fund reported a fund balance of \$5.3 million. The debt service fund reported a restricted fund balance of \$15.2 million for debt service. The capital projects fund did not report a fund balance. The general fund will continue to fund any ongoing capital projects within the capital projects fund.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2022**

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

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

ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$60.4 million at the close of the most recent fiscal year. In the prior year, liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$73.8 million.

The following table is a comparative analysis of fiscal year 2022 to 2021:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 39,753,024	\$ 36,173,323	\$ 612,602	\$ 14,255	\$ 40,365,626	\$ 36,187,578
Capital assets	67,296,455	60,895,390	60,017	91,603	67,356,472	60,986,993
Total Assets	<u>107,049,479</u>	<u>97,068,713</u>	<u>672,619</u>	<u>105,858</u>	<u>107,722,098</u>	<u>97,174,571</u>
Deferred outflows of resources:						
Deferred outflows relating to pension	15,955,376	16,510,840	399,048	414,902	16,354,424	16,925,742
Deferred outflows relating to OPEB	1,321,839	1,000,053	23,290	12,817	1,345,129	1,012,870
Total Deferred Outflows of Resources	<u>17,277,215</u>	<u>17,510,893</u>	<u>422,338</u>	<u>427,719</u>	<u>17,699,553</u>	<u>17,938,612</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 124,326,694</u>	<u>\$ 114,579,606</u>	<u>\$ 1,094,957</u>	<u>\$ 533,577</u>	<u>\$ 125,421,651</u>	<u>\$ 115,113,183</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)						
Liabilities:						
Current liabilities	\$ 20,930,561	\$ 16,049,110	\$ 7,136	\$ 5,319	\$ 20,937,697	\$ 16,054,429
Long-term liabilities	140,552,471	165,078,623	2,325,783	2,899,451	142,878,254	167,978,074
Total Liabilities	<u>161,483,032</u>	<u>181,127,733</u>	<u>2,332,919</u>	<u>2,904,770</u>	<u>163,815,951</u>	<u>184,032,503</u>

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022

STATEMENT OF NET POSITION

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Deferred inflows of resources:						
Deferred inflows relating to pension	19,535,163	2,942,410	488,579	73,596	20,023,742	3,016,000
Deferred inflows relating to OPEB	1,945,751	1,852,817	7,200	3,288	1,952,951	1,856,111
Total Deferred Inflows of Resources	<u>21,480,914</u>	<u>4,795,227</u>	<u>495,779</u>	<u>76,884</u>	<u>21,976,693</u>	<u>4,872,111</u>
Net Position (Deficit):						
Net investment in capital assets	19,449,587	12,751,032	60,017	91,603	19,509,604	12,842,635
Restricted for debt service	15,166,198	15,153,830	-	-	15,166,198	15,153,830
Unrestricted (deficit)	<u>(93,253,037)</u>	<u>(99,240,216)</u>	<u>(1,793,758)</u>	<u>(2,539,680)</u>	<u>(95,046,795)</u>	<u>(101,787,896)</u>
Total Net Position (Deficit)	<u>(58,637,252)</u>	<u>(71,343,354)</u>	<u>(1,733,741)</u>	<u>(2,448,077)</u>	<u>(60,370,993)</u>	<u>(73,791,431)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 124,326,694</u>	<u>\$ 114,579,606</u>	<u>\$ 1,094,957</u>	<u>\$ 533,577</u>	<u>\$ 125,421,651</u>	<u>\$ 115,113,183</u>

Total net deficit of the District decreased by \$13,420,438. The District's net investment in capital assets increased by \$6,666,969. Total long-term liabilities decreased by \$25,099,820 mainly attributable to the decrease in the net pension liability as a result of an increase in the value of pension assets.

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

STATEMENT OF ACTIVITIES

	2022		2021	
	Total Cost of Services	Net (Cost) Revenue	Total Cost of Services	Net (Cost) of Services
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 56,809,414	\$ (37,977,355)	\$ 60,908,028	\$ (44,069,505)
Instructional support staff	5,518,334	(4,718,547)	7,941,882	(6,955,038)
Administration	5,716,442	(4,965,731)	6,551,140	(5,803,144)
Maintenance	6,151,087	838,574	6,104,507	(5,405,335)
Pupil transportation	4,980,386	(3,351,535)	3,261,417	(1,536,478)
Student activities	854,654	(740,918)	575,668	(507,807)
Community services	135,207	(110,207)	26,356	(26,356)
Interest and fiscal charges	4,007,461	(808,013)	3,976,964	3,250,121
Total Governmental Activities	<u>\$ 84,172,985</u>	<u>\$ (51,833,732)</u>	<u>\$ 89,345,962</u>	<u>\$ (61,053,542)</u>
Business-type Activities:				
Food service	<u>\$ 2,189,998</u>	<u>\$ 714,336</u>	<u>\$ 1,608,799</u>	<u>\$ (998,329)</u>

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022

The net cost of services for governmental activities decreased by \$9,219,810 primarily due to an increase in federal grants such as Cares Act and American Rescue Grants in support of the District programs after the pandemic.

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 245,390	\$ 388,993	\$ 9,336	\$ 12,392	\$ 254,726	\$ 401,385
Operating grants/contributions	30,534,846	22,298,572	2,894,998	598,078	33,429,844	22,896,650
Capital grants/contributions	1,559,017	5,604,855	-	-	1,559,017	5,604,855
Total Program Revenues	<u>32,339,253</u>	<u>28,292,420</u>	<u>2,904,334</u>	<u>610,470</u>	<u>35,243,587</u>	<u>28,902,890</u>
General Revenues:						
Property and other taxes	44,027,386	43,038,913	-	-	44,027,386	43,038,913
Grants and entitlements	21,469,112	19,610,835	-	-	21,469,112	19,610,835
Investment (losses) earnings	(1,032,519)	(226,846)	-	-	(1,032,519)	(226,846)
Miscellaneous	75,855	11,283	-	-	75,855	11,283
Total General Revenues	<u>64,539,834</u>	<u>62,434,185</u>	<u>-</u>	<u>-</u>	<u>64,539,834</u>	<u>62,434,185</u>
TOTAL REVENUES	<u>96,879,087</u>	<u>90,726,605</u>	<u>2,904,334</u>	<u>610,470</u>	<u>99,783,421</u>	<u>91,337,075</u>
EXPENSES						
Program Expenses:						
Instruction	56,809,414	60,908,028	-	-	56,809,414	60,908,028
Support Services:						
Instructional support staff	5,518,334	7,941,882	-	-	5,518,334	7,941,882
Administration	5,716,442	6,551,140	-	-	5,716,442	6,551,140
Maintenance	6,151,087	6,104,507	-	-	6,151,087	6,104,507
Pupil transportation	4,980,386	3,261,417	-	-	4,980,386	3,261,417
Student activities	854,654	575,668	-	-	854,654	575,668
Community services	135,207	26,356	-	-	135,207	26,356
Interest and fiscal charges	4,007,461	3,976,964	-	-	4,007,461	3,976,964
Food service	-	-	2,189,998	1,608,799	2,189,998	1,608,799
TOTAL EXPENSES	<u>84,172,985</u>	<u>89,345,962</u>	<u>2,189,998</u>	<u>1,608,799</u>	<u>86,362,983</u>	<u>90,954,761</u>
CHANGE IN NET DEFICIT	<u>\$ 12,706,102</u>	<u>\$ 1,380,643</u>	<u>\$ 714,336</u>	<u>\$ (998,329)</u>	<u>\$ 13,420,438</u>	<u>\$ 382,314</u>

Governmental Activities

The cost of all governmental activities in 2021 - 2022 was \$84.2 million. The amount that taxpayers ultimately financed for these activities through tax revenues was \$44.0 million, or 52.3%. A majority of the other costs were paid by government agencies and organizations that subsidized funding with

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022

intergovernmental aid and contributions totaling \$53.6 million. As indicated by the governmental program expenses, instructional programs account for approximately 67.5% of the total expenses of the District's governmental activities.

