

PENN-DELCO SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2021

INTRODUCTORY SECTION

PENN-DELCO SCHOOL DISTRICT

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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, 2021, 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.

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

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, 2021, 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, 2021, Penn-Delco School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 6 through 12, budgetary comparison information on pages 59 and 60, schedule of the school district's proportionate share of the PSERS net pension liability on page 61, schedule of the school district's PSERS pension contributions on page 62, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 63, schedule of the school district's PSERS other postemployment benefit plan contributions on page 64, and the schedule of changes in the total other postemployment benefit plan liability and related ratios on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

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

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 8, 2021 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.



Limerick, Pennsylvania
November 8, 2021

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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, 2021. 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 3,300 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 2020-2021 the Penn-Delco School District would experience another year of increasing salaries and benefits for our employees, as well as significant increases in special education costs and tuition to charter schools. In the budgeting process, the Board of School Directors adopted a deficit budget of \$1.85 million, with a 3.20% 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, 2021

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, 2021

- 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 (\$177 thousand) and operating and capital grants and contributions from local, state and federal sources (\$11.72 million). In addition to program sources, the general revenues of the School District include local taxes (\$46.4 million), state grants and subsidies for general operations (\$8 million) and miscellaneous local income and investments earnings (\$195 thousand).

The following table presents condensed financial information for the net position of the District as of June 30, 2021.

Schedules of Net Position (In Millions of Dollars)						
Years Ended June 30, 2020 and 2021						
	Governmental Activities		Business-Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
ASSETS						
Current assets	\$ 35.22	\$ 37.66	\$ 0.03	\$ (0.06)	\$ 35.25	\$ 37.60
Capital assets, net	110.09	108.65	0.01	0.01	110.10	108.66
TOTAL ASSETS	<u>145.31</u>	<u>146.31</u>	<u>0.04</u>	<u>(0.05)</u>	<u>145.35</u>	<u>146.26</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>12.99</u>	<u>17.56</u>	<u>-</u>	<u>-</u>	<u>12.99</u>	<u>17.56</u>
LIABILITIES						
Long-term liabilities	186.64	194.44	-	-	186.64	194.44
Other liabilities	11.03	8.54	0.14	0.08	11.17	8.62
TOTAL LIABILITIES	<u>197.67</u>	<u>202.98</u>	<u>0.14</u>	<u>0.08</u>	<u>197.81</u>	<u>203.06</u>
DEFERRED INFLOWS OR RESOURCES						
	<u>3.65</u>	<u>3.05</u>	<u>-</u>	<u>-</u>	<u>3.65</u>	<u>3.05</u>
NET POSITION						
Net investment in capital assets	32.74	31.02	0.02	0.01	32.76	31.03
Restricted for capital projects	0.19	1.21	-	-	0.19	1.21
Unrestricted	<u>(75.95)</u>	<u>(74.39)</u>	<u>(0.12)</u>	<u>(0.14)</u>	<u>(76.07)</u>	<u>(74.53)</u>
TOTAL NET POSITION	<u>\$ (43.02)</u>	<u>\$ (42.16)</u>	<u>\$ (0.10)</u>	<u>\$ (0.13)</u>	<u>\$ (43.12)</u>	<u>\$ (42.29)</u>

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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.

Changes in Net Position (In Millions of Dollars)						
Years Ended June 30, 2020 and 2021						
	Governmental Activities		Business-Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
REVENUES						
Program revenues	\$ 9.24	\$ 11.04	\$ 1.01	\$ 0.86	\$ 10.25	\$ 11.90
General revenues	53.98	54.68	0.01	0.09	53.99	54.77
TOTAL REVENUES	<u>63.22</u>	<u>65.72</u>	<u>1.02</u>	<u>0.95</u>	<u>64.24</u>	<u>66.67</u>
EXPENSES						
	<u>65.98</u>	<u>64.95</u>	<u>1.04</u>	<u>0.96</u>	<u>67.02</u>	<u>65.91</u>
CHANGE IN NET POSITION	<u>\$ (2.76)</u>	<u>\$ 0.77</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (2.78)</u>	<u>\$ 0.76</u>

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 \$65.72 million, and total expenditures were \$64.95 million.

Business-Type Activities

Business-type activities include the food service program. This program has revenues of \$0.95 million and expenses of approximately \$0.96 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, 2021

THE DISTRICT FUNDS

General Fund

At June 30, 2021, the District reported a fund balance of \$28.47 million of which \$15.77 million is in the General Fund, \$1.33 million is in the Capital Reserve Fund and \$11.69 million is in the Capital Projects Fund. The District continues its capital improvement plan, as renovations to the Sun Valley Auditorium and Window projects were completed during the year, and the Sun Valley High School Arts & Athletic Phase began during June 2021.

Revenue - Revenues totaled \$65,846,525 for the 2020-2021 year. The following table reflects sources of revenue.

