

**PENN-DELCO SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2018*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# PENN-DELCO SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2018

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Penn-Delco School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Penn-Delco School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Penn-Delco School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For the year ended June 30, 2018, the Penn-Delco School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, budgetary comparison information on pages 57 and 58, schedules of the school district's proportionate share of net pension liability on page 59, schedules of the school district's contributions on page 60, schedule of school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 61, schedule of school district's PSERS other postemployment benefit plan contributions on page 62, and the schedule of changes in the total other postemployment benefit plan liability and related ratios on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 Penn-Delco School District's basic financial statements. The schedule of expenditures of federal and certain state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal and certain state 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 and certain state 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 November 27, 2017, on our consideration of the Penn-Delco School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Penn-Delco School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania  
November 27, 2018

**PENN-DELCO SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2018

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The discussion and analysis of Penn-Delco School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the financial statements and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, presented in the MD&A.

**SCHOOL DISTRICT HIGHLIGHTS**

The Penn-Delco School District consists of six schools--four elementary, one middle and a secondary school--consisting of approximately 3,400 students. The Penn-Delco School District is located in Southeastern Pennsylvania approximately 15 miles southwest of Philadelphia. The School District encompasses Brookhaven and Parkside Boroughs and Aston Township. The School District employs approximately 470 full-time and 45 part-time employees.

**FINANCIAL HIGHLIGHTS**

The trends of the prior year indicated that during fiscal year 2017- 2018 the Penn-Delco School District would experience another year of increasing costs for salaries and benefits for our employees, with the most significant being attributed to the District's healthcare contribution and increased obligation to the retirement system. In the budgeting process, the Board of School Directors was able to balance the budget with a 2.99% tax increase to the taxpayers of the Penn-Delco School District.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

**Government-Wide Financial Statements**

The first two statements are government-wide financial statements--the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net Position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

**PENN-DELCO SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2018

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Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

- **Governmental Activities:** All of the District's basic services are included here, such as instruction, administration and community services. Property taxes, state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The District runs a food service operation and charges fees to staff and students to cover the costs of the food service operations.

**Fund Level Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The Governmental Funds statements tell how the District's general services were financed in the short-term as well as what remains for future spending. Proprietary Fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary Fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

The School District has three kinds of funds:

- **Governmental Funds** - Most of the District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the District's operations and the services it provides. Governmental Fund information helps the reader determine whether there are more or fewer financial resources that can be spent 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 financial statements.
- **Proprietary Fund** - This fund is used to account for District activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides--whether to outside customers or to other units in the District--these services are generally reported in the Proprietary Fund. The Food Service Fund is the District's Proprietary Fund and is the same as the business-type activities we report in the government-wide statements.

# PENN-DELCO SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

- Fiduciary Fund** - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

Revenues of the School District come from two major program sources. These sources include charges for services (\$1.15 million) and operating and capital grants and contributions from local, state and federal sources (\$9.14 million). In addition to program sources, the general revenues of the School District include local taxes (\$42.6 million), state grants and subsidies for general operations (\$6.8 million) and miscellaneous local income and investments earnings (\$482 thousand).

The following table presents condensed financial information for the net position of the District as of June 30, 2018.

<b>Schedules of Net Position (In Millions of Dollars)</b>						
<b>Years Ended June 30, 2017 and 2018</b>						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
<b>ASSETS</b>						
Current assets	\$ 34.17	\$ 41.78	\$ 0.28	\$ 0.09	\$ 34.45	\$ 41.87
Capital assets, net	100.24	104.34	0.02	0.02	100.26	104.36
<b>TOTAL ASSETS</b>	<u>134.41</u>	<u>146.12</u>	<u>0.30</u>	<u>0.11</u>	<u>134.71</u>	<u>146.23</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>16.67</u>	<u>14.67</u>	<u>-</u>	<u>-</u>	<u>16.67</u>	<u>14.67</u>
<b>LIABILITIES</b>						
Long-term liabilities	178.23	189.34	-	-	178.23	189.34
Other liabilities	4.93	6.84	0.35	0.22	5.28	7.06
<b>TOTAL LIABILITIES</b>	<u>183.16</u>	<u>196.18</u>	<u>0.35</u>	<u>0.22</u>	<u>183.51</u>	<u>196.40</u>
<b>DEFERRED INFLOWS OR RESOURCES</b>						
	<u>0.77</u>	<u>0.83</u>	<u>-</u>	<u>-</u>	<u>0.77</u>	<u>0.83</u>
<b>NET POSITION</b>						
Net investment in capital assets	26.34	30.30	0.02	0.02	26.36	30.32
Restricted for capital projects	13.61	19.52	-	-	13.61	19.52
Unrestricted	<u>(72.80)</u>	<u>(86.04)</u>	<u>(0.07)</u>	<u>(0.13)</u>	<u>(72.87)</u>	<u>(86.17)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (32.85)</u>	<u>\$ (36.22)</u>	<u>\$ (0.05)</u>	<u>\$ (0.11)</u>	<u>\$ (32.90)</u>	<u>\$ (36.33)</u>

**PENN-DELCO SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2018**

The following table presents condensed financial information for the Statement of Activities in a different format so that you can see our total revenues for the year.

<b>Changes in Net Position (In Millions of Dollars)</b>						
<b>Years Ended June 30, 2017 and 2018</b>						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
<b>REVENUES</b>						
Program revenues	\$ 9.91	\$ 8.96	\$ 1.31	\$ 1.34	\$ 11.22	\$ 10.30
General revenues	<u>48.19</u>	<u>49.98</u>	<u>-</u>	<u>-</u>	<u>48.19</u>	<u>49.98</u>
<b>TOTAL REVENUES</b>	<b>58.10</b>	<b>58.94</b>	<b>1.31</b>	<b>1.34</b>	<b>59.41</b>	<b>60.28</b>
<b>EXPENSES</b>						
	<u>58.89</u>	<u>57.47</u>	<u>1.34</u>	<u>1.39</u>	<u>60.23</u>	<u>58.86</u>
<b>CHANGE IN NET POSITION</b>	<b>\$ <u>(0.79)</u></b>	<b>\$ <u>1.47</u></b>	<b>\$ <u>(0.03)</u></b>	<b>\$ <u>(0.05)</u></b>	<b>\$ <u>(0.82)</u></b>	<b>\$ <u>1.42</u></b>

**Governmental Activities**

Governmental activities consist of the General Fund, the Capital Reserve Fund and the Capital Projects Fund. Revenues for the governmental activities include property taxes, grants and entitlements, investment earnings, personal income tax, rental income, charges for services and other miscellaneous items. Expenditures are classified as instruction, support services, operation of non-instructional services and debt service. Total revenues for governmental activities were \$58.94 million, and total expenditures were \$57.47 million.

**Business-Type Activities**

Business-type activities include the food service program. This program has revenues of \$1.34 million and expenses of approximately \$1.39 million. The program is designed to operate at or near break-even point so that the cost for the services offered will benefit the School District residents.

The Food Service program provided over 200,000 lunches last year. Food Service receives both federal and state subsidies for milk, lunch and breakfast programs and also receives some government commodities on a routine basis.

**PENN-DELCO SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2018**

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**THE DISTRICT FUNDS**

**General Fund**

At June 30, 2018, the District reported a fund balance of \$34.6 million of which \$15.0 million is in the General Fund, \$3.6 million is in the Capital Reserve Fund and \$16.0 million is in the Capital Projects Fund. The District continues its capital improvement plan for Sun Valley High School, renovations to the kitchen/cafeteria are complete, library/classroom renovations began in June 2018.