Business-type Activities

Business-type activities are made up of the food service program. This program had a decrease in the net deficit of \$714 thousand for the fiscal year.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Fund Financial Statements

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

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022

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 \$20.5 million, which is an increase of \$315 thousand from the previous year total. The schedule below indicates the fund balance and the total change in fund balances from June 30, 2021 to June 30, 2022.

	Fund Balance <u>June 30, 2022</u>	Fund Balance <u>June 30, 2021</u>	<u>Increase</u>
General fund	\$ 5,284,200	\$ 4,981,481	\$ 302,719
Debt service fund	<u>15,166,198</u>	<u>15,153,830</u>	<u>12,368</u>
	<u>\$ 20,450,398</u>	<u>\$ 20,135,311</u>	<u>\$ 315,087</u>

The fund balance in the general fund remained at about the same levels as a result of increased federal funding that offset similar increases in spending. Building improvement expenditures increased significantly as a result of the District receiving federal funding that funded improvements to District school buildings. Instructional programs expenditures increased as a result of the District utilizing increased substitute teacher services due to teacher vacancies after the COVID-19 pandemic, and increased costs in out-of-District special education placements as a result of the COVID-19 pandemic, even with the District closely monitoring and managing these placements. Transportation and crossing guard costs increased as a result of the school re-openings after the COVID-19 pandemic. The increase in fund balance for the debt service fund can be attributed to transfers from the general fund.

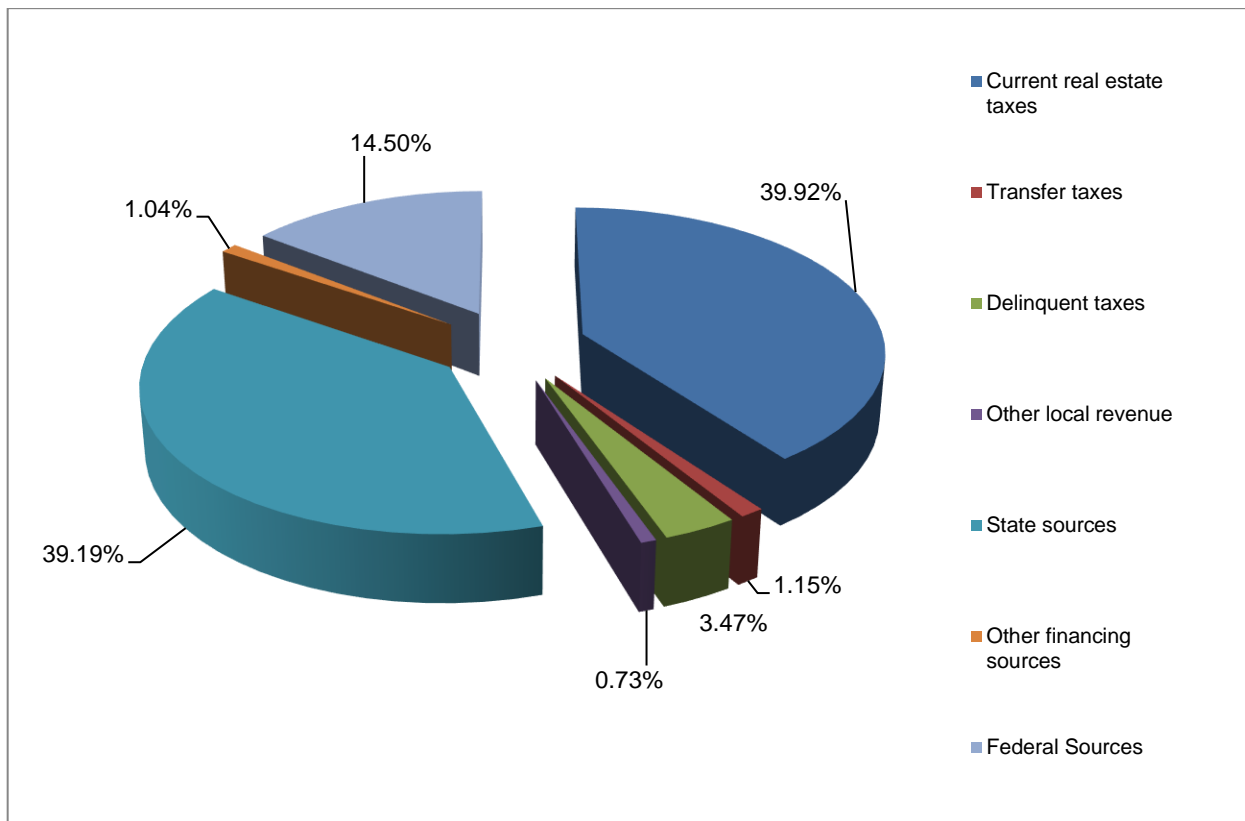
REVENUES

	Fiscal Year		Variance	
	<u>2022</u>	<u>2021</u>	<u>Amount</u>	<u>%</u>
General Fund:				
Current real estate taxes	\$ 39,785,560	\$ 38,645,386	\$ 1,140,174	2.95%
Transfer taxes	1,140,640	843,657	296,983	35.20%
Delinquent taxes	3,462,204	3,760,064	(297,860)	(7.92)%
Other local revenue	732,506	870,952	(138,446)	(15.90)%
State sources	39,054,921	38,339,090	715,831	1.87%
Other financing sources	1,037,643	-	1,037,643	100.00%
Federal sources	<u>14,450,839</u>	<u>9,037,683</u>	<u>5,413,156</u>	<u>59.90%</u>
TOTAL REVENUE	<u>\$ 99,664,313</u>	<u>\$ 91,496,832</u>	<u>\$ 8,167,481</u>	<u>8.93%</u>

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

Total general fund revenues exceeded expenditures and other financing uses by \$303 thousand. The millage rate for 2021-2022 was 31.2716 mills. The current year collection rate for 2021-2022 was approximately 91%.

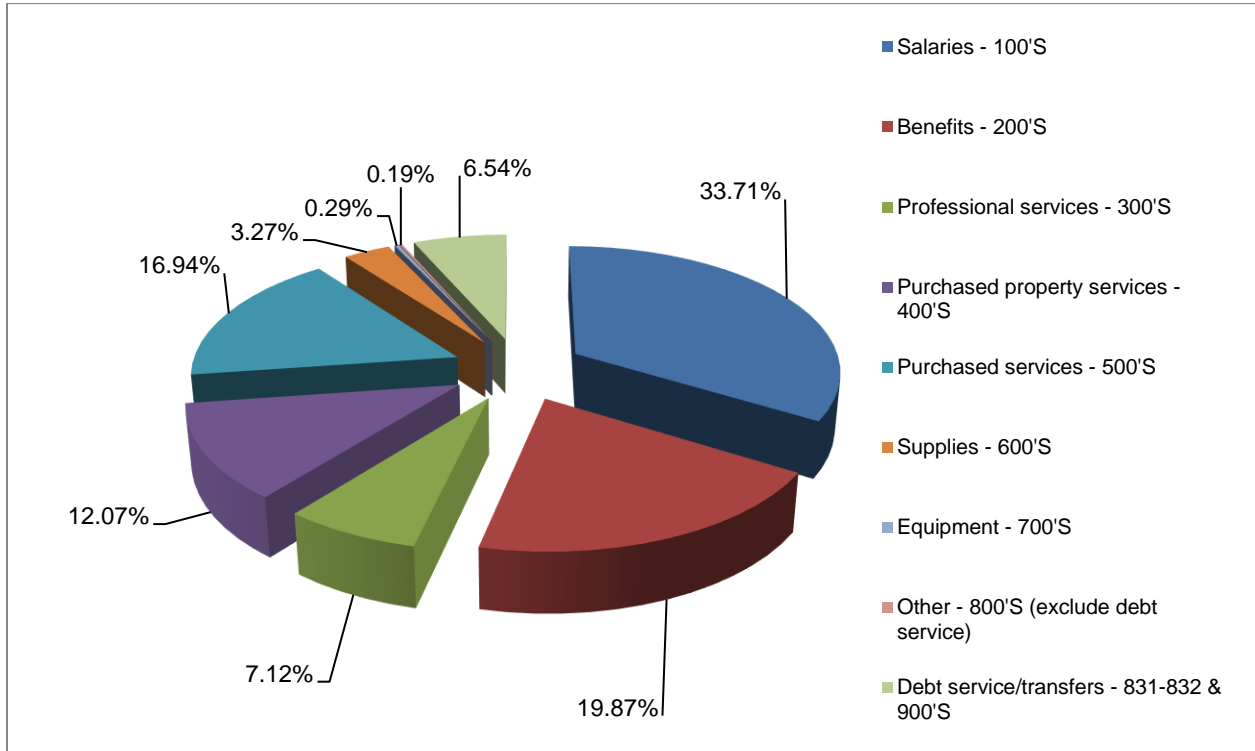
The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.