	<u>Amount Received</u>
Local revenues	\$ 46,793,676
State sources	16,961,227
Federal sources	<u>2,091,622</u>
	<u>\$ 65,846,525</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 29.6803 mills to 30.6300 mills in 2020-2021. 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 59 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, 2021

CAPITAL ASSETS

At June 30, 2021, the District had \$108,663,081 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$1,446,677 or 1.3% from last year.

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

Schedules of Capital Assets and Accumulated Depreciation						
As of June 30, 2020 and 2021						
	Governmental Activities		Business-Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
CAPITAL ASSETS						
Land and site improvements	\$ 948,970	\$ 948,970	\$ -	\$ -	\$ 948,970	\$ 948,970
Buildings and building improvements	159,463,657	161,989,907	-	-	159,463,657	161,989,907
Furniture and equipment	5,103,990	5,210,116	381,596	367,905	5,485,586	5,578,021
Construction in progress	39,063	769,523	-	-	39,063	769,523
TOTAL CAPITAL ASSETS	165,555,680	168,918,516	381,596	367,905	165,937,276	169,286,421
Accumulated depreciation	(55,462,567)	(60,269,039)	(364,951)	(354,301)	(55,827,518)	(60,623,340)
CAPITAL ASSETS, net	\$ 110,093,113	\$ 108,649,477	\$ 16,645	\$ 13,604	\$ 110,109,758	\$ 108,663,081

DEBT ADMINISTRATION

Debt Service Schedule			
June 30, 2021			
	Principal Outstanding July 1, 2020	Additions (Payments)	Principal Outstanding June 30, 2021
GENERAL OBLIGATION BONDS			
Series of 2013	\$ 24,420,000	\$ (5,000)	\$ 24,415,000
Series of 2013A	23,130,000	(14,955,000)	8,175,000
Series of 2015	6,220,000	(65,000)	6,155,000
Series of 2015A	5,670,000	(2,780,000)	2,890,000
Series of 2016	9,885,000	(5,000)	9,880,000
Series of 2017	9,785,000	(5,000)	9,780,000
Series of 2019	10,765,000	(5,000)	10,760,000
Series of 2020	-	17,020,000	17,020,000
	\$ 89,875,000	\$ (800,000)	\$ 89,075,000

PENN-DELCO SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

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 most impactful factor relating to the District's future continues to be Act 1 of 2006. This legislation enacted by the Commonwealth of Pennsylvania was intended to provide a mechanism to relieve the burden of funding public education from property tax sources. Under Act 1, school districts cannot increase real estate tax rates above a state established index percentage with an adjustment factor for less wealthy districts.

A school district may only adopt a budget with real estate taxes that exceed its adjusted index if the district qualifies for certain referendum exceptions subject to approval by the Commonwealth of Pennsylvania. Without an approved referendum exception, a school district must reduce the tax rate increase to no more than the adjusted index or submit a referendum question for voter approval.

The Delaware County Board of Assessment conducted a countywide real estate valuation reassessment that became effective on January 1, 2021. For tax years immediately following such a reassessment, Act 1 requires a school district to utilize the prior year's Act 1 adjusted index in the budget development process. Therefore, the Board of School Directors adopted a resolution not to exceed the prior year adjusted index of 3.2% for the 2021-2022 school district budget.

During the summer of 2021, the District and the Penn-Delco Education Association and the Penn-Delco Educational Support Personnel Association settled on new three-year collective bargaining agreements. Both agreements begin with the 2021-2022 school year and expire at the end of the 2023-2024 school year.

The District's student enrollment is not expected to change significantly over the next two years.

The Board of School Directors is committed to the continuation of capital improvements to Sun Valley High School. The Sun Valley auditorium renovation and continued renovation of classrooms and interior athletic areas began in June 2021.

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, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 26,101,072	\$ 141,933	\$ 26,243,005
Investments	5,744,045	-	5,744,045
Taxes receivable, net	1,778,325	-	1,778,325
Due from other governments	1,608,202	67,702	1,675,904
Other receivables, net	2,108,158	562	2,108,720
Inventories	38,930	5,724	44,654
Internal balances	274,804	(274,804)	-
Prepaid expenses	9,642	-	9,642
Capital assets			
Land and site improvements	948,970	-	948,970
Buildings and building improvements	161,989,907	-	161,989,907
Furniture and equipment	5,210,116	367,906	5,578,022
Construction in progress	769,523	-	769,523
Accumulated depreciation	(60,269,039)	(354,301)	(60,623,340)
TOTAL ASSETS	146,312,655	(45,278)	146,267,377
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	1,985,435	-	1,985,435
Deferred outflows of resources, OPEB activity	1,012,000	-	1,012,000
Deferred outflows of resources, pension activity	14,569,000	-	14,569,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,566,435	-	17,566,435
LIABILITIES			
Accounts payable	1,308,305	75,455	1,383,760
Accrued salaries and benefits	6,733,551	-	6,733,551
Accrued interest	492,015	-	492,015
Other payables	-	2,268	2,268
Unearned revenue	10,995	-	10,995
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,160,000	-	3,160,000
Bond premium, net of discount	152,680	-	152,680
Compensated absences	259,735	-	259,735
Portion due or payable after one year			
Bonds payable	85,915,000	-	85,915,000
Bond premium, net of discount	1,880,487	-	1,880,487
Compensated absences	1,035,944	-	1,035,944
Net pension liability	95,031,000	-	95,031,000
Net OPEB liability	7,008,000	-	7,008,000
TOTAL LIABILITIES	202,987,712	77,723	203,065,435
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB activity	765,000	-	765,000
Deferred inflows of resources, pension activity	2,287,000	-	2,287,000
TOTAL DEFERRED INFLOWS OF RESOURCES	3,052,000	-	3,052,000
NET POSITION			
Net investment in capital assets	31,023,158	13,605	31,036,763
Restricted for capital projects	1,209,340	-	1,209,340
Unrestricted	(74,393,120)	(136,606)	(74,529,726)
TOTAL NET POSITION	\$ (42,160,622)	\$ (123,001)	\$ (42,283,623)