**Revenue** - Revenues totaled \$58,749,099 for the 2017-2018 year. The following table reflects sources of revenue.

	<u>Amount Received</u>
Local revenues	\$ 43,172,182
State sources	14,647,091
Federal sources	<u>929,826</u>
	<u>\$ 58,749,099</u>

The District balanced its budget with funds from three sources: the Taxpayers of Aston, Brookhaven and Parkside, the State of Pennsylvania and the Federal Government. For the Taxpayers of Aston, Brookhaven and Parkside, the millage rate increased from 27.2438 mills to 28.0583 mills in 2017-2018. State gaming revenue was available again this year in the amount of 1.4 million dollars which equals the homestead tax credit applied to eligible properties.

**General Fund Budget** - During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. Those adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 48 of this report.

The District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues are adjusted to reflect actual revenues received for all approved grants.

Budgeted expenditures are also adjusted to reflect the actual expenditures made for all approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

The Budgetary Reserve includes amounts that will be funded for operating contingencies such as unpredictable change in the cost of goods and services and the occurrence of events which are vaguely perceptible during the time of the budget process, but which nonetheless may require expenditures by the District during the year of operation.

**PENN-DELCO SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSETS**

At June 30, 2018, the District had \$104,358,052 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$4,096,722 or 4% from last year.

The following schedule shows the investment in capital assets and the corresponding amount of accumulated depreciation.

<b>Schedules of Capital Assets and Accumulated Depreciation</b>						
<b>As of June 30, 2017 and 2018</b>						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
<b>CAPITAL ASSETS</b>						
Land and site improvements	\$ 948,970	\$ 948,970	\$ -	\$ -	\$ 948,970	\$ 948,970
Buildings and building improvements	132,992,356	136,873,123	-	-	132,992,356	136,873,123
Furniture and equipment	11,272,633	10,652,556	501,081	505,081	11,773,714	11,157,637
Construction in progress	1,453,933	4,313,287	-	-	1,453,933	4,313,287
<b>TOTAL CAPITAL ASSETS</b>	<b>146,667,892</b>	<b>152,787,936</b>	<b>501,081</b>	<b>505,081</b>	<b>147,168,973</b>	<b>153,293,017</b>
Accumulated depreciation	(46,426,847)	(48,450,112)	(480,796)	(484,853)	(46,907,643)	(48,934,965)
<b>CAPITAL ASSETS, net</b>	<b>\$ 100,241,045</b>	<b>\$ 104,337,824</b>	<b>\$ 20,285</b>	<b>\$ 20,228</b>	<b>\$ 100,261,330</b>	<b>\$ 104,358,052</b>

**DEBT ADMINISTRATION**

<b>Debt Service Schedule</b>			
<b>June 30, 2018</b>			
	Principal Outstanding July 1, 2017	Additions (Payments)	Principal Outstanding June 30, 2018
<b>GENERAL OBLIGATION BONDS</b>			
Series A of 2004	\$ 10,000	\$ (5,000)	\$ 5,000
Series of 2011	5,320,000	(2,635,000)	2,685,000
Series of 2012	3,835,000	(345,000)	3,490,000
Series of 2013	24,435,000	(5,000)	24,430,000
Series of 2013A	23,145,000	(5,000)	23,140,000
Series of 2015	6,410,000	(60,000)	6,350,000
Series of 2015A	8,590,000	(75,000)	8,515,000
Series of 2016	9,900,000	(5,000)	9,895,000
Series of 2017	-	9,795,000	9,795,000
	<b>\$ 81,645,000</b>	<b>\$ 6,660,000</b>	<b>\$ 88,305,000</b>

## **PENN-DELCO SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

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Other obligations include accrued vacation pay and severance for specific employees of the District. More detailed information about our long-term liabilities is included in the Notes to the Basic Financial Statements.

### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

The government of the Commonwealth of Pennsylvania continues to debate the funding mechanism for the public school system, however nothing since June 27, 2006, with the implementation of Act 1 that limits the increase to school taxes has changed. Real estate taxes will continue to be the main source of revenue for the School District, with gaming revenue continuing to be an offset to property taxes.

The financial markets and the U.S. economy continue to impact the revenue side of the financials. Interest rates remain low but are slowly beginning to recover, showing some growth in interest revenue. The district continues to see an increase in home sales resulting in an increase in transfer tax revenue, during the 2017-2018 fiscal year the development and sale of commercial property resulted in a slight increase in overall assessed value and a boost for transfer tax revenue.

The Board of School Directors is committed to the continuation of capital improvements to Sun Valley High School. There are plans for the installation of a turf field in the stadium and continued renovation of classrooms.

The Penn-Delco School Board, administration and staff are strongly committed to continue providing a high quality education and sound financial management.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, creditors and any other stakeholder with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office.

**PENN-DELCO SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,002,466	\$ 35,364	\$ 34,037,830
Investments	1,480,475	-	1,480,475
Taxes receivable, net	1,328,651	-	1,328,651
Due from other governments	2,665,177	53,205	2,718,382
Other receivables, net	2,181,665	1,922	2,183,587
Inventories	41,421	4,875	46,296
Prepaid expenses	84,130	-	84,130
Capital assets			
Land and site improvements	948,970	-	948,970
Buildings and building improvements	136,873,123	-	136,873,123
Furniture and equipment	10,652,556	505,081	11,157,637
Construction in progress	4,313,287	-	4,313,287
Accumulated depreciation	(48,450,112)	(484,853)	(48,934,965)
<b>TOTAL ASSETS</b>	<u>146,121,809</u>	<u>115,594</u>	<u>146,237,403</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	78,405	-	78,405
Deferred outflows of resources, OPEB activity	214,000	-	214,000
Deferred outflows of resources, pension activity	14,377,000	-	14,377,000
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>14,669,405</u>	<u>-</u>	<u>14,669,405</u>
<b>LIABILITIES</b>			
Accounts payable	1,145,098	72,780	1,217,878
Accrued salaries and benefits	5,300,692	-	5,300,692
Accrued interest	538,250	-	538,250
Internal balances	(148,274)	148,274	-
Unearned revenue	4,341	-	4,341
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,300,000	-	3,300,000
Bond premium, net of discount	180,086	-	180,086
Compensated absences	115,105	-	115,105
Portion due or payable after one year			
Bonds payable	85,005,000	-	85,005,000
Bond premium, net of discount	1,893,632	-	1,893,632
Compensated absences	1,035,944	-	1,035,944
Net pension liability	91,615,000	-	91,615,000
Net OPEB obligation	6,195,000	-	6,195,000
<b>TOTAL LIABILITIES</b>	<u>196,179,874</u>	<u>221,054</u>	<u>196,400,928</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, OPEB activity	241,000	-	241,000
Deferred inflows of resources, pension activity	590,000	-	590,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>831,000</u>	<u>-</u>	<u>831,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	30,301,360	20,228	30,321,588
Restricted for capital projects	19,515,501	-	19,515,501
Unrestricted	(86,036,521)	(125,688)	(86,162,209)
<b>TOTAL NET POSITION</b>	<u>\$ (36,219,660)</u>	<u>\$ (105,460)</u>	<u>\$ (36,325,120)</u>

*See accompanying notes to the basic financial statements.*

# PENN-DELCO SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 24,643,900	\$ 24,018	\$ 2,394,337	\$ -
Special programs	10,691,400	-	3,963,911	-
Vocational education	552,402	2,332	-	-
Other instructional programs	66,339	10,333	13,956	-
Support services				
Pupil personnel services	2,312,259	-	239,542	-
Instructional staff services	2,182,149	774	212,587	-
Administration services	4,071,934	-	400,570	-
Pupil health services	896,274	-	153,654	-
Business services	1,044,080	-	100,934	-
Operation and maintenance of plant services	1,665,430	77,780	801,158	-
Student transportation services	3,214,032	-	296,675	-
Central services	1,779,259	-	141,182	-
Other services	47,935	-	-	-
Operation of non-instructional services				
Student activities	968,395	40,742	76,283	-
Community services	182,006	-	6,532	-
Interest on long-term debt	3,149,634	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>57,467,428</b>	<b>155,979</b>	<b>8,801,321</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	1,390,380	998,612	336,793	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 58,857,808</b>	<b>\$ 1,154,591</b>	<b>\$ 9,138,114</b>	<b>\$ -</b>