The District's current real estate tax revenue accounts for 39.9% of total general fund revenues, as illustrated in the graph above. State sources, which include grants and subsidies, accounted for 39.2% of general fund revenues.

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

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**



The District's current real estate tax revenue accounts for 52.31% of total general fund expenditures.

EXPENDITURES AND OTHER FINANCING USES

Object	<u>2022</u>	<u>2021</u>	<u>Amount</u>	<u>%</u>
Salaries	\$ 33,497,302	\$ 30,801,150	\$ 2,696,152	8.8%
Benefits	19,744,199	19,670,914	73,285	0.4%
Professional services	7,066,666	4,864,304	2,202,362	45.3%
Purchased property services	11,988,244	3,845,581	8,142,663	211.7%
Purchased services	16,830,553	16,481,087	349,466	2.1%
Supplies	3,251,646	4,489,156	(1,237,510)	(27.6)%
Equipment	289,012	301,359	(12,347)	(4.1)%
Other	190,770	111,013	79,757	71.8%
Debt service/transfers	6,503,202	6,430,847	72,355	1.1%
Total Expenditures by Object and Other Financing Uses	<u><u>\$ 99,361,594</u></u>	<u><u>\$ 86,995,411</u></u>	<u><u>\$ 12,366,183</u></u>	<u><u>14.2%</u></u>

SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022

General fund expenditures and other financing uses increased by \$12.4 million, or 14.2%. This can be attributed primarily to increased costs in the building improvement expenditures costs as discussed in the fund financial statement section at pages 9 and 10.

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	\$ 36,085,213	\$ 35,840,182	\$ (245,031)	(0.01)%
1200	Special programs	20,044,629	20,044,628	(1)	0.0%
1300	Vocational programs	986,951	986,951	-	0.0%
1400	Other instructional programs	2,599,243	2,844,275	245,032	9.4%
1600	Adult education programs	349,333	349,333	-	0.0%
	Total Instruction	60,065,369	60,065,369	-	0.0%
	Support services:				
2100	Pupil personnel services	2,881,516	2,881,521	5	0.0%
2200	Instructional staff support	2,058,652	2,058,655	3	0.0%
2300	Administrative services	5,003,374	5,003,373	(1)	0.0%
2400	Pupil health	853,773	853,772	(1)	0.0%
2500	Business office	1,353,300	1,353,299	(1)	0.0%
2600	Maintenance and facilities	9,092,979	9,092,975	(4)	0.0%
2700	Student transportation services	5,206,118	5,206,117	(1)	0.0%
2800	Information services	530,854	530,854	-	0.0%
2900	Other support services	29,558	29,558	-	0.0%
	Total Support Services	27,010,124	27,010,124	-	0.0%
	Operation of noninstructional activities:				
3200	Student activities	938,838	938,838	-	0.0%
3300	Community services	185,000	185,000	-	0.0%
	Total Operation of Noninstructional Services	1,123,838	1,123,838	-	0.0%
5100	Debt service/transfers	6,403,305	6,403,305	-	0.0%
	TOTAL EXPENDITURES	\$ 94,602,636	\$ 94,602,636	\$ -	0.0%

**SOUTHEAST DELCO SCHOOL DISTRICT
FOLCROFT, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$67.3 million invested in capital assets, net of accumulated amortization/depreciation; \$60 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, 2022, the District had \$47.8 million in outstanding bonds and leases payable. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

The District's student enrollment for 2021-2022 was 4,054, and the enrollment in October 2022 was 4,095.

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

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

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 10,553,219	\$ 44,596	\$ 10,597,815	\$ 8,838,169
Cash and cash equivalents with fiscal agent	1,054	-	1,054	1,787
Investments with fiscal agent	15,165,144	-	15,165,144	15,152,043
Internal balances	(164,918)	164,918	-	-
Taxes receivable	3,967,904	-	3,967,904	4,262,909
Due from other governments	9,550,483	402,464	9,952,947	7,292,406
Other receivables	239,281	624	239,905	186,749
Prepaid expenses	422,031	-	422,031	432,000
Prepaid bond insurance	18,826	-	18,826	21,515
Land	60,811	-	60,811	60,811
Land improvements	5,311,017	-	5,311,017	5,311,017
Construction-in-progress	6,524,920	-	6,524,920	-
Buildings and improvements	89,318,124	-	89,318,124	89,318,124
Furniture and equipment	7,659,652	433,582	8,093,234	8,064,466
Accumulated depreciation	(42,855,819)	(373,565)	(43,229,384)	(42,874,515)
Leased assets	2,687,048	-	2,687,048	1,649,405
Accumulated amortization	(1,409,298)	-	(1,409,298)	(542,315)
TOTAL ASSETS	107,049,479	672,619	107,722,098	97,174,571
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to pension	15,955,376	399,048	16,354,424	16,923,780
Deferred outflows relating to OPEB	1,321,839	23,290	1,345,129	1,014,832
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,277,215	422,338	17,699,553	17,938,612
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 124,326,694	\$ 1,094,957	\$ 125,421,651	\$ 115,113,183
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 6,002,330	\$ 7,136	\$ 6,009,466	\$ 2,467,259
Unearned revenues	114,263	-	114,263	209,996
Accrued salaries and benefits	9,337,709	-	9,337,709	9,253,013
Accrued interest	1,308,137	-	1,308,137	1,296,285
Long-term liabilities:				
Portion due or payable within one year:				
Bonds in future years, net	2,806,742	-	2,806,742	2,716,669
Leased assets payable	1,361,380	-	1,361,380	111,207
Portion due or payable after one year:				
Bonds in future years, net	42,810,144	-	42,810,144	43,877,039
Leased assets payable	868,602	-	868,602	1,439,442
Compensated absences	789,906	-	789,906	865,556
Net pension liability	87,921,072	2,198,928	90,120,000	113,841,000
Net OPEB liability	8,162,747	126,855	8,289,602	7,955,037
TOTAL LIABILITIES	161,483,032	2,332,919	163,815,951	184,032,503
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to pensions	19,535,163	488,579	20,023,742	3,016,000
Deferred inflows relating to OPEB	1,945,751	7,200	1,952,951	1,856,111
TOTAL DEFERRED INFLOWS OF RESOURCES	21,480,914	495,779	21,976,693	4,872,111
NET POSITION (DEFICIT):				
Net investment in capital assets	19,449,587	60,017	19,509,604	12,842,635
Restricted for debt service	15,166,198	-	15,166,198	15,153,830
Unrestricted (deficit)	(93,253,037)	(1,793,758)	(95,046,795)	(101,787,896)
TOTAL NET DEFICIT	(58,637,252)	(1,733,741)	(60,370,993)	(73,791,431)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 124,326,694	\$ 1,094,957	\$ 125,421,651	\$ 115,113,183