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 26,741,223	\$ 18,218	\$ 1,596,432	\$ -
Special programs	11,584,647	-	5,167,196	-
Vocational education	700,480	-	-	-
Other instructional programs	9,004	-	26,869	-
Support services				
Pupil personnel services	2,810,058	-	285,404	-
Instructional staff services	2,440,605	-	234,440	-
Administration services	4,451,755	-	421,281	-
Pupil health services	809,814	-	138,491	-
Business services	1,104,608	-	108,158	-
Operation and maintenance of plant services	5,300,262	8,430	2,553,369	-
Student transportation services	2,898,645	-	260,895	-
Central services	2,102,695	-	156,150	-
Other services	48,604	-	-	-
Operation of non-instructional services				
Student activities	770,537	34	59,748	-
Community services	101,130	-	1,394	-
Interest on long-term debt	3,072,684	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	64,946,751	26,682	11,009,827	-
BUSINESS-TYPE ACTIVITIES				
Food service	963,053	150,945	709,144	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 65,909,804	\$ 177,627	\$ 11,718,971	\$ -

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

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

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>
\$ (25,126,573)	\$ -	\$ (25,126,573)
(6,417,451)	-	(6,417,451)
(700,480)	-	(700,480)
17,865	-	17,865
(2,524,654)	-	(2,524,654)
(2,206,165)	-	(2,206,165)
(4,030,474)	-	(4,030,474)
(671,323)	-	(671,323)
(996,450)	-	(996,450)
(2,738,463)	-	(2,738,463)
(2,637,750)	-	(2,637,750)
(1,946,545)	-	(1,946,545)
(48,604)	-	(48,604)
(710,755)	-	(710,755)
(99,736)	-	(99,736)
<u>(3,072,684)</u>	<u>-</u>	<u>(3,072,684)</u>
(53,910,242)	-	(53,910,242)
-	(102,964)	(102,964)
<u>(53,910,242)</u>	<u>(102,964)</u>	<u>(54,013,206)</u>
42,983,392	-	42,983,392
41,240	-	41,240
3,509,515	-	3,509,515
8,043,252	-	8,043,252
35,701	79	35,780
159,120	-	159,120
<u>(88,000)</u>	<u>88,000</u>	<u>-</u>
<u>54,684,220</u>	<u>88,079</u>	<u>54,772,299</u>
773,978	(14,885)	759,093
<u>(42,934,600)</u>	<u>(108,116)</u>	<u>(43,042,716)</u>
\$ <u><u>(42,160,622)</u></u>	\$ <u><u>(123,001)</u></u>	\$ <u><u>(42,283,623)</u></u>

PENN-DELCO SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,077,160	\$ 1,331,375	\$ 11,692,537	\$ 26,101,072
Investments	5,744,045	-	-	5,744,045
Taxes receivable, net	1,778,325	-	-	1,778,325
Due from other funds	274,804	-	-	274,804
Due from other governments	1,608,202	-	-	1,608,202
Other receivables	2,108,158	-	-	2,108,158
Inventories	38,930	-	-	38,930
Prepaid expenses	9,642	-	-	9,642
TOTAL ASSETS	\$ 24,639,266	\$ 1,331,375	\$ 11,692,537	\$ 37,663,178
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 789,163	\$ 122,035	\$ 196,124	\$ 1,107,322
Unearned revenue	10,995	-	-	10,995
Accrued salaries and benefits	6,733,551	-	-	6,733,551
Other current liabilities	200,983	-	-	200,983
Compensated absences	259,735	-	-	259,735
TOTAL LIABILITIES	7,994,427	122,035	196,124	8,312,586
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	876,986	-	-	876,986
FUND BALANCES				
Nonspendable				
Inventories	38,930	-	-	38,930
Prepaid expenses	9,642	-	-	9,642
Restricted for capital projects	-	1,209,340	11,496,413	12,705,753
Assigned to technology and technology infrastructure	934,270	-	-	934,270
Committed to				
Capital projects	4,850,000	-	-	4,850,000
Debt service	2,871,982	-	-	2,871,982
Retirement rate stabilization	1,865,000	-	-	1,865,000
Unassigned	5,198,029	-	-	5,198,029
TOTAL FUND BALANCES	15,767,853	1,209,340	11,496,413	28,473,606
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,639,266	\$ 1,331,375	\$ 11,692,537	\$ 37,663,178

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, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 28,473,606

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	161,989,907
Furniture and equipment	5,210,116
Construction in progress	769,523
Accumulated depreciation	(60,269,039)

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	1,985,435
-------------------------------	-----------

Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.