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR, restated**

**NET POSITION AT END OF YEAR**

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (22,225,545)	\$ -	\$ (22,225,545)
(6,727,489)	-	(6,727,489)
(550,070)	-	(550,070)
(42,050)	-	(42,050)
(2,072,717)	-	(2,072,717)
(1,968,788)	-	(1,968,788)
(3,671,364)	-	(3,671,364)
(742,620)	-	(742,620)
(943,146)	-	(943,146)
(786,492)	-	(786,492)
(2,917,357)	-	(2,917,357)
(1,638,077)	-	(1,638,077)
(47,935)	-	(47,935)
(851,370)	-	(851,370)
(175,474)	-	(175,474)
<u>(3,149,634)</u>	<u>-</u>	<u>(3,149,634)</u>
(48,510,128)	-	(48,510,128)
-	(54,975)	(54,975)
<u>(48,510,128)</u>	<u>(54,975)</u>	<u>(48,565,103)</u>
39,295,837	-	39,295,837
39,426	-	39,426
3,288,999	-	3,288,999
6,775,262	-	6,775,262
482,185	958	483,143
96,769	-	96,769
<u>49,978,478</u>	<u>958</u>	<u>49,979,436</u>
1,468,350	(54,017)	1,414,333
<u>(37,688,010)</u>	<u>(51,443)</u>	<u>(37,739,453)</u>
<u>\$ (36,219,660)</u>	<u>\$ (105,460)</u>	<u>\$ (36,325,120)</u>

# PENN-DELCO SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,149,383	\$ 3,589,234	\$ 16,263,849	\$ 34,002,466
Investments	1,480,475	-	-	1,480,475
Taxes receivable, net	1,328,651	-	-	1,328,651
Due from other funds	208,423	-	31,320	239,743
Due from other governments	2,665,177	-	-	2,665,177
Other receivables	2,183,065	-	-	2,183,065
Inventories	41,421	-	-	41,421
Prepaid expenses	38,688	45,442	-	84,130
<b>TOTAL ASSETS</b>	<b>\$ 22,095,283</b>	<b>\$ 3,634,676</b>	<b>\$ 16,295,169</b>	<b>\$ 42,025,128</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 788,958	\$ 42,800	\$ 313,340	\$ 1,145,098
Due to other funds	80,107	-	12,762	92,869
Unearned revenue	4,341	-	-	4,341
Accrued salaries and benefits	5,300,692	-	-	5,300,692
Compensated absences	115,105	-	-	115,105
<b>TOTAL LIABILITIES</b>	<b>6,289,203</b>	<b>42,800</b>	<b>326,102</b>	<b>6,658,105</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues, property taxes	828,128	-	-	828,128
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	41,421	-	-	41,421
Prepaid expenses	38,688	45,442	-	84,130
Restricted for capital projects	-	3,546,434	15,969,067	19,515,501
Assigned to technology and technology infrastructure	821,236	-	-	821,236
Committed to				
Capital projects	4,800,000	-	-	4,800,000
Debt service	2,238,439	-	-	2,238,439
Retirement rate stabilization	2,800,000	-	-	2,800,000
Unassigned	4,238,168	-	-	4,238,168
<b>TOTAL FUND BALANCES</b>	<b>14,977,952</b>	<b>3,591,876</b>	<b>15,969,067</b>	<b>34,538,895</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 22,095,283</b>	<b>\$ 3,634,676</b>	<b>\$ 16,295,169</b>	<b>\$ 42,025,128</b>

See accompanying notes to the basic financial statements.

# PENN-DELCO SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 34,538,895

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

Land and site improvements	948,970
Buildings and building improvements	136,873,123
Furniture and equipment	10,652,556
Construction in progress	4,313,287
Accumulated depreciation	(48,450,112)

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

Deferred amounts on refunding	78,405
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Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.

13,760,000

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

Accrued interest	(538,250)
Bonds payable	(88,305,000)
Bond premium	(2,073,718)
Compensated absences	(1,035,944)
Net pension liability	(91,615,000)
Net OPEB obligation	(6,195,000)

Some of the School 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 deferred in the funds.

828,128

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (36,219,660)

*See accompanying notes to the basic financial statements.*

**PENN-DELCO SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 43,172,182	\$ 40,100	\$ 168,182	\$ 43,380,464
State sources	14,647,091	-	-	14,647,091
Federal sources	929,826	-	-	929,826
<b>TOTAL REVENUES</b>	<u>58,749,099</u>	<u>40,100</u>	<u>168,182</u>	<u>58,957,381</u>
<b>EXPENDITURES</b>				
Instruction	33,055,214	-	-	33,055,214
Support services	18,695,757	-	-	18,695,757
Operation of non-instructional services	1,059,517	-	165,811	1,225,328
Facilities acquisition, construction and improvement services	27,443	810,775	3,027,056	3,865,274
Debt service	6,136,518	-	142,559	6,279,077
Bond issuance costs	-	-	112,556	112,556
<b>TOTAL EXPENDITURES</b>	<u>58,974,449</u>	<u>810,775</u>	<u>3,447,982</u>	<u>63,233,206</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(225,350)</u>	<u>(770,675)</u>	<u>(3,279,800)</u>	<u>(4,275,825)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from bond issuance	-	-	9,795,000	9,795,000
Bond premium	-	-	202,711	202,711
<b>TOTAL OTHER FINANCING     SOURCES</b>	<u>-</u>	<u>-</u>	<u>9,997,711</u>	<u>9,997,711</u>
NET CHANGE IN FUND BALANCES	(225,350)	(770,675)	6,717,911	5,721,886
FUND BALANCES AT BEGINNING OF YEAR, restated	<u>15,203,302</u>	<u>4,362,551</u>	<u>9,251,156</u>	<u>28,817,009</u>
FUND BALANCES AT END OF YEAR	<u>\$ 14,977,952</u>	<u>\$ 3,591,876</u>	<u>\$ 15,969,067</u>	<u>\$ 34,538,895</u>

*See accompanying notes to the basic financial statements.*

# PENN-DELCO SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 5,721,886
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation and construction in progress in the current period.	4,096,779
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position.	(6,660,000)
Deferred charges on bond refundings, bond premiums and bond discounts are reported in Governmental Funds as revenues or expenditures; however, in the statement of activities, their costs are allocated over the term lives of debt instruments as an offset to interest expense.	(34,467)
Because some property taxes and earned income taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.	(21,603)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	(61,245)
Pension plan expense	(1,652,000)
OPEB expense	<u>79,000</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,468,350</u></u>

*See accompanying notes to the basic financial statements.*

**PENN-DELCO SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2018

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	<u>Enterprise Fund Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 35,364
Due from other governments	53,205
Other receivables	1,922
Due from other funds	34,685
Inventories	4,875
TOTAL CURRENT ASSETS	<u>130,051</u>
CAPITAL ASSETS	
Furniture and equipment	505,081
Accumulated depreciation	(484,853)
TOTAL CAPITAL ASSETS	<u>20,228</u>
TOTAL ASSETS	<u>\$ 150,279</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 72,780
Due to other funds	182,959
TOTAL CURRENT LIABILITIES	<u>255,739</u>
NET POSITION	
Net investment in capital assets	20,228
Unrestricted	(125,688)
TOTAL NET POSITION	<u>(105,460)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 150,279</u>