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)**

	Major Funds		Totals	
	General	Debt Service	2022	2021
	Fund	Fund		
ASSETS				
Cash and cash equivalents	\$ 10,553,219	\$ -	\$ 10,553,219	\$ 8,792,682
Cash and cash equivalents with fiscal agent	-	1,054	1,054	1,787
Investments with fiscal agent	-	15,165,144	15,165,144	15,152,043
Taxes receivable	3,967,904	-	3,967,904	4,262,909
Due from other funds	-	-	-	144,656
Due from other governments	9,031,151	-	9,031,151	6,661,297
Other receivables	239,281	-	239,281	186,125
Prepaid items	422,031	-	422,031	432,000
TOTAL ASSETS	<u>\$ 24,213,586</u>	<u>\$ 15,166,198</u>	<u>\$ 39,379,784</u>	<u>\$ 35,633,499</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 6,002,330	\$ -	\$ 6,002,330	\$ 2,461,940
Due to other funds	164,918	-	164,918	-
Unearned revenues	114,263	-	114,263	209,996
Accrued salaries and benefits	9,337,709	-	9,337,709	9,253,013
TOTAL LIABILITIES	<u>15,619,220</u>	<u>-</u>	<u>15,619,220</u>	<u>11,924,949</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	3,310,166	-	3,310,166	3,573,239
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,310,166</u>	<u>-</u>	<u>3,310,166</u>	<u>3,573,239</u>
FUND BALANCES:				
Nonspendable - prepaid items	422,031	-	422,031	432,000
Restricted for debt service	-	15,166,198	15,166,198	15,153,830
Unassigned	4,862,169	-	4,862,169	4,549,481
TOTAL FUND BALANCES	<u>5,284,200</u>	<u>15,166,198</u>	<u>20,450,398</u>	<u>20,135,311</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 24,213,586</u>	<u>\$ 15,166,198</u>	<u>\$ 39,379,784</u>	<u>\$ 35,633,499</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 20,450,398

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

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

Land	\$ 60,811	
Land improvements	5,311,017	
Construction-in-progress	6,524,920	
Buildings and improvements	89,318,124	
Furniture and equipment	7,659,652	
Accumulated depreciation	(42,855,819)	
Leased assets	2,687,048	
Accumulated amortization	<u>(1,409,298)</u>	67,296,455

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	(45,616,886)	
Net OPEB liability	(8,162,747)	
Net pension liability	(87,921,072)	
Compensated absences	(789,906)	
Leased assets payable	(2,229,982)	
Accrued interest	<u>(1,308,137)</u>	(146,028,730)

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. 18,826

Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service related payments are recognized as expenditures in the funds when they are due; therefore, the related subsidy reimbursement is recognized as the debt payment is accrued, regardless of when it is due. 519,332

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

Deferred outflows of resources:		
Deferred outflows relating to pension	15,955,376	
Deferred outflows relating to OPEB	1,321,839	
Deferred inflows of resources:		
Deferred inflows relating to pension	(19,535,163)	
Deferred inflows relating to OPEB	<u>(1,945,751)</u>	(4,203,699)

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. 3,310,166

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (58,637,252)

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, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)

	Major Funds		Totals	
	General Fund	Debt Service Fund	2022	2021
REVENUES:				
Local sources	\$ 45,120,910	\$ (1,387,588)	\$ 43,733,322	\$ 44,121,846
State sources	39,054,921	-	39,054,921	38,339,088
Federal sources	14,450,839	-	14,450,839	9,037,685
TOTAL REVENUES	<u>98,626,670</u>	<u>(1,387,588)</u>	<u>97,239,082</u>	<u>91,498,619</u>
EXPENDITURES:				
Current:				
Instruction	60,894,741	-	60,894,741	57,409,568
Support services	24,144,959	-	24,144,959	22,522,236
Operation of noninstructional services	986,940	-	986,940	586,565
Capital outlay	6,727,578	-	6,727,578	7,413
Debt service	5,109,475	-	5,109,475	5,638,749
TOTAL EXPENDITURES	<u>97,863,693</u>	<u>-</u>	<u>97,863,693</u>	<u>86,164,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>762,977</u>	<u>(1,387,588)</u>	<u>(624,611)</u>	<u>5,334,088</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	1,037,643	-	1,037,643	-
Transfers in	-	1,399,956	1,399,956	807,718
Transfers out	(1,399,956)	-	(1,399,956)	(807,718)
Refund of prior year receipts	(97,945)	-	(97,945)	(30,575)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(460,258)</u>	<u>1,399,956</u>	<u>939,698</u>	<u>(30,575)</u>
NET CHANGE IN FUND BALANCES	302,719	12,368	315,087	5,303,513
FUND BALANCES, BEGINNING OF YEAR	<u>4,981,481</u>	<u>15,153,830</u>	<u>20,135,311</u>	<u>14,831,798</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,284,200</u>	<u>\$ 15,166,198</u>	<u>\$ 20,450,398</u>	<u>\$ 20,135,311</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 315,087
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/amortization expense. This is the amount by which depreciation/amortization (\$1,161,498) exceeded by capital outlay (\$7,562,563).	6,401,065
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(263,073)
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.	315,875
Governmental funds report bond discounts and prepaid bond insurance as expenditures. However, these amounts are reported on the statement of net position as deferred charges and amortized over the life of the debt.	(21,074)
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) other postemployment benefits (OPEB) and special termination benefits (early retirement) – pension expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items 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.	(24,940)
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.	5,993,991
Debt service subsidy reimbursements in the statement of activities differs from the amount reported in the governmental funds because debt service-related payments are recognized as expenditures in the funds when they are due, therefore, the related subsidy reimbursements are recognized as the related debt payment is accrued, regardless of when it is due.	1,023
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.	(11,852)
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,706,102</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 44,741,140	\$ 44,741,140	\$ 45,120,910	\$ 379,770
State sources	37,109,812	37,109,812	39,054,921	1,945,109
Federal sources	12,881,087	12,881,087	14,450,839	1,569,752
TOTAL REVENUES	<u>94,732,039</u>	<u>94,732,039</u>	<u>98,626,670</u>	<u>3,894,631</u>
EXPENDITURES				
Instruction:				
Regular programs	36,085,213	35,840,182	36,265,035	(424,853)
Special programs	20,044,629	20,044,628	20,648,838	(604,210)
Vocational programs	986,951	986,951	930,502	56,449
Other instructional programs	2,599,243	2,844,275	2,709,215	135,060
Adult vocational education programs	349,333	349,333	341,151	8,182
Total Instruction	<u>60,065,369</u>	<u>60,065,369</u>	<u>60,894,741</u>	<u>(829,372)</u>
Support services:				
Pupil personnel services	2,881,516	2,881,521	2,526,427	355,094
Instructional staff services	2,058,652	2,058,655	2,265,220	(206,565)
Administrative services	5,003,374	5,003,373	4,384,077	619,296
Pupil health	853,773	853,772	1,121,459	(267,687)
Business services	1,353,300	1,353,299	1,100,234	253,065
Operation and maintenance of plant services	9,092,979	9,092,975	6,373,972	2,719,003
Student transportation services	5,206,118	5,206,117	5,732,493	(526,376)
Central	530,854	530,854	613,745	(82,891)
Other support services	29,558	29,558	27,332	2,226
Total Support Services	<u>27,010,124</u>	<u>27,010,124</u>	<u>24,144,959</u>	<u>2,865,165</u>
Operation of noninstructional activities:				
Student activities	938,838	938,838	851,733	87,105
Community services	185,000	185,000	135,207	49,793
Total Operation of Noninstructional Activities	<u>1,123,838</u>	<u>1,123,838</u>	<u>986,940</u>	<u>136,898</u>
Capital outlay	-	-	6,727,578	(6,727,578)
Debt service	5,003,349	5,003,349	5,109,475	(106,126)
TOTAL EXPENDITURES	<u>93,202,680</u>	<u>93,202,680</u>	<u>97,863,693</u>	<u>2,066,565</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,529,359</u>	<u>1,529,359</u>	<u>762,977</u>	<u>(766,382)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,399,956)	(1,399,956)	(1,399,956)	-
Issuance of debt	-	-	1,037,643	1,037,643
Refunds of prior year receipts	-	-	(97,945)	(97,945)
TOTAL OTHER FINANCING USES	<u>(1,399,956)</u>	<u>(1,399,956)</u>	<u>(460,258)</u>	<u>939,698</u>
NET CHANGE IN FUND BALANCE	129,403	129,403	302,719	173,316
FUND BALANCE, BEGINNING OF YEAR	<u>4,981,481</u>	<u>4,981,481</u>	<u>4,981,481</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,110,884</u>	<u>\$ 5,110,884</u>	<u>\$ 5,284,200</u>	<u>\$ 173,316</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2022 AND 2021**