12,529,000

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	(492,015)
Bonds payable	(89,075,000)
Bond premium	(2,033,167)
Compensated absences	(1,035,944)
Net pension liability	(95,031,000)
Net OPEB liability	(7,008,000)

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.

876,986

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (42,160,622)

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, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 46,793,676	\$ 98	\$ 7,169	\$ 46,800,943
State sources	16,961,227	-	-	16,961,227
Federal sources	2,091,622	-	-	2,091,622
TOTAL REVENUES	65,846,525	98	7,169	65,853,792
EXPENDITURES				
Instruction	34,561,808	-	11,594	34,573,402
Support services	19,535,805	-	-	19,535,805
Operation of non-instructional services	771,671	-	4,485	776,156
Facilities acquisition, construction and improvement services	-	398,293	2,858,418	3,256,711
Debt service	6,097,949	-	-	6,097,949
Bond issuance costs	-	-	188,987	188,987
Refund of prior year revenues	10,357	-	-	10,357
TOTAL EXPENDITURES	60,977,590	398,293	3,063,484	64,439,367
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,868,935	(398,195)	(3,056,315)	1,414,425
OTHER FINANCING SOURCES				
Proceeds from refunding bonds	-	-	17,330,000	17,330,000
Payment to bond refunding agent	-	-	(17,120,197)	(17,120,197)
Transfers in	-	1,000,000	-	1,000,000
Transfers out	(1,088,000)	-	-	(1,088,000)
TOTAL OTHER FINANCING SOURCES	(1,088,000)	1,000,000	209,803	121,803
NET CHANGE IN FUND BALANCES	3,780,935	601,805	(2,846,512)	1,536,228
FUND BALANCES AT BEGINNING OF YEAR	11,986,918	607,535	14,342,925	26,937,378
FUND BALANCES AT END OF YEAR	\$ 15,767,853	\$ 1,209,340	\$ 11,496,413	\$ 28,473,606

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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,536,228

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 in the current period. (1,443,636)

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. 800,000

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. 2,179,962

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. (45,063)

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	24,487
Pension plan expense	(2,089,000)
OPEB expense	(189,000)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 773,978

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2021

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 141,933
Due from other governments	67,702
Other receivables	562
Inventories	5,724
TOTAL CURRENT ASSETS	<u>215,921</u>
CAPITAL ASSETS	
Furniture and equipment	367,906
Accumulated depreciation	(354,301)
TOTAL CAPITAL ASSETS	<u>13,605</u>
TOTAL ASSETS	<u>\$ 229,526</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 75,455
Due to other funds	274,804
Other payables	2,268
TOTAL CURRENT LIABILITIES	<u>352,527</u>
NET POSITION	
Net investment in capital assets	13,605
Unrestricted	(136,606)
TOTAL NET POSITION	<u>(123,001)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 229,526</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, 2021

	Enterprise Fund
	<u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 127,518
Miscellaneous	23,427
TOTAL OPERATING REVENUES	<u>150,945</u>
OPERATING EXPENSES	
Purchased property services	9,207
Other purchased services and supplies	940,118
Depreciation	3,040
Repairs and maintenance	10,487
Dues and fees	200
TOTAL OPERATING EXPENSES	<u>963,052</u>
OPERATING LOSS	<u>(812,107)</u>
NONOPERATING REVENUES	
Interest and investment revenue	78
Transfers in	88,000
Federal sources	673,420
State sources	23,839
Local sources	11,885
TOTAL NONOPERATING REVENUES	<u>797,222</u>
CHANGE IN NET POSITION	(14,885)
NET POSITION AT BEGINNING OF YEAR	<u>(108,116)</u>
NET POSITION AT END OF YEAR	<u>\$ (123,001)</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2021

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 86,215
Cash paid for operating expenses	(693,597)
NET CASH USED BY OPERATING ACTIVITIES	<u>(607,382)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	609,960
State sources	23,839
Local sources	11,885
Transfers in	88,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>733,684</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	78
NET CASH USED BY INVESTING ACTIVITIES	<u>78</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,380
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,553</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 141,933</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (812,107)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	3,040
Donated food	63,460
(Increase) decrease in	
Due from other governments	(66,216)
Inventories	1,486
Increase (decrease) in	
Accounts payable	64,910
Due to other funds	135,777
Other payables	2,268
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (607,382)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated food	\$ 63,460