*See accompanying notes to the basic financial statements.*

**PENN-DELCO SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2018**

	Enterprise Fund
	<u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 971,549
Miscellaneous	27,063
TOTAL OPERATING REVENUES	<u>998,612</u>
OPERATING EXPENSES	
Purchased property services	5,417
Other purchased services and supplies	1,372,112
Depreciation	4,057
Repairs and maintenance	8,794
TOTAL OPERATING EXPENSES	<u>1,390,380</u>
OPERATING LOSS	<u>(391,768)</u>
NONOPERATING REVENUES	
Interest and investment revenue	958
Federal sources	320,587
State sources	16,206
TOTAL NONOPERATING REVENUES	<u>337,751</u>
CHANGE IN NET POSITION	(54,017)
NET POSITION AT BEGINNING OF YEAR	<u>(51,443)</u>
NET POSITION AT END OF YEAR	<u>\$ (105,460)</u>

*See accompanying notes to the basic financial statements.*

# PENN-DELCO SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2018

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,002,609
Cash paid for operating expenses	<u>(1,457,842)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(455,233)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	264,850
State sources	<u>16,206</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>281,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	958
Purchase of machinery and equipment	<u>(4,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,042)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(177,219)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>212,583</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 35,364</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (391,768)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	4,057
Donated food	55,737
(Increase) decrease in	
Due from other governments	(1,329)
Other receivables	3,019
Inventories	2,307
Increase in	
Accounts payable	(162,048)
Due to other funds	<u>34,792</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (455,233)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated food	\$ 60,350

See accompanying notes to the basic financial statements.

**PENN-DELCO SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

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	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 218,210
Other receivables	<u>1,400</u>
 TOTAL ASSETS	 \$ <u><u>219,610</u></u>
 LIABILITIES	
Accounts payable	\$ <u><u>219,610</u></u>

*See accompanying notes to the basic financial statements.*

**PENN-DELCO SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Penn-Delco School District (the "School District") operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The School District operates under a locally elected nine-member board form of government.

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Penn-Delco School District. The School District is not a component unit of another reporting entity nor does it have any component units.

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the Fiduciary Fund. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements*** - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**PENN-DELCO SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Proprietary Fund 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 a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds***

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Reserve Fund** - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements.

***Proprietary Fund***

**Food Service Fund** - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fiduciary Fund***

**Agency Fund** - The Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled under Act 72 of the Pennsylvania General Assembly of 1971. Monies for all funds, including the Proprietary Fund, are maintained in this pool. Individual fund integrity is maintained throughout the School District's records.

The School 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 and no restrictions on withdrawal.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

**Inventories and Prepaid Items**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated food received from the federal government. The donated food is valued at its fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	15-40
Furniture and equipment	5-20

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the deferred amounts on refunding, deferred outflows related to pension activity, and deferred outflows related to OPEB activity, all of which are reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of the difference between expected and actual experience, changes in assumptions, the difference between projected and actual investment earnings, changes in proportions, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow related to OPEB activity is the result of the difference between projected and actual investment earnings and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, *unavailable revenues*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience and changes in proportions. The third item, deferred inflows related to OPEB activity, are reported in the government-wide statement of net position. The deferred inflow related to OPEB activity is the result of changes in assumptions, changes in proportions, and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, Governmental Funds 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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Typically, the General Fund has been used to liquidate other long-term liabilities, such as compensated absences, in prior years.

**Compensated Absences**

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements.

**Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position from the net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**GASB Statement No. 54**

The School District has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable 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 state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by the Business Administrator to which the Board of School Directors has delegated the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 14). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE B - CASH AND INVESTMENTS**

**Cash**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows the Commonwealth of Pennsylvania School Code. As of June 30, 2018, the School District's total bank balance was \$35,255,938. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$3,921,645 was uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name. The remaining cash deposits totaling \$31,084,293 are placed with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

**Interest Rate Risk** - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investments**

**Credit Risk** - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices. As of June 30, 2018, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

As of June 30, 2018, the District had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Amortized Cost</u>
State investment pools	Less than one year	\$ <u><u>1,480,475</u></u>

The School District's investments are in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2018, is \$1,480,475. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. As of June 30, 2018, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$1,480,475 invested in the PLGIT CD Program which must be held to maturity.

**Fair Value Measurement** - The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District did not have any recurring fair value measurements as of June 30, 2018.

**NOTE C - PROPERTY TAXES**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

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

Discount period ..... July 1 to August 31 - 2% of gross levy  
 Flat period ..... September 1 to November 1  
 Penalty period ..... November 2 to December 31 - 10% of gross levy  
 Lien date ..... January 1

School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Food Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Real estate taxes	\$ 1,267,742	\$ -	\$ -	\$ -
Real estate transfer taxes	60,909	-	-	-
Due from other governments	2,665,177	-	-	53,205
Other receivables	<u>2,183,065</u>	<u>-</u>	<u>-</u>	<u>1,922</u>
	<u>\$ 6,176,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,127</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE E - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land and site improvements	\$ 948,970	\$ -	\$ -	\$ 948,970
Construction in progress	1,453,933	4,313,287	(1,453,933)	4,313,287
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>2,402,903</b>	<b>4,313,287</b>	<b>(1,453,933)</b>	<b>5,262,257</b>
Capital assets being depreciated				
Buildings and building improvements	132,992,356	4,336,366	(455,599)	136,873,123
Furniture and equipment	11,272,633	42,679	(662,756)	10,652,556
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>144,264,989</b>	<b>4,379,045</b>	<b>(1,118,355)</b>	<b>147,525,679</b>
Accumulated depreciation				
Buildings and building improvements	(35,700,603)	(2,929,052)	455,599	(38,174,056)
Furniture and equipment	(10,726,244)	(212,568)	662,756	(10,276,056)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(46,426,847)</b>	<b>(3,141,620)</b>	<b>1,118,355</b>	<b>(48,450,112)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>97,838,142</b>	<b>1,237,425</b>	<b>-</b>	<b>99,075,567</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>100,241,045</b>	<b>5,550,712</b>	<b>(1,453,933)</b>	<b>104,337,824</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	501,081	4,000	-	505,081
Accumulated depreciation	(480,796)	(4,057)	-	(484,853)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>20,285</b>	<b>(57)</b>	<b>-</b>	<b>20,228</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 100,261,330</b>	<b>\$ 5,550,655</b>	<b>\$ (1,453,933)</b>	<b>\$ 104,358,052</b>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE E - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

**GOVERNMENTAL ACTIVITIES**

Instruction	
Regular programs	\$ 1,251,364
Special programs	548,186
Vocational education	28,932
Other instructional programs	3,381
Support services	
Pupil personnel services	117,143
Instructional staff services	110,855
Administration services	206,407
Pupil health services	45,634
Business services	52,973
Operation and maintenance of plant services	461,254
Student transportation services	163,531
Central services	90,882
Other services	2,511
Operation of non-instructional services	
Student activities	49,213
Community services	<u>9,354</u>
	<u>\$ 3,141,620</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE F - LONG-TERM DEBT**

**General Obligation Bonds**

**Series A of 2004** - On November 1, 2004, the School District issued \$14,000,000 in General Obligation Bonds. The bonds were issued for renovating the heating, ventilation and air conditioning system at Sun Valley High School; planning, designing, acquiring, constructing and equipping of additions and renovations to Aston Elementary School; completion of the construction, furnishing and equipping of alterations, additions, renovations and improvements to various school properties, including, but not limited to, Sun Valley High School, Northley Middle School, Pennell Elementary School and the School District's Services Center and the purchase of certain school buses; and to advance refund all of the School District's outstanding General Obligation Bonds, Series of 1999. The bonds bear interest at a fixed rate, are outstanding in the amount of \$5,000 at June 30, 2018. A portion of the bonds was advance refunded through the issuance of the General Obligation Bonds, Series A of 2006.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ <u>5,000</u>	\$ <u>200</u>	\$ <u>5,200</u>