	Major Fund	
	Food Service Fund	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 44,596	\$ 45,487
Due from other funds	164,918	-
Due from other governments	402,464	112,800
Other receivables	624	624
Total Current Assets	<u>612,602</u>	<u>158,911</u>
CAPITAL ASSETS:		
Furniture and equipment	433,582	404,814
Accumulated depreciation	<u>(373,565)</u>	<u>(313,211)</u>
Capital Assets, Net	<u>60,017</u>	<u>91,603</u>
TOTAL ASSETS	<u>672,619</u>	<u>250,514</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows relating to pension	399,048	412,940
Deferred outflows relating to OPEB	<u>23,290</u>	<u>14,779</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>422,338</u>	<u>427,719</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,094,957</u>	<u>\$ 678,233</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,136	\$ 5,319
Due to other funds	-	144,656
Total Current Liabilities	<u>7,136</u>	<u>149,975</u>
NONCURRENT LIABILITIES:		
Net pension liability	2,198,928	2,777,720
Net OPEB liability	<u>126,855</u>	<u>121,731</u>
Total Noncurrent Liabilities	<u>2,325,783</u>	<u>2,899,451</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows relating to pension	488,579	73,590
Deferred inflows relating to OPEB	<u>7,200</u>	<u>3,294</u>
Total Deferred Inflows of Resources	<u>495,779</u>	<u>76,884</u>
NET POSITION (DEFICIT):		
Investment in capital assets	60,017	91,603
Unrestricted (deficit)	<u>(1,793,758)</u>	<u>(2,539,680)</u>
Total Net Deficit	<u>(1,733,741)</u>	<u>(2,448,077)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 1,094,957</u>	<u>\$ 678,233</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Major Fund	
	Food Service Fund	
	2022	2021
OPERATING REVENUES		
Food service revenues	\$ 9,336	\$ 12,392
Total Operating Revenues	<u>9,336</u>	<u>12,392</u>
OPERATING EXPENSES		
Salaries	773,095	750,288
Employee benefits	284,827	500,862
Supplies	997,881	319,763
Equipment repairs	48,746	23,549
Other expenses	25,095	558
Depreciation	60,354	13,778
Total Operating Expenses	<u>2,189,998</u>	<u>1,608,798</u>
OPERATING LOSS	<u>(2,180,662)</u>	<u>(1,596,406)</u>
NONOPERATING REVENUES		
State sources	73,144	18,251
Federal sources	2,821,854	579,827
Total Nonoperating Revenues	<u>2,894,998</u>	<u>598,078</u>
CHANGE IN NET DEFICIT	714,336	(998,328)
NET DEFICIT, BEGINNING OF YEAR	<u>(2,448,077)</u>	<u>(1,449,749)</u>
NET DEFICIT, END OF YEAR	<u>\$ (1,733,741)</u>	<u>\$ (2,448,077)</u>

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Major Fund	
	Food Service Fund	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 9,336	\$ 12,392
Payments to suppliers	(1,216,220)	708,329
Payments to employees	(1,207,314)	(1,189,629)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,414,198)	(468,908)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	65,305	14,515
Federal sources	2,376,770	407,081
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	2,442,075	421,596
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(28,768)	(26,366)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(28,768)	(26,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(891)	(73,678)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,487	119,165
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,596	\$ 45,487
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (2,180,662)	\$ (1,596,406)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	60,354	13,778
Donated commodities	163,259	82,827
(Increase) Decrease in:		
Due from other funds	(164,918)	823,377
Deferred outflows of resources	5,381	(45,253)
Increase (Decrease) in:		
Accounts payable	1,817	1,339
Due to other funds	(144,656)	144,656
Net pension liability	(578,792)	132,882
Net OPEB liability	5,124	1,488
Deferred inflows of resources	418,895	(27,596)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (2,414,198)	\$ (468,908)
<u>SUPPLEMENTAL DISCLOSURE</u>		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 163,259	\$ 82,827

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

SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022
(With Summarized Comparative Data For June 30, 2021)

	Private-purpose Trust Fund	Custodial Fund	Totals	
			2022	2021
ASSETS:				
Cash and cash equivalents	\$ 9,586	\$ 150,651	\$ 160,237	\$ 154,156
TOTAL ASSETS	\$ 9,586	\$ 150,651	\$ 160,237	\$ 154,156
LIABILITIES AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ -	\$ 18,138	\$ 18,138	\$ -
NET POSITION:				
Reserved for student activities	-	132,513	132,513	144,573
Reserved for trust	9,586	-	9,586	9,583
TOTAL NET POSITION	9,586	132,513	142,099	154,156
TOTAL LIABILITIES AND NET POSITION	\$ 9,586	\$ 150,651	\$ 160,237	\$ 154,156

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

**SOUTHEAST DELCO SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)**

	Private-purpose Trust Fund	Custodial Fund	Totals	
			2022	2021
ADDITIONS				
Local sources	\$ 3	\$ 97,318	\$ 97,321	\$ 28,791
TOTAL ADDITIONS	<u>3</u>	<u>97,318</u>	<u>97,321</u>	<u>28,791</u>
DEDUCTIONS				
Operation of noninstructional activities	-	109,378	109,378	12,412
TOTAL DEDUCTIONS	<u>-</u>	<u>109,378</u>	<u>109,378</u>	<u>12,412</u>
CHANGE IN NET POSITION	3	(12,060)	(12,057)	16,379
NET POSITION, BEGINNING OF YEAR	<u>9,583</u>	<u>144,573</u>	<u>154,156</u>	<u>137,777</u>
NET POSITION, END OF YEAR	<u>\$ 9,586</u>	<u>\$ 132,513</u>	<u>\$ 142,099</u>	<u>\$ 154,156</u>

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the proprietary fund; similarly, the proprietary fund does not recognize a cost for the building space it occupies.

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

Fiduciary Funds

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

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Receivables and Payables

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

Property Taxes

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

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

Assessed valuations of property are determined by the Delaware County Board of Assessments. The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal year 2021-2022 was 31.2716 mills (\$31.2716 for \$1,000 of assessed valuation).

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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/amortized using the straight-line method over the following estimated useful lives:

Buildings and building	10-50 years
Land improvements	20-30 years
Furniture and equipment	3-20 years
Leased assets	Term of lease

Compensated Absences

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt 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.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Deferred Inflows and Outflows of Resources

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

Fund Equity

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

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

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

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

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

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

assigned funds and, finally, unassigned funds, as needed, unless the Board, Finance Committee, or Business Manager have provided otherwise in their commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, "Leases." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases. The implementation of GASB Statement No. 87 resulted in a prior period adjustment to the custodial fund. See Note 16 for more information.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2022:

Regular programs	\$ 424,853
Special programs	\$ 604,210
Instructional staff services	\$ 206,565
Pupil health	\$ 267,687
Student transportation services	\$ 526,376
Central	\$ 82,891
Capital outlay	\$ 6,727,578
Debt service	\$ 106,126

The excess of expenditures over appropriations was financed by existing fund balance.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2022, the carrying amount of the District's deposits was \$10,759,106, and the bank balance was \$11,906,756. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,323,947 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured, and the collateral held by the depository's agent was not in the District's name.