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Custodial Funds	
	Student Activities	Scholarship
ASSETS		
Cash and cash equivalents	\$ 202,956	\$ 40,165
Other receivables	2,268	-
TOTAL ASSETS	\$ 205,224	\$ 40,165
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 33,974	\$ -
NET POSITION		
Restricted for student activities	171,250	-
Restricted for scholarships	-	40,165
TOTAL NET POSITION	171,250	40,165
TOTAL LIABILITIES AND NET POSITION	\$ 205,224	\$ 40,165

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Custodial Funds	
	Student Activities	Scholarship
ADDITIONS		
Contributions		
Local sources	\$ 89,635	\$ 49,936
Investment earnings		
Interest	322	29
TOTAL ADDITIONS	<u>89,957</u>	<u>49,965</u>
DEDUCTIONS		
Student activity expense	133,756	-
Scholarships paid	-	9,800
TOTAL DEDUCTIONS	<u>133,756</u>	<u>9,800</u>
CHANGE IN NET POSITION	(43,799)	40,165
NET POSITION AT BEGINNING OF YEAR, restated	<u>215,049</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 171,250</u>	<u>\$ 40,165</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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.

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 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 in accordance with the applicable general obligation bond agreements.

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.

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, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund

Custodial Funds - The Custodial Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals.

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, 2021

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 financial 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. The first item, the deferred outflow related to pension activity is reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of several underlying causes detailed in Note I. The second item, the deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third item is the deferred outflow related to OPEB activity, which is reported in the government wide statement of net position. The deferred outflow related to OPEB activity is the result of several underlying causes detailed in Note J and Note K.

In addition to liabilities, the statement of financial 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 revenue, 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 several underlying causes detailed in Note I. The third item is the deferred inflow related to OPEB activity, which is reported in the government wide statement of net position. The deferred inflow related to OPEB activity is the result of several underlying causes detailed in Note J and Note K.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 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, 2021

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 15). 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, 2021

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, 2021, the School District's total bank balance was \$27,468,367. Of the bank balances, \$250,000 was covered by federal depository insurance, and \$4,961,605 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 \$22,256,762 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, 2021, 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>5,744,045</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, 2021, is \$5,744,045. 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, 2021, 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, 2021

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 \$5,744,045 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, 2021.

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, 2021, 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	\$ 1,041,843	\$ -	\$ -	\$ -
Earned income taxes	669,350	-	-	-
Real estate transfer taxes	67,132	-	-	-
Due from other governments	1,608,202	-	-	67,702
Other receivables	2,108,158	-	-	562
	<u>\$ 5,494,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,264</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	\$ 948,970	\$ -	\$ -	\$ 948,970
Construction in progress	39,063	3,256,710	(2,526,250)	769,523
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	988,033	3,256,710	(2,526,250)	1,718,493
Capital assets being depreciated				
Buildings and building improvements	159,463,657	2,526,250	-	161,989,907
Furniture and equipment	5,103,990	106,126	-	5,210,116
TOTAL CAPITAL ASSETS BEING DEPRECIATED	164,567,647	2,632,376	-	167,200,023
Accumulated depreciation				
Buildings and building improvements	(51,787,535)	(4,598,715)	-	(56,386,250)
Furniture and equipment	(3,675,032)	(207,757)	-	(3,882,789)
TOTAL ACCUMULATED DEPRECIATION	(55,462,567)	(4,806,472)	-	(60,269,039)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	109,105,080	(2,174,096)	-	106,930,984
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	110,093,113	1,082,614	(2,526,250)	108,649,477
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	381,596	-	(13,691)	367,905
Accumulated depreciation	(364,951)	(3,041)	13,691	(354,301)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	16,645	(3,041)	-	13,604
CAPITAL ASSETS, net	\$ 110,109,758	\$ 1,079,573	\$ (2,526,250)	\$ 108,663,081

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

GOVERNMENTAL ACTIVITIES

Instruction

Regular programs	\$ 2,061,343
Special programs	909,082
Vocational education	56,419
Other instructional programs	725

Support services

Pupil personnel services	216,413
Instructional staff services	188,401
Administration services	343,723
Pupil health services	62,762
Business services	85,165
Operation and maintenance of plant services	422,756
Student transportation services	224,316
Central services	163,857
Other services	3,915