**Series of 2011** - On October 26, 2011, the School District issued \$7,895,000 in General Obligation Bonds. The bonds were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series of 2007, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.000% to 2.375%, are outstanding in the amount of \$2,685,000 at June 30, 2018, and mature annually through June 2019.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ <u>2,685,000</u>	\$ <u>63,769</u>	\$ <u>2,748,769</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE F - LONG-TERM DEBT (Continued)**

**Series of 2012** - On March 28, 2012, the School District issued \$5,190,000 in General Obligation Bonds. The bonds were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series A of 2007, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.00% to 3.15%, are outstanding in the amount of \$3,490,000 at June 30, 2018, and mature annually through June 2027.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 355,000	\$ 92,146	\$ 447,146
2020	360,000	85,934	445,934
2021	370,000	78,734	448,734
2022	375,000	70,594	445,594
2023	380,000	60,750	440,750
2024 to 2027	<u>1,650,000</u>	<u>130,170</u>	<u>1,780,170</u>
	<u>\$ 3,490,000</u>	<u>\$ 518,328</u>	<u>\$ 4,008,328</u>

**Series of 2013** - On December 3, 2012, the School District issued \$24,450,000 in General Obligation Bonds. The bonds were issued to fund the construction, renovation and equipping of the Northley Middle School and other properties, pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.00% to 4.00%, are outstanding in the amount of \$24,430,000 at June 30, 2018, and mature annually through June 2038.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 5,000	\$ 977,200	\$ 982,200
2020	5,000	977,100	982,100
2021	5,000	977,000	982,000
2022	5,000	976,800	981,800
2023	5,000	976,600	981,600
2024 to 2028	4,720,000	4,758,400	9,478,400
2029 to 2033	8,880,000	3,451,000	12,331,000
2034 to 2038	<u>10,805,000</u>	<u>1,330,600</u>	<u>12,135,600</u>
	<u>\$ 24,430,000</u>	<u>\$ 14,424,700</u>	<u>\$ 38,854,700</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE F - LONG-TERM DEBT (Continued)**

**Series A of 2013** - On July 18, 2013, the School District issued \$23,165,000 in General Obligation Bonds. The bonds were issued to fund the construction, renovation and equipping of the Northley Middle School, the Coeburn Elementary School and certain other capital improvements of the properties of the School District, pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 2.00% to 5.00%, are outstanding in the amount of \$23,140,000 at June 30, 2018, and mature annually through June 2038.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 5,000	\$ 1,082,638	\$ 1,087,638
2020	5,000	1,082,488	1,087,488
2021	5,000	1,082,338	1,087,338
2022	5,000	1,082,150	1,087,150
2023	5,000	1,081,963	1,086,963
2024 to 2028	5,225,000	5,264,113	10,489,113
2029 to 2033	7,875,000	3,873,825	11,748,825
2034 to 2038	10,015,000	1,551,000	11,566,000
	<u>\$ 23,140,000</u>	<u>\$ 16,100,515</u>	<u>\$ 39,240,515</u>

**Series of 2015** - On November 23, 2015, the School District issued \$6,445,000 in General Obligation Bonds. The bonds were issued to fund the refunding of outstanding General Obligation Bonds, Series of 2010 and pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 2.00% to 3.00%, are outstanding in the amount of \$6,350,000 at June 30, 2018, and mature annually through February 2024.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 65,000	\$ 135,090	\$ 200,090
2020	65,000	133,140	198,140
2021	65,000	131,190	196,190
2022	70,000	129,240	199,240
2023	3,015,000	127,840	3,142,840
2024	3,070,000	67,540	3,137,540
	<u>\$ 6,350,000</u>	<u>\$ 724,040</u>	<u>\$ 7,074,040</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE F - LONG-TERM DEBT (Continued)**

**Series A of 2015** - On November 23, 2015, the School District issued \$8,595,000 in General Obligation Bonds. The bonds were issued to fund the refunding of outstanding General Obligation Bonds, Series of 2010, not refunded by General Obligation Bonds, Series of 2015, and pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 2.00% to 3.00%, are outstanding in the amount of \$8,515,000 at June 30, 2018, and mature annually through February 2022.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 170,000	\$ 281,100	\$ 451,100
2020	2,675,000	276,000	2,951,000
2021	2,780,000	169,000	2,949,000
2022	<u>2,890,000</u>	<u>57,800</u>	<u>2,947,800</u>
	<u>\$ 8,515,000</u>	<u>\$ 783,900</u>	<u>\$ 9,298,900</u>

**Series of 2016** - On December 6, 2016, the School District issued \$9,900,000 in General Obligation Bonds. The bonds were issued to fund the Capital Program and to pay the costs of issuing the Bonds. The bonds bear interest at rates ranging from 2.00% to 3.20%, are outstanding in the amount of \$9,895,000 at June 30, 2018, and mature annually through February 2042.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 5,000	\$ 285,019	\$ 290,019
2020	5,000	284,919	289,919
2021	5,000	284,819	289,819
2022	5,000	284,719	289,719
2023	5,000	284,619	289,619
2024 to 2028	1,805,000	1,366,716	3,171,716
2029 to 2033	2,510,000	1,091,670	3,601,670
2034 to 2038	2,895,000	700,394	3,595,394
2039 to 2042	<u>2,660,000</u>	<u>216,000</u>	<u>2,876,000</u>
	<u>\$ 9,895,000</u>	<u>\$ 4,798,875</u>	<u>\$ 14,693,875</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE F - LONG-TERM DEBT (Continued)**

**Series of 2017-** On November 17, 2017, the School District issued \$9,795,000 in General Obligation Bonds. The bonds were issued to fund the Capital Program and to pay the costs of issuing the Bonds. The bonds bear interest at rates ranging from 2.00% to 4.00%, are outstanding in the amount of \$9,795,000 at June 30, 2018, and mature annually through February 2042.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 5,000	\$ 353,719	\$ 358,719
2020	5,000	353,619	358,619
2021	5,000	353,519	358,519
2022	5,000	353,419	358,419
2023	5,000	353,519	358,519
2024 to 2028	560,000	1,748,706	2,308,706
2029 to 2033	775,000	1,655,250	2,430,250
2034 to 2038	910,000	1,528,663	2,438,663
2039 to 2042	<u>7,525,000</u>	<u>753,250</u>	<u>8,278,250</u>
	<u>\$ 9,795,000</u>	<u>\$ 7,453,664</u>	<u>\$ 17,248,664</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE G - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance <u>June 30, 2017</u>
<b>GENERAL OBLIGATION BONDS</b>	
Series A of 2004	\$ 10,000
Series of 2011	5,320,000
Series of 2012	3,835,000
Series of 2013	24,435,000
Series A of 2013	23,145,000
Series of 2015	6,410,000
Series A of 2015	8,590,000
Series of 2016	9,900,000
Series of 2017	-
<b>TOTAL GENERAL OBLIGATION BONDS</b>	<u>81,645,000</u>
<b>BOND PREMIUM (DISCOUNT)</b>	
Series of 2011	14,293
Series of 2012	(3,209)
Series of 2013	1,793,291
Series A of 2013	122,017
Series of 2015	(53,259)
Series A of 2015	371,680
Series of 2016	(179,427)
Series of 2017	-
<b>TOTAL BOND PREMIUM (DISCOUNT)</b>	<u>2,065,386</u>
<b>COMPENSATED ABSENCES</b>	<u>1,083,828</u>
<b>NET PENSION LIABILITY</b>	<u>91,977,000</u>
<b>NET OPEB OBLIGATION, restated</b>	<u>6,301,000</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 183,072,214</u>