The remaining cash deposits of the District in the amount of \$8,332,809 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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

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, 2022, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

Investments

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

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The District has the following recurring fair value measurements as of June 30, 2022:

	Fair Value	Level 1	Matures in Greater Than Five Years
U.S. Treasury bonds and notes	\$ 15,165,144	\$ 15,165,144	\$ 15,165,144

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District's investments in U.S. Treasury bonds and notes had maturity dates of greater than five years.

Custodial Credit Risk - Investments

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

Credit Risk

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated/ amortized:				
Land	\$ 60,811	\$ -	\$ -	\$ 60,811
Construction-in-progress	-	6,524,920	-	6,524,920
Total Capital Assets Not Being Depreciated/Amortized	<u>60,811</u>	<u>6,524,920</u>	<u>-</u>	<u>6,585,731</u>
Capital assets being depreciated/ amortized:				
Land improvements	5,311,017	-	-	5,311,017
Buildings and building improvements	89,318,124	-	-	89,318,124
Furniture and equipment	7,659,652	-	-	7,659,652
Leased assets	1,649,405	1,037,643	-	2,687,048
Total Capital Assets Being Depreciated/ Amortized	<u>103,938,198</u>	<u>1,037,643</u>	<u>-</u>	<u>104,975,841</u>
Less accumulated depreciation/ amortization for:				
Land improvements	4,112,056	26,151	-	4,138,207
Buildings and building improvements	30,789,596	221,014	-	31,010,610
Furniture and equipment	7,659,652	47,350	-	7,707,002
Leased assets	542,315	866,983	-	1,409,298
Total Accumulated Depreciation/ Amortization	<u>43,103,619</u>	<u>1,161,498</u>	<u>-</u>	<u>44,265,117</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>60,834,579</u>	<u>(123,855)</u>	<u>-</u>	<u>60,710,724</u>
Governmental Activities Assets, Net	<u>\$ 60,895,390</u>	<u>\$ 6,401,065</u>	<u>\$ -</u>	<u>\$ 67,296,455</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 404,814	\$ 28,768	\$ -	\$ 433,582
Total Capital Assets Being Depreciated	<u>404,814</u>	<u>28,768</u>	<u>-</u>	<u>433,582</u>
Less accumulated depreciation for:				
Furniture and equipment	313,211	60,354	-	373,565
Total Accumulated Depreciation/	<u>313,211</u>	<u>60,354</u>	<u>-</u>	<u>373,565</u>
Business-type Activities, Net	<u>\$ 91,603</u>	<u>\$ (31,586)</u>	<u>\$ -</u>	<u>\$ 60,017</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$ 823,470
Instructional student support	79,964
Administrative and financial support services	82,831
Operation and maintenance of plant services	86,195
Pupil transportation	77,519
Student activities	<u>11,519</u>

Total Depreciation/Amortization Expense - Governmental Activities \$ 1,161,498

Business-type Activities:

Food Service	<u>\$ 60,354</u>
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NOTE 5 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds payable, net	\$ 46,593,708	\$ -	\$ 976,822	\$ 45,616,886	\$2,806,742
Leased assets payable	1,550,650	1,037,643	358,311	2,229,982	1,361,380
Net OPEB liability	7,833,305	329,442	-	8,162,747	-
Net pension liability	111,063,280	-	23,142,208	87,921,072	-
Compensated absences	<u>865,556</u>	-	<u>75,650</u>	<u>789,906</u>	-
TOTALS	<u>\$167,906,499</u>	<u>\$1,367,085</u>	<u>\$24,552,991</u>	<u>\$144,720,593</u>	<u>\$4,168,122</u>

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 45,747,843
Unamortized discount	<u>(130,957)</u>
Bonds payable, net	<u>\$ 45,616,886</u>
Amounts due in one year	\$ 2,806,742
Amounts due after one year	<u>42,810,144</u>
Bonds payable, net	<u>\$ 45,616,886</u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>
Net OPEB liability	\$ 121,732	\$ 5,123	\$ -	\$ 126,855
Net pension liability	<u>2,777,720</u>	<u>-</u>	<u>578,792</u>	<u>2,198,928</u>
TOTALS	<u>\$ 2,899,452</u>	<u>\$ 5,123</u>	<u>\$ 578,792</u>	<u>\$ 2,325,783</u>

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

General Obligation Bonds

Series of 1999, capital appreciation bonds, maturing through February 1, 2025, accreting interest from 4.4% to 5.3%, payable on February 1. \$ 1,449,843

Series A of 2017, maturing through October 1, 2028, bearing interest from 2.00% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2011. 9,160,000

Series B of 2017, maturing through October 1, 2029, bearing interest from 1.15% to 3.00%, payable on April 1 and October 1. The proceeds of the bonds were used to refund the District's outstanding General Obligation Bonds, Series of 2012. 4,180,000

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

TOTAL \$ 45,747,843

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 2,806,742	\$ 3,647,931	\$ 6,454,673
2024	2,835,054	3,669,484	6,504,538
2025	3,412,589	2,977,111	6,389,700
2026	4,129,847	2,116,611	6,246,458
2027	4,249,847	1,867,794	6,117,641
2028-2030	<u>12,631,761</u>	<u>2,886,826</u>	<u>15,518,587</u>
	30,065,840	17,165,757	47,231,597
Sinking fund deposits	<u>15,682,003</u>	<u>-</u>	<u>15,682,003</u>
	<u><u>\$ 45,747,843</u></u>	<u><u>\$ 17,165,757</u></u>	<u><u>\$ 62,913,600</u></u>

Leases Payable

The District has entered into lease agreements as a lessee for financing the acquisition of vehicles, technology equipment, and copiers used throughout the District. These lease agreements have been properly capitalized (see Note 4 – “Leased assets”).

Presented below is a summary of minimum lease payments to maturity by years for all leases:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 1,361,380	\$ 28,565	\$ 1,389,945
2024	174,133	19,197	193,330
2025	682,392	15,606	697,998
2025	<u>12,077</u>	<u>302</u>	<u>12,379</u>
	<u><u>\$ 2,229,982</u></u>	<u><u>\$ 63,670</u></u>	<u><u>\$ 2,293,652</u></u>

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable to</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food service fund	\$ 164,918	General fund	\$ 164,918
	\$ 164,918		\$ 164,918

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

NOTE 7 PENSION PLAN

Plan Description

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

Benefits Provided

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

generally equal to 2% or 2½%, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2½%, depending upon the membership class of the member's final average salary as defined in the Code, multiplied by the number of years of credited service but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Member Contributions

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

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

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, the rate of the employer contribution was 34.94% of covered payroll, which was comprised of 33.99% for pension contributions, 0.80% for healthcare contributions, and 0.15% for the Act 5 defined contribution plan. The District's contribution to PSERS for the year ended June 30, 2022 was \$11,492,424.

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

At June 30, 2022, the District reported a liability of \$90,120,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.2195%, which was a decrease of 0.01170% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$5,348,522. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 14,345,000
Changes in assumption	4,317,000	-
Changes in proportions	425,000	4,342,000
Difference between expected and actual experience	66,000	1,184,000
Difference between employer contributions and proportionate share of total contributions	-	152,742
Contributions subsequent to the date of measurement	<u>11,492,424</u>	<u>-</u>
	<u>\$ 16,354,424</u>	<u>\$ 20,023,742</u>

Change in Assumptions: The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.0% as of June 30, 2021.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

An amount of \$11,492,424 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ended June 30,

2023	\$ (4,041,524)
2024	(3,271,443)
2025	(3,213,775)
2026	<u>(4,635,000)</u>
	<u>\$ (15,161,742)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.50%
- Salary increases – effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth, and 2.00% for merit or seniority increases
- Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Private equity	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	(13.0%)	0.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 118,286,000	\$ 90,120,000	\$ 66,361,000

Pension Plan Fiduciary Net Position

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

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The PSERS provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides postemployment benefits to public school employees of the Commonwealth of Pennsylvania.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, the rate of the employer contribution was 34.94% of covered payroll, which was comprised of 33.99% for pension contributions, 0.80% for healthcare contributions, and 0.15% for the Act 5 defined contribution plan. The District's OPEB contribution to PSERS for the year ended June 30, 2022 was \$270,490.