Operation of non-instructional services

Student activities	59,502
Community services	<u>8,095</u>

\$ 4,806,474

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F - LONG-TERM DEBT

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 \$24,415,000 at June 30, 2021, 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>
2022	\$ 5,000	\$ 976,600	\$ 981,600
2023	5,000	976,400	981,400
2024	5,000	976,200	981,200
2025	1,005,000	976,000	1,981,000
2026	1,045,000	935,800	1,980,800
2027 to 2031	7,785,000	3,907,200	11,692,200
2032 to 2036	9,985,000	2,145,400	12,130,400
2037 to 2038	<u>4,580,000</u>	<u>276,600</u>	<u>4,856,600</u>
	<u>\$ 24,415,000</u>	<u>\$ 11,170,200</u>	<u>\$ 35,585,200</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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. On December 1, 2020, the School issued GOB Series 2020 to advance refund a portion of the Series A 2013 bonds (see below). After the refunding, the bonds bear interest at rates ranging from 3.75% to 4.35%, are outstanding in the amount of \$8,175,000 at June 30, 2021, and mature annually through June 2030.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 5,000	\$ 334,463	\$ 339,463
2023	5,000	334,275	339,275
2024	5,000	334,088	339,088
2025	1,230,000	333,900	1,563,900
2026	1,280,000	287,775	1,567,775
2027 to 2030	<u>5,650,000</u>	<u>611,650</u>	<u>6,261,650</u>
	<u>\$ 8,175,000</u>	<u>\$ 2,236,151</u>	<u>\$ 10,411,151</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 \$6,155,000 at June 30, 2021, 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>
2022	\$ 70,000	\$ 129,240	\$ 199,240
2023	3,015,000	127,840	3,142,840
2024	<u>3,070,000</u>	<u>67,540</u>	<u>3,137,540</u>
	<u>\$ 6,155,000</u>	<u>\$ 324,620</u>	<u>\$ 6,479,620</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$2,890,000 at June 30, 2021, 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>
2022	\$ 2,890,000	\$ 57,800	\$ 2,947,800

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 \$9,880,000 at June 30, 2021, 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>
2022	\$ 5,000	\$ 284,719	\$ 289,719
2023	5,000	284,619	289,619
2024	5,000	284,519	289,519
2025	435,000	284,419	719,419
2026	445,000	275,719	720,719
2027 to 2031	2,385,000	1,218,065	3,603,065
2032 to 2036	2,730,000	868,788	3,598,788
2037 to 2041	3,175,000	421,031	3,596,031
2042	695,000	22,240	717,240
	<u>\$ 9,880,000</u>	<u>\$ 3,944,119</u>	<u>\$ 13,824,119</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$9,780,000 at June 30, 2021, 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>
2022	\$ 5,000	\$ 353,419	\$ 358,419
2023	5,000	353,319	358,319
2024	5,000	353,219	358,219
2025	135,000	353,119	488,119
2026	135,000	350,419	485,419
2027 to 2031	735,000	1,698,900	2,433,900
2032 to 2036	850,000	1,582,813	2,432,813
2037 to 2041	5,920,000	1,267,800	7,187,800
2042	<u>1,990,000</u>	<u>79,600</u>	<u>2,069,600</u>
	<u>\$ 9,780,000</u>	<u>\$ 6,392,608</u>	<u>\$ 16,172,608</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F - LONG-TERM DEBT (Continued)

Series of 2019- On October 31, 2019, the School District issued \$10,765,000 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 \$10,760,000 at June 30, 2021, and mature annually through June 2045.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 5,000	\$ 395,150	\$ 400,150
2023	5,000	395,050	400,050
2024	5,000	394,950	399,950
2025	380,000	394,850	774,850
2026	385,000	379,650	764,650
2027 to 2031	415,000	1,757,150	2,172,150
2032 to 2036	25,000	1,737,750	1,762,750
2037 to 2041	370,000	1,728,900	2,098,900
2041 to 2045	<u>9,170,000</u>	<u>1,034,400</u>	<u>10,204,400</u>
	<u>\$ 10,760,000</u>	<u>\$ 8,217,850</u>	<u>\$ 18,977,850</u>

Series of 2020- On December 1, 2020, the School District issued \$17,330,000 in General Obligation Bonds. The bonds were issued to advance refund part of Series A of 2013 and to pay the costs of issuing the Bonds. The bonds bear interest at rates ranging from 0.792% to 2.661%, are outstanding in the amount of \$17,020,000 at June 30, 2021, and mature annually through June 2038. The refunding resulted in a cash flow savings of \$2,976,902 and an economic gain of \$2,312,018.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 175,000	\$ 406,626	\$ 581,626
2023	175,000	405,009	580,009
2024	180,000	403,228	583,228
2025	180,000	401,087	581,087
2026	185,000	398,749	583,749
2027 to 2031	2,530,000	1,944,251	4,474,251
2032 to 2036	9,465,000	1,275,663	10,740,663
2037 to 2038	<u>4,130,000</u>	<u>165,514</u>	<u>4,295,514</u>
	<u>\$ 17,020,000</u>	<u>\$ 5,400,127</u>	<u>\$ 22,420,127</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>June 30, 2020</u>
GENERAL OBLIGATION BONDS	
Series of 2013	\$ 24,420,000
Series A of 2013	23,130,000
Series of 2015	6,220,000
Series A of 2015	5,670,000
Series of 2016	9,885,000
Series of 2017	9,785,000
Series of 2019	10,765,000
Series of 2020	-
TOTAL GENERAL OBLIGATION BONDS	<u>89,875,000</u>
BOND PREMIUM (DISCOUNT)	
Series of 2013	1,524,299
Series A of 2013	104,587
Series of 2015	(26,631)
Series A of 2015	92,920
Series of 2016	(156,999)
Series of 2017	177,373
Series of 2019	538,280
TOTAL BOND PREMIUM (DISCOUNT)	<u>2,253,829</u>
COMPENSATED ABSENCES	<u>1,176,533</u>
NET PENSION LIABILITY	<u>89,402,000</u>
NET OPEB LIABILITY	<u>7,144,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 189,851,362</u>