<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
\$ -	\$ (5,000)	\$ 5,000	\$ 5,000
-	(2,635,000)	2,685,000	2,685,000
-	(345,000)	3,490,000	355,000
-	(5,000)	24,430,000	5,000
-	(5,000)	23,140,000	5,000
-	(60,000)	6,350,000	65,000
-	(75,000)	8,515,000	170,000
-	(5,000)	9,895,000	5,000
<u>9,795,000</u>	<u>-</u>	<u>9,795,000</u>	<u>5,000</u>
<u>9,795,000</u>	<u>(3,135,000)</u>	<u>88,305,000</u>	<u>3,300,000</u>
-	(14,293)	-	-
-	402	(2,807)	(402)
-	(89,664)	1,703,627	89,664
-	(5,810)	116,207	5,810
-	8,876	(44,383)	(8,876)
-	(92,920)	278,760	92,920
-	7,476	(171,951)	(7,476)
<u>202,711</u>	<u>(8,446)</u>	<u>194,265</u>	<u>8,446</u>
<u>202,711</u>	<u>(194,379)</u>	<u>2,073,718</u>	<u>180,086</u>
<u>67,221</u>	<u>-</u>	<u>1,151,049</u>	<u>115,105</u>
<u>-</u>	<u>(362,000)</u>	<u>91,615,000</u>	<u>-</u>
<u>113,000</u>	<u>(219,000)</u>	<u>6,195,000</u>	<u>-</u>
<u>\$ 10,177,932</u>	<u>\$ (3,910,379)</u>	<u>\$ 189,339,767</u>	<u>\$ 3,595,191</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE H - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE**

**General Fund**

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred revenue until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue.

At June 30, 2018, deferred inflows of resources consisted of delinquent taxes receivable of \$828,128. The School District had \$4,341 in unearned revenue as of June 30, 2018.

**NOTE I - PENSION PLAN**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-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 financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on 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 benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE I - PENSION PLAN (Continued)**

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon 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 (ten years 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.

***Contributions***

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute 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 Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with 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. Contributions to the plan from the School District were \$7,121,000 for the year ended June 30, 2017.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE I - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the School District reported a liability of \$91,615,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The School 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, 2017, the School District's proportion was 0.1855%, which was the decreased by .0001% as its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$9,694,000. At June 30, 2018, the School 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>
Difference between expected and actual experience	\$ 956,000	\$ 554,000
Changes in assumptions	2,489,000	-
Net difference between projected and actual investment earnings	2,123,000	-
Changes in proportions	559,000	36,000
Difference between employer contributions and proportionate share of total contributions	208,000	-
Contributions subsequent to the measurement date	<u>8,042,000</u>	<u>-</u>
	<u>\$ 14,377,000</u>	<u>\$ 590,000</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE I - PENSION PLAN (Continued)**

\$8,042,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,637,000
2020	2,694,000
2021	1,675,000
2022	<u>(261,000)</u>
	<u>\$ 5,745,000</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level percent of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE I - PENSION PLAN (Continued)**

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>-20.0%</u>	1.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. 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, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE I - PENSION PLAN (Continued)**

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School District's proportionate share of the net pension liability	\$ <u>112,771,000</u>	\$ <u>91,615,000</u>	\$ <u>73,755,000</u>

***Pension Plan Fiduciary Net Position*** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Health Insurance Premium Assistance Program**

***Health Insurance Premium Assistance Program***

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit 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, 2017 there were no assumed future benefit increases to participating eligible retirees.

**PENN-DELCO SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

***Premium Assistance Eligibility Criteria***

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ 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.

***Pension Plan Description***

PSERS is 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 financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

***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, 2017 there were no assumed future benefit increases to participating eligible retirees

***Contributions***

The school district's contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.083% of covered payroll, actuarially determined as an amount that, when combined with 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. Contributions to the OPEB plan from the District were \$202,000 for the year ended June 30, 2017.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the District reported a liability of \$3,779,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1855% percent, which was a decrease of .0001% from its proportion measured as of June 30, 2017.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$(43,000). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 176,000
Net difference between projected and actual investment earnings	4,000	-
Changes in proportions	-	2,000
Difference between employer contributions and proportionate share of total contributions	-	2,000
Contributions subsequent to the measurement date	<u>210,000</u>	<u>-</u>
	<u>\$ 214,000</u>	<u>\$ 180,000</u>

\$210,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ (29,000)
2019	(29,000)
2020	(29,000)
2021	(29,000)
2020	(30,000)
Thereafter	<u>(30,000)</u>
	<u>\$ (176,000)</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - 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, 2015 determined the employer contribution rate for fiscal year 2017.
- 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 and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

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 Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	<u>23.6%</u>	1.5%
	<u><u>100.0%</u></u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 3.13%. 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 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

***Sensitivity of the System 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, 2017, 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, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 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 net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
	<u>                    </u>	<u>                    </u>	<u>                    </u>
System net OPEB liability	\$ 3,778,000	\$ 3,779,000	\$ 3,780,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rates***

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
	<u>                    </u>	<u>                    </u>	<u>                    </u>
School District's proportionate share of the net OPEB liability	\$ 4,296,000	\$ 3,779,000	\$ 3,350,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>

***OPEB Plan Fiduciary Net Position***

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN**

**Plan Description**

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

**Plan Membership** - At July 1, 2016, plan membership consisted of the following:

Active plan members	272
Retired members	21
Spouses of retirees	1
	294
	294

**Funding Policy and Funding Status**

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2018 benefit payments paid as they came due were \$80,000.

**Benefits Provided**

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 is eligible for Medicare or becomes eligible for other group health coverage. In order to obtain coverage, retired employees must provide payment equal to the full premium rate.

In addition, for those administration who reach seven years of service with the District and 30 years of PSERS service, the District will contribute toward medical, prescription drug, and dental coverage for a period of up to seven years, expiring at age 65. The member is responsible to pay 12.5% of the premium.

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Interest Rate** – 3.87%, based on Bond Buyer 20 Year GO Index as of June 30, 2018.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

**Salary** – For purposes of cost method allocation, assumed salary increases are based on the rates utilized in the June 20, 2016 Actuarial Valuation for the Pennsylvania Public School Employees Retirement System and vary by age. Illustrative rates are shown below:

<u>Age</u>	<u>Rate</u>
25	9.25%
35	6.75%
45	4.75%
55	3.25%

**Health Care Cost Trend Rate** – 6.70% in 2018, 6.50% in 2019, 6.20% in 2020, 5.90 in 2021, 5.60% in 2022. Rates gradually decrease from 6.00% to 4.00% from 2027 to 2087 and later based on the Society of Actuaries Long-Run Cost Trend Model.

**Withdrawal** – Withdrawal rates are based on the rates utilized in the June 30, 2016 Actuarial Valuation for the Pennsylvania Public School Employees Retirement System and vary be age, service and gender. Illustrative rates are shown below:

<u>Males</u>			
<u>Age</u>	<u>&lt; 5 Years</u>	<u>5 - 9 Years</u>	<u>10+ Years</u>
25	15%	6%	3%
35	13%	3%	2%
45	14%	5%	1%
55	12%	4%	3%
<u>Females</u>			
<u>Age</u>	<u>&lt; 5 Years</u>	<u>5 - 9 Years</u>	<u>10+ Years</u>
25	13%	7%	5%
35	14%	6%	3%
45	12%	5%	2%
55	12%	4%	3%

**Mortality** - Mortality rates are adjusted to reflect Mortality Improvement Scale from 2006 base year and projected forward on a generational basis with Scale based on recommendation of Society of Actuaries' Retirement Plans Experience Committee. As a generational table, it reflects mortality improvements both before and after the measurement date.