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

At June 30, 2022, the District reported a liability of \$5,199,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.2194%, which was a decrease of 0.0115% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$291,786. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 10,000	\$ -
Change in proportions	72,000	226,000
Difference between expected and actual experience	48,000	-
Change in assumptions	554,000	69,000
Difference between employer contributions and proportionate share of total contributions	-	91
Contributions subsequent to the date of measurement	270,490	-
	\$ 954,490	\$ 295,091

Change in assumption: The discount rate used to measure the total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

An amount of \$270,490 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to OPEB and will be recognized in OPEB expense as follows:

Year Ending June 30,		
2023	\$	66,787
2024		65,787
2025		102,455
2026		74,421
2027		46,279
Thereafter		33,180
	\$	388,909

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the system's total OPEB liability as of June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 2.18%, S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%.
 - Eligible retirees will elect to participate post-age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real of Return</u>
Cash	79.8%	1.0%
U.S. core fixed income	17.5%	0.7%
Non-U.S. developed fixed income	2.7%	(0.3%)
	<u>100.0%</u>	

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2021, retirees' premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2022, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,198,000	\$ 5,199,000	\$ 5,199,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current rate:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,967,000	\$ 5,199,000	\$ 4,567,000

OPEB Plan Fiduciary Net Position

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

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2022, the District paid \$99,301 to plan members eligible for receiving benefits.

Participants

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2020. The total OPEB liability as of July 1, 2022 was determined by rolling forward the plan's total OPEB liability as of the July 1, 2020 actuarial valuation to the July 1, 2022 measurement date using the actuarial assumptions noted below.

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount used to measure the total OPEB liability was 2.28% and 1.86% for the measurement dates of July 1, 2021 and July 1, 2020, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2020.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators, a merit increase, which varies by age from 0.00% to 2.75%.

Disability

No disability was assumed.

Withdrawal

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

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

Mortality Rates

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

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Retirement

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

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

Percent of Eligible Retirees Electing Coverage in Plan

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

Percent Married at Retirement

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

Spouse Age

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

Per Capita Claims Cost

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

Retiree Contributions

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

Healthcare Cost Trend

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

Actuarial Value of Assets

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

Actuarial Cost Method – Entry Age Normal

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

Participant Data

Participant data is based on census information as of July 2020. Due to the timing of District turnover, the data is believed to be representative of the population for the 2021-2022 school year.

Sensitivity Analysis

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
Total OPEB liability	\$ 3,331,937	\$ 3,090,602	\$ 2,863,075
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,331,937</u>	<u>\$ 3,090,602</u>	<u>\$ 2,863,075</u>

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,701,650	\$ 3,090,602	\$ 3,552,405
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,701,650</u>	<u>\$ 3,090,602</u>	<u>\$ 3,552,405</u>

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 2,966,037
Service cost	256,527
Interest	59,020
Changes of assumptions	(99,713)
Benefit payments	(91,269)
Net change	124,565
Total OPEB liability - ending	<u>\$ 3,090,602</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$179,113 for the year ended June 30, 2022. An amount of \$99,301 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual and actual experience	\$ -	\$ 1,451,364
Change in assumptions	291,338	206,496
Contributions subsequent to the date of measurement	99,301	-
	\$ 390,639	\$ 1,657,860

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

Year Ending June 30,

2023	\$ (136,434)
2024	(136,434)
2025	(136,434)
2026	(136,434)
2027	(136,434)
Thereafter	(684,353)
	\$ (1,366,523)

NOTE 10 NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 11)	\$ 3,090,602	\$ 390,639	\$ 1,657,860
PSERS Plan (See Note 10)	5,199,000	954,490	295,091
Total	\$ 8,289,602	\$ 1,345,129	\$ 1,952,951

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 JOINT VENTURES

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

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

The District has entered into 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:

<u>Year Ending June 30,</u>		
2023	\$	67,081
2024		62,009
2025		61,946
2026		61,954
2027		61,925
2028-2032		309,839
2033-2035		<u>93,458</u>
Total		718,212
Less: interest requirements		<u>(135,920)</u>
Outstanding rental payments	\$	<u>582,292</u>

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 CONTINGENCIES AND COMMITMENTS (cont'd)

potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

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

Capital Improvement Commitments

As of June 30, 2022, the District was in the process of several capital projects. Construction commitments completed to date are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed 6/30/2022</u>	<u>Commitment</u>
HVAC Project	\$ 7,876,828	\$ 5,853,855	\$ 2,022,973

Additionally, at June 30, 2022, the District had \$671,065 in construction-in-progress not subject to construction commitments.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 HEALTHCARE TRUST

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

SOUTHEAST DELCO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 HEALTHCARE TRUST (cont'd)

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, 2022, totaled \$4,278,145.

NOTE 15 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$93,253,037 (governmental activities) and \$1,793,758 (business-type activities and food service fund), respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from differences between projected and actual investment earnings and differences between expected and actual experience. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from changes in proportions.

NOTE 16 PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statement No. 87, as discussed in Note 1, the District has restated its July 1, 2020 net position in its governmental activities to record the right to use assets and lease liabilities associated with the District's leasing arrangements at June 30, 2021. The net result of this change is a decrease of \$303,827 in net position of its governmental activities.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through March 3, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	MEASUREMENT DATE							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2195%	0.2312%	0.2317%	0.2281%	0.2250%	0.2262%	0.2240%	0.2262%
District's proportion of the net pension liability - dollar value	\$ 90,120,000	\$ 113,841,000	\$ 108,395,000	\$ 109,499,000	\$ 111,124,000	\$ 112,098,000	\$ 97,026,000	\$ 89,532,000
District's covered employee payroll	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239	\$ 28,864,272
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	296.47%	350.68%	338.23%	346.57%	366.86%	380.91%	342.53%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 11,492,424	\$ 10,186,326	\$ 10,829,695	\$ 10,447,679	\$ 10,028,174	\$ 8,841,510	\$ 7,357,168	\$ 5,806,879
Contributions in relation to the contractually required contribution	<u>11,492,424</u>	<u>10,186,326</u>	<u>10,829,695</u>	<u>10,447,679</u>	<u>10,028,174</u>	<u>8,841,510</u>	<u>7,357,168</u>	<u>5,806,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,811,192	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825	\$ 29,428,672	\$ 28,326,239
Contributions as a percentage of covered employee payroll	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

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

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

	MEASUREMENT DATE				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2194%	0.2309%	0.2317%	0.2281%	0.2250%
District's proportion of the net OPEB liability - dollar value	\$ 5,199,000	\$ 4,989,000	\$ 4,928,000	\$ 4,756,000	\$ 4,584,000
District's covered employee payroll	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751	\$ 30,290,825
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	17.10%	15.37%	15.38%	15.05%	15.13%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

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

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

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 270,490	\$ 249,263	\$ 272,690	\$ 265,999	\$ 262,236
Contributions in relation to the contractually required contribution	<u>270,490</u>	<u>249,263</u>	<u>272,690</u>	<u>265,999</u>	<u>262,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,811,192	\$ 30,397,869	\$ 32,463,115	\$ 32,048,095	\$ 31,594,751
Contributions as a percentage of covered employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%