<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
\$ -	\$ (5,000)	\$ 24,415,000	\$ 5,000
-	(14,955,000)	8,175,000	5,000
-	(65,000)	6,155,000	70,000
-	(2,780,000)	2,890,000	2,890,000
-	(5,000)	9,880,000	5,000
-	(5,000)	9,780,000	5,000
-	(5,000)	10,760,000	5,000
<u>17,330,000</u>	<u>(310,000)</u>	<u>17,020,000</u>	<u>175,000</u>
<u>17,330,000</u>	<u>(18,130,000)</u>	<u>89,075,000</u>	<u>3,160,000</u>
-	(89,664)	1,434,635	89,664
-	(70,016)	34,571	2,034
-	8,876	(17,755)	(8,876)
-	(46,460)	46,460	46,460
-	7,476	(149,523)	(7,476)
-	(8,446)	168,927	8,446
-	(22,428)	515,852	22,428
<u>-</u>	<u>(220,662)</u>	<u>2,033,167</u>	<u>152,680</u>
<u>119,146</u>	<u>-</u>	<u>1,295,679</u>	<u>259,735</u>
<u>5,629,000</u>	<u>-</u>	<u>95,031,000</u>	<u>-</u>
<u>-</u>	<u>(136,000)</u>	<u>7,008,000</u>	<u>-</u>
<u>\$ 23,078,146</u>	<u>\$ (18,486,662)</u>	<u>\$ 194,442,846</u>	<u>\$ 3,572,415</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, deferred inflows of resources consisted of delinquent taxes receivable of \$876,986. The School District had \$10,995 in unearned revenue as of June 30, 2021.

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.

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
JUNE 30, 2021

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, 2021, was 33.51% 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 \$8,556,000 for the year ended June 30, 2021.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the School District reported a liability of \$95,031,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. 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, 2021, the School District's proportion was 0.1930%, which was an increase of .0019% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$10,645,000. At June 30, 2021, 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	\$ 249,000	\$ 2,278,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	4,176,000	-
Changes in proportions	1,537,000	9,000
Difference between employer contributions and proportionate share of total contributions	51,000	-
Contributions subsequent to the measurement date	<u>8,556,000</u>	<u>-</u>
	<u>\$ 14,569,000</u>	<u>\$ 2,287,000</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

\$8,556,000 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, 2022. 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</u> <u>June 30,</u>	
2022	\$ 438,000
2023	607,000
2024	1,449,000
2025	<u>1,232,000</u>
	<u>\$ 3,726,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level percent of pay.
- Investment return - 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, 2021

NOTE I - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015

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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</u>	

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

Discount Rate - The discount rate used to measure the total 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, 2021

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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 117,574,000	\$ 95,031,000	\$ 75,935,000

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.

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, 2020 there were no assumed future benefit increases to participating eligible retirees.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees

Contributions

The school district's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$209,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$4,166,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.1928% percent, which was an increase of .0017% from its proportion measured as of June 30, 2020.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$235,000. At June 30, 2021, 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>
Difference between expected and actual experience	\$ 38,000	\$ -
Changes in assumptions	170,000	91,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportions	104,000	1,000
Difference between employer contributions and proportionate share of total contributions	-	1,000
Contributions subsequent to the measurement date	<u>209,000</u>	<u>-</u>
	<u>\$ 528,000</u>	<u>\$ 93,000</u>

\$209,000 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, 2022. 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>	
2022	\$ 36,000
2023	35,000
2024	35,000
2025	65,000
2026	37,000
Thereafter	<u>18,000</u>
	<u>\$ 226,000</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.66% - 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, 2018 determined the employer contribution rate for fiscal year 2020.
- 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-2014 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-2014 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-2014 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
JUNE 30, 2021

NOTE J - POSTEMPLOYMENT 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	50.3%	1.00%
Non-US Developed Fixed	3.2%	0.10%
US Core Fixed income	<u>46.5%</u>	0.10%
	<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, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

The following presents the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the 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
Net OPEB liability	\$ 4,165,000	\$ 4,166,000	\$ 4,166,000

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
School District's proportionate share of the net OPEB liability	\$ 4,750,000	\$ 4,166,000	\$ 3,682,000

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.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - POSTEMPLOYMENT 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, 2020, plan membership consisted of the following:

Active plan members	332
Retired members	8
	340
	340

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, 2021 benefit payments paid as they came due were \$63,000.