**Disability** – No disability was assumed.

**Retirement** – Retirement rates are based on the PSERS plan experience and vary by age, service, and gender.

**PENN-DELCO SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

***Percent of Eligible Retirees Electing Coverage in Plan*** – For teachers, 75% of current active members who retire at age 55 or later after meeting the requirements of Act 110/43 are assumed to elect to purchase coverage in retirement. For support staff, that percentage is 10%. For administrators, 100% of the current active members who retire at age 55 or later are assumed to elect coverage at retirement if eligible for the District incentive. For administrators that fall under Act 110/43 the percentage is 50% of current active members who retire at age 55 or later after meeting the requirements.

***Percent Married at Retirement*** – For teachers, administrators, and support staff the percentage of those assumed to be married and have a spouse covered by the plan at retirement is 10%, 30%, and 10%, respectively.

***Spouse Age*** – Wives are assumed to be three years younger than their husbands.

***Retiree Contributions*** – Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

***Actuarial Value of Assets*** – Equal to the Market Value of Assets.

***Actuarial Cost Method - Entry Age Normal*** – The plan's actuarial cost method is the entry age normal method. Under this method, a projected benefit is determined at each active participant's assumed retirement age. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of his compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to his assumed retirement date into an amount sufficient to fund his projected benefit. The plan's accrued liability is the sum of (a) the accumulation of each active participant's normal costs attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)**

**Changes in Assumptions** - In the 2017 actuarial valuation, the discount rate changed from 3.25% to 3.87%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

***Changes in the Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>2,303,000</u>
Changes for the year	
Service cost	174,000
Interest cost	88,000
Changes in assumptions	(69,000)
Benefit payments	<u>(80,000)</u>
Net changes	<u>113,000</u>
Balance at June 30, 2018	\$ <u><u>2,416,000</u></u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	<u>1% Decrease 2.87%</u>	<u>Current Discount Rate 3.87%</u>	<u>1% Increase 4.87%</u>
Total OPEB liability	\$ <u>2,579,000</u>	\$ <u>2,416,000</u>	\$ <u>2,164,000</u>

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>2,024,000</u>	\$ <u>2,416,000</u>	\$ <u>2,902,000</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2018, the School recognized OPEB expense of \$254,000. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ <u>          -</u>	\$ <u>      61,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(8,000)
2023	(8,000)
Thereafter	<u>(21,000)</u>
	<u>\$ (61,000)</u>

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE L - COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN**

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The School District pays a percentage of an employee's salary, depending on job classification, to employees for unused sick time. All unused vacation time is converted to unused sick time. Compensation payable in future years, which was \$115,105 at June 30, 2018, is recorded in compensated absences on the statement of net position.

The Early Retirement Incentive Policy (ERIP) is designed for employees who qualify for annuity payments in accordance with provisions of the PSERS but do not qualify for Social Security benefits. The primary purpose of the ERIP is to supplement the retiree's PSERS payments with an annual School District funded payment until such time as the employee becomes eligible for Social Security benefits.

In order to obtain ERIP benefits, employees must qualify for retirement in accordance with provisions of the PSERS and must have served as a full-time School District employee for a minimum of 15 years prior to the effective date of retirement.

**NOTE M - CONTINGENCIES**

The School District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

The School District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. School District officials do not expect any significant adjustments as a result of these examinations.

**NOTE N - RISK MANAGEMENT**

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE O - PRIOR PERIOD RESTATEMENT**

The School District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the School District must record their share of the Public School Employees' Retirement System (PSERS) unfunded liability. In addition, the School also must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$3,998,000 and the beginning of year single employer OPEB plan liability of \$2,303,000 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for OPEB under GASB 45 in the amount of \$1,462,595 will be reversed. The School District has adjusted beginning net position for the governmental activities from (\$32,849,605) to (\$37,688,010).

For the general fund, the School District has made a prior period adjustment to remove the portion of accumulated compensated absences that were not immediately due and payable and thus should not be recorded as a liability of the fund financial statements. The effect of the adjustment increased the beginning fund balance on the general fund \$1,035,944, from \$14,167,358 to \$15,203,302.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PENN-DELCO SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 42,978,628	\$ 42,978,628	\$ 43,172,182	\$ 193,554
State sources	15,257,628	15,257,628	14,647,091	(610,537)
Federal sources	1,006,000	1,006,000	929,826	(76,174)
<b>TOTAL REVENUES</b>	<u>59,242,256</u>	<u>59,242,256</u>	<u>58,749,099</u>	<u>(493,157)</u>
<b>EXPENDITURES</b>				
Instruction	33,519,769	33,670,702	33,055,214	615,488
Support services	20,125,896	19,972,327	18,695,757	1,276,570
Operation of non-instructional services	1,151,122	1,153,758	1,059,517	94,241
Facilities acquisition, construction and improvement services	-	-	27,443	(27,443)
Debt service	6,013,030	6,013,030	6,136,518	(123,488)
Refund of prior year revenues	-	-	-	-
Budgetary reserve	400,000	400,000	-	400,000
<b>TOTAL EXPENDITURES</b>	<u>61,209,817</u>	<u>61,209,817</u>	<u>58,974,449</u>	<u>2,235,368</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,967,561)</u>	<u>(1,967,561)</u>	<u>(225,350)</u>	<u>1,742,211</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,967,561)</u>	<u>\$ (1,967,561)</u>	<u>(225,350)</u>	<u>\$ 1,742,211</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<u>14,167,358</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ 13,942,008</u>	

See accompanying note to the budgetary comparison schedule.

**PENN-DELCO SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
5. The operating budget is adopted on a basis prescribed by the Department of Education.

Controls over spending in the Capital Reserve Fund are achieved by the use of internal spending limits. Effective expenditure control is achieved in the Capital Reserve Fund through bond indenture provisions.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST FOUR FISCAL YEARS**

	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.1855%	0.1856%	0.1856%	18.4300%
School District's proportionate share of the net pension liability (asset)	\$ 91,615,000	\$ 91,977,000	\$ 80,393,000	\$ 72,948,000
School District's covered-employee payroll	\$ 24,694,740	\$ 24,043,522	\$ 23,875,209	\$ 23,518,112
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	370.99%	382.54%	336.72%	310.18%
The plan's fiduciary net position as a percentage of the total pension liability	51.84%	49.86%	45.64%	57.24%

**NOTES TO SCHEDULE**

This District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS**  
**LAST FOUR FISCAL YEARS**

	2018	2017	2016	2015
Contractually required contribution	\$ 8,042,000	\$ 7,121,000	\$ 5,928,000	\$ 4,813,000
Contributions in relation to the contractually required contribution	8,042,000	7,121,000	5,928,000	4,813,000
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 25,337,114	\$ 24,694,740	\$ 24,043,522	\$ 23,875,209
Contributions as a percentage of covered-employee payroll	31.74%	28.84%	24.66%	20.16%

**NOTES TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**PENN-DELCO SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY  
LAST FISCAL YEAR**

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School District's proportion of the net OPEB liability (asset)	<u>0.1855%</u>
School District's proportionate share of the net OPEB liability (asset)	<u>\$ 3,779,000</u>
School District's covered payroll	<u>\$ 24,694,740</u>
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.73%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER**  
**POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS**  
**LAST FISCAL YEAR**

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Contractually required contribution	\$ 210,000
Contributions in relation to the contractually required contribution	<u>210,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
School District's covered payroll	\$ <u><u>24,694,740</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>0.85%</u></u>

**NOTES TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR**

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TOTAL OPEB LIABILITY	
Service cost	\$ 174,000
Interest	88,000
Changes of assumptions	(69,000)
Benefit payments	<u>(80,000)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	113,000
TOTAL OPEB LIABILITY, BEGINNING	<u>2,303,000</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 2,416,000</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 25,810,861</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>9.36%</u>

**NOTES TO SCHEDULE**

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 3.25% to 3.87%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

***Independent Auditors' 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***

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Penn-Delco School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Penn-Delco School District's basic financial statements, and have issued our report thereon dated November 27, 2018.