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

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

	MEASUREMENT DATE				
	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>					
Service cost	\$ 256,527	\$ 264,462	\$ 265,474	\$ 263,798	\$ 277,011
Interest cost	59,020	122,153	105,023	128,438	100,413
Difference between expected and actual experience	-	(1,064,462)	-	(795,406)	-
Changes in assumptions	(99,713)	341,722	(108,184)	3,160	(50,756)
Benefit payments	(91,269)	(150,308)	(149,771)	(217,585)	(272,252)
NET CHANGE IN TOTAL OPEB LIABILITY	124,565	(486,433)	112,542	(617,595)	54,416
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	2,966,037	3,452,470	3,339,928	3,957,523	3,903,107
TOTAL OPEB LIABILITY, END OF YEAR	\$ 3,090,602	\$ 2,966,037	\$ 3,452,470	\$ 3,339,928	\$ 3,957,523
<u>PLAN FIDUCIARY NET POSITION</u>					
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-	-
Benefits payments	-	-	-	-	-
Administrative expenses	-	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-	-	-	-	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	-	-	-	-	-
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
DISTRICT'S NET OPEB LIABILITY	\$ 3,090,602	\$ 2,966,037	\$ 3,452,470	\$ 3,339,928	\$ 3,957,523
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 26,890,112	\$ 26,890,112	\$ 27,954,060	\$ 27,954,060	\$ 22,505,447
District's net OPEB liability as a percentage of covered payroll	11.49%	11.03%	12.35%	11.95%	17.58%
Expected average remaining service years of all participants	10	10	10	10	11

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

SINGLE AUDIT SUPPLEMENT



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

March 3, 2023

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Delco School District (the District), Folcroft, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated March 3, 2023.

Internal Control Over Financial Reporting

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

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

Board of School Directors
Southeast Delco School District

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

Compliance and Other Matters

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

Purpose of This Report

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

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



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

March 3, 2023

Board of School Directors
Southeast Delco School District
Folcroft, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Southeast Delco School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Districts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of District's internal control over compliance. Accordingly, no such opinion is expressed.

Board of School Directors
Southeast Delco School District

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Barbacane, Thornton & Company LLP
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**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2022	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Education</u>											
<u>Passed through Pennsylvania Department of Education</u>											
Title I Grants to Local Educational Agencies	I	84.010	013-21-0402	08/19/20-09/30/21	\$1,546,496	\$ 206,245	\$ 206,245	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-22-0402	08/11/21-09/30/22	1,996,990	1,593,211	-	1,996,990	1,996,990	403,779	-
Total CFDA #84.010						1,799,456	206,245	1,996,990	1,996,990	403,779	-
Title II Improving Teacher Quality State Grants	I	84.367	020-21-0402	08/19/20-09/30/21	195,505	23,410	23,410	-	-	-	-
Title II Improving Teacher Quality State Grants	I	84.367	020-22-0402	08/11/21-09/30/22	240,732	190,908	-	240,732	240,732	49,824	-
Total CFDA #84.367						214,318	23,410	240,732	240,732	49,824	-
Title IV Student Support and Academic Enrichment	I	84.424	144-21-0402	08/19/20-09/30/21	129,868	18,553	18,553	-	-	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-22-0402	08/11/21-09/30/22	116,298	91,324	-	116,298	116,298	24,974	-
Total CFDA #84.424						109,877	18,553	116,298	116,298	24,974	-
Twenty-First Century Community Learning Centers	I	84.287	4100083547	07/01/20-06/30/21	399,180	35,306	35,306	-	-	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100083547	07/01/21-06/30/22	399,180	192,888	-	237,699	237,699	44,811	-
Total CFDA #84.287						228,194	35,306	237,699	237,699	44,811	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0402	03/13/20-09/30/21	1,406,489	444,154	326,047	118,107	118,107	-	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	252-20-0402	03/13/20-09/30/21	84,255	31,041	(53,214)	84,255	84,255	-	-
Governor's Emergency Education Relief Fund	I	84.425C	253-20-0402	03/13/20-09/30/21	35,700	11,274	(18,790)	35,700	35,700	5,636	-
Governor's Emergency Education Relief Fund	I	84.425C	254-20-0402	03/13/20-09/30/21	149,774	47,297	(78,828)	149,774	149,774	23,649	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-0402	03/13/20-09/30/23	5,765,932	3,454,593	(59,164)	4,789,238	4,789,238	1,275,481	-
Elementary and Secondary School Emergency Relief Fund	I	84.425U	223-21-0402	03/13/20-09/30/24	11,551,149	630,063	-	3,694,922	3,694,922	3,064,859	-
Elementary and Secondary School Emergency Relief Fund	I	84.425U	225-21-0402	03/13/20-09/30/24	897,784	114,263	-	-	-	(114,263)	-
Total CFDA #84.425						4,732,685	116,051	8,871,996	8,871,996	4,255,362	-
<u>Passed through Delaware County Intermediate Unit</u>											
Special Education - Preschool Grants	I	84.173	N/A	07/01/20-06/30/21	2,548	2,548	2,548	-	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/20-06/30/21	902,217	898,217	898,217	-	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/21-06/30/22	891,859	4,000	-	891,859	891,859	887,859	-
Special Education - Grants to States	I	84.027	N/A	07/01/21-06/30/22	195,667	-	-	195,667	195,667	195,667	-
Total CFDA #84.027						902,217	898,217	1,087,526	1,087,526	1,083,526	-
Total IDEA Program Cluster						904,765	900,765	1,087,526	1,087,526	1,083,526	-
TOTAL U.S. DEPARTMENT OF EDUCATION						7,989,295	1,300,330	12,551,241	12,551,241	5,862,276	-
<u>U.S. Department of Health and Human Services</u>											
<u>Passed through Pennsylvania Department of Human Services</u>											
Medical Assistance Program	I	93.778	N/A	07/01/20-06/30/21	N/A	29,103	29,103	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/21-06/30/22	N/A	9,112	-	41,604	41,604	32,492	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						38,215	29,103	41,604	41,604	32,492	-
<u>U.S. Department of Agriculture</u>											
<u>Passed through Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	163,259	-	163,259	163,259	-	-

Continued on next page.

**SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2022	PASSED THROUGH TO SUBRECIPIENTS
<hr/>											
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	66,323	66,323	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	1,567,451	-	1,880,794	1,880,794	313,343	-
Supply Chain Assistance	I	10.555	N/A	07/01/21-06/30/22	N/A	80,373	-	80,373	80,373	-	-
SNP Emergency Operating Cost	I	10.555	N/A	07/01/21-06/30/22	N/A	238,876	-	238,876	238,876	-	-
Total CFDA #10.555						<u>2,116,282</u>	<u>66,323</u>	<u>2,363,302</u>	<u>2,363,302</u>	<u>313,343</u>	<u>-</u>
National School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	42,319	42,319	-	-	-	-
National School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	378,365	-	455,489	455,489	77,124	-
Total CFDA #10.553						<u>420,684</u>	<u>42,319</u>	<u>455,489</u>	<u>455,489</u>	<u>77,124</u>	<u>-</u>
Total Child Nutrition Cluster						<u>2,536,966</u>	<u>108,642</u>	<u>2,818,791</u>	<u>2,818,791</u>	<u>390,467</u>	<u>-</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	I	10.649	N/A	07/01/21-06/30/22	N/A	3,063	-	3,063	3,063	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>2,540,029</u>	<u>108,642</u>	<u>2,821,854</u>	<u>2,821,854</u>	<u>390,467</u>	<u>-</u>
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						<u>\$ 10,730,798</u>	<u>\$ 1,438,075</u>	<u>\$ 15,577,958</u>	<u>\$ 15,577,958</u>	<u>\$ 6,285,235</u>	<u>\$ -</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, include surplus food consumed by the District during the 2021-2022 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, 2022 was \$300,000.

NOTE E BUILD AMERICA BONDS

The District was eligible to participate in the School Construction Bonds Program through the American Recovery and Reinvestment Act. As such, the District is eligible for reimbursement of certain amounts relating to the future debt service due on the bonds. These reimbursements are not considered federal financial assistance. The amount recognized for the year ended June 30, 2022 was \$1,557,994.

NOTE F INDIRECT COST RATE

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

SOUTHEAST DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major program:

CFDA Number
84.425C, 84.425D, 84.425U

Name of Federal Program or Cluster
Elementary and Secondary School Emergency Relief Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

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

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.