***Internal Control Over Financial Reporting***

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

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

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

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

*Maillie LLP*

Oaks, Pennsylvania  
November 27, 2018

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

***Report on Compliance for Each Major Federal Program***

We have audited the Penn-Delco School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Penn-Delco School District's major federal programs for the year ended June 30, 2018. Penn-Delco School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Penn-Delco School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Penn-Delco School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Penn-Delco School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

To the Board of School Directors  
Penn-Delco School District  
Aston, Pennsylvania

### ***Report on Internal Control Over Compliance***

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

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

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

### ***Purpose of this Report***

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oaks, Pennsylvania  
November 27, 2018

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning Date</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education of Education</b>				
Title I- Grants to Local Educational Agencies	I	84.010	013-15-0325	July 1, 2016 to September 30, 2017
Title I- Grants to Local Educational Agencies	I	84.010	013-16-0325	July 1, 2017 September 30, 2018
TOTAL TITLE I				
Title II A- Improving Teacher Quality	I	84.367	020-15-0325	July 1, 2016 to September 30, 2017
Title II A- Improving Teacher Quality	I	84.367	020-16-0325	July 1, 2017 September 30, 2018
TOTAL TITLE II				
Title IV	I	84.424	020-16-0325	July 1, 2017 September 30, 2018
<b>Passed through the Delaware County Intermediate Unit Intermediate Unit</b>				
Special Education - Grants to States	I	84.027*	062-15-0325	July 1, 2016 to June 30, 2017
Special Education - Grants to States	I	84.027*	062-16-0325	July 1, 2017 to June 30, 2018
<b>Passed through the Intermediate Unit #1</b>				
Special Education - Grants to States	I	84.027*	062-15-0032	July 1, 2017 to September 30, 2018
<b>Passed through the Intermediate Unit #13</b>				
Special Education - Grants to States	I	84.027*	062-15-0032	July 1, 2016 to June 30, 2017
Special Education - Grants to States	I	84.027*	062-15-0032	July 1, 2017 to June 30, 2018
TOTAL CFDA 84.027				
<b>Passed through the Delaware County Intermediate Unit</b>				
Special Education - Preschool Grants	I	84.173*	131-14-0025	July 1, 2016 to June 30, 2017
Special Education - Preschool Grants	I	84.173*	131-15-0025	July 1, 2017 to June 30, 2018
TOTAL CFDA 84.173				
TOTAL SPECIAL EDUCATION CLUSTER				
<b>Passed through the Intermediate Unit #23</b>				
Project Max	I	84.323A	062-15-0032	July 1, 2017 to June 30, 2018
TOTAL FORWARD				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SERVICES</b>				
<b>Passed through the Pennsylvania Department of Public Welfare of Public Welfare</b>				
Medical Assistance Program	I	93.778	N/A	July 1, 2017 to June 30, 2018
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 295,188	\$ 295,188	\$ 254,428	\$ 40,760	\$ 40,760	\$ -	\$ -
257,354	<u>178,811</u>	<u>-</u>	<u>257,354</u>	<u>257,354</u>	<u>78,543</u>	<u>-</u>
	<u>473,999</u>	<u>254,428</u>	<u>298,114</u>	<u>298,114</u>	<u>78,543</u>	<u>-</u>
55,480	55,480	50,183	5,297	5,297	-	-
70,499	<u>48,931</u>	<u>-</u>	<u>70,499</u>	<u>70,499</u>	<u>21,568</u>	<u>-</u>
	<u>104,411</u>	<u>50,183</u>	<u>75,796</u>	<u>75,796</u>	<u>21,568</u>	<u>-</u>
10,000	<u>6,923</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>3,077</u>	<u>-</u>
545,439	157,124	157,124	-	-	-	-
537,498	4,000	-	537,498	537,498	533,498	-
873	873	873	-	-	-	-
14,207	14,207	14,207	-	-	-	-
<u>2,249</u>	<u>-</u>	<u>-</u>	<u>2,249</u>	<u>2,249</u>	<u>2,249</u>	<u>-</u>
<u>1,100,266</u>	<u>176,204</u>	<u>172,204</u>	<u>539,747</u>	<u>539,747</u>	<u>535,747</u>	<u>-</u>
3,099	3,099	3,099	-	-	-	-
<u>3,038</u>	<u>-</u>	<u>-</u>	<u>3,038</u>	<u>3,038</u>	<u>3,038</u>	<u>-</u>
<u>6,137</u>	<u>3,099</u>	<u>3,099</u>	<u>3,038</u>	<u>3,038</u>	<u>3,038</u>	<u>-</u>
	<u>179,303</u>	<u>175,303</u>	<u>542,785</u>	<u>542,785</u>	<u>538,785</u>	<u>-</u>
2,000	-	-	2,000	2,000	2,000	-
	<u>764,636</u>	<u>479,914</u>	<u>928,695</u>	<u>928,695</u>	<u>643,973</u>	<u>-</u>
N/A	<u>725</u>	<u>725</u>	<u>774</u>	<u>774</u>	<u>774</u>	<u>-</u>
	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ 774</u>	<u>\$ 774</u>	<u>\$ 774</u>	<u>\$ -</u>

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2018**

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	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning Date
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES SERVICES</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program - Commodities	I	10.555	N/A	July 1, 2017 June 30, 2018
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2017 June 30, 2018
TOTAL CHILD NUTRITION CLUSTER				
State Matching Share	S	N/A	N/A	July 1, 2017 June 30, 2018
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

**Footnotes:**

- (A) Total amount of foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2017.
- (C) Total amount of foods used.
- (D) Ending inventory at June 30, 2018.

**Source Codes:**

- I = Indirect funding
- S = State share
- \* = Major program

*See accompany notes to the schedule of expenditures of federal and certain state awards.*

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018	Amount Passed Through to Sub-Recipients
	\$ 764,636	\$ 479,914	\$ 928,695	\$ 928,695	\$ 643,973	\$ -
	725	725	774	774	774	-
N/A	58,044 (A)	(7,182) (B)	60,350	60,350 (C)	(4,876) (D)	-
N/A	259,097	48,840	260,237	260,237	49,980	-
	317,141	41,658	320,587	320,587	45,104	-
N/A	16,018	3,036	16,206	16,206	3,224	-
	333,159	44,694	336,793	336,793	48,328	-
	1,098,520	525,333	1,266,262	1,266,262	693,075	-
	(16,018)	(3,036)	(16,206)	(16,206)	(3,224)	-
	\$ 1,082,502	\$ 522,297	\$ 1,250,056	\$ 1,250,056	\$ 689,851	\$ -

**PENN-DELCO SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE A - ORGANIZATION AND SCOPE**

The federal programs as listed in the schedule of expenditures of federal and certain state awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and certain state awards is presented using the modified accrual basis of accounting, which is described in Note A of the School District's basic financial statements.

**NOTE C - DONATED FOODS**

Donated foods were valued according to cost estimates provided by the U.S.D.A.

**NOTE D - PROGRAM DISCLOSURES**

**U.S. Department of Education**

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

**U.S. Department of Agriculture**

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

**NOTE E - INDIRECT COST RATES**

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**PENN-DELCO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Penn-Delco School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of the Penn-Delco School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Penn-Delco School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with the Uniform Grant Guidance.
7. The programs tested as major programs include:

Program	CFDA
SPECIAL EDUCATION CLUSTER (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Penn-Delco School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.