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 – 2.16%, based on Bond Buyer 20 Year GO Index as of June 30, 2020.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - POSTEMPLOYMENT 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 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 – 6.10% in 2022, 5.70% in 2023, 5.30% in 2024, 5.10% in 2025. Rates gradually decrease from 5.00% to 3.70% from 2026 to 2076 and later based on the Society of Actuaries Long-Run Cost Trend Model.

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

<u>Males</u>			
<u>Age</u>	<u>< 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>< 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 based on RP-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2018 from 2006 base year and projected forward on a generational basis with Scale MP-2018.

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, 2021

NOTE K - POSTEMPLOYMENT 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, 2021

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN
(Continued)

Changes in Assumptions - In the 2020 actuarial valuation, the discount rate changed from 2.21% to 2.16%. 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, 2020	\$ <u>3,080,000</u>
Changes for the year	
Service cost	185,000
Interest cost	67,000
Liability gains	56,000
Changes in assumptions	(483,000)
Benefit payments	<u>(63,000)</u>
Net changes	<u>(238,000)</u>
Balance at June 30, 2021	\$ <u><u>2,842,000</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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease 1.16%</u>	<u>Current Discount Rate 2.16%</u>	<u>1% Increase 3.16%</u>
Total OPEB liability	\$ <u>3,122,000</u>	\$ <u>2,842,000</u>	\$ <u>2,582,000</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>2,408,000</u>	\$ <u>2,842,000</u>	\$ <u>3,376,000</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - POSTEMPLOYMENT 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, 2021, the School recognized OPEB expense of \$226,000. At June 30, 2021, 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	\$ 296,000	\$ 672,000
Difference between expected and actual experience	<u>188,000</u>	<u>-</u>
	<u>\$ 484,000</u>	<u>\$ 672,000</u>

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>	
2022	\$ (26,000)
2023	(26,000)
2024	(26,000)
2025	(26,000)
2026	(23,000)
Thereafter	<u>(61,000)</u>
	<u>\$ (188,000)</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$1,259,679 at June 30, 2021, 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, 2021

NOTE O - RISKS AND UNCERTAINTY

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur though such potential impact is unknown at this time.

NOTE P - PRIOR PERIOD RESTATEMENT

The School District implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the custodial funds, the School District has treated the beginning of year net position for student activities of \$215,049 as having been recognized in the period incurred. The School District has adjusted the beginning net position for the custodial fund from \$0 to \$215,049.

REQUIRED SUPPLEMENTARY INFORMATION

PENN-DELCO SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 45,599,759	\$ 45,599,759	\$ 46,793,676	\$ 1,193,917
State sources	17,165,250	17,165,250	16,961,227	(204,023)
Federal sources	983,261	983,261	2,091,622	1,108,361
TOTAL REVENUES	<u>63,748,270</u>	<u>63,748,270</u>	<u>65,846,525</u>	<u>2,098,255</u>
EXPENDITURES				
Instruction	35,634,846	35,617,276	34,561,808	1,055,468
Support services	21,929,995	21,947,565	19,535,805	2,411,760
Operation of non-instructional services	1,378,412	1,378,412	771,671	606,741
Debt service	6,262,728	6,262,728	6,097,949	164,779
Refund of prior year revenues	-	-	10,357	(10,357)
Budgetary reserve	400,000	400,000	-	400,000
TOTAL EXPENDITURES	<u>65,605,981</u>	<u>65,605,981</u>	<u>60,977,590</u>	<u>4,628,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,857,711)</u>	<u>(1,857,711)</u>	<u>4,868,935</u>	<u>6,726,646</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,857,711)</u>	<u>\$ (1,857,711)</u>	<u>3,780,935</u>	<u>\$ 5,638,646</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>11,986,918</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 15,767,853</u>	

See accompanying note to the budgetary comparison schedule.

PENN-DELCO SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021

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 SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>
School District's proportion of the net pension liability (asset)	<u>0.1930%</u>	<u>0.1911%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>95,031,000</u>	\$ <u>89,402,000</u>
School District's covered payroll	\$ <u>27,057,790</u>	\$ <u>26,356,693</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>351.21%</u>	<u>339.20%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.32%</u>	<u>54.00%</u>

NOTES TO SCHEDULE

This District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>18.9400%</u>	<u>0.1855%</u>	<u>0.1856%</u>	<u>0.1856%</u>	<u>18.4300%</u>
\$ <u>90,921,000</u>	\$ <u>91,615,000</u>	\$ <u>91,977,000</u>	\$ <u>80,393,000</u>	\$ <u>72,948,000</u>
\$ <u>25,512,262</u>	\$ <u>24,694,740</u>	\$ <u>24,043,522</u>	\$ <u>23,875,209</u>	\$ <u>23,518,112</u>
<u>356.38%</u>	<u>370.99%</u>	<u>382.54%</u>	<u>336.72%</u>	<u>310.18%</u>
<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

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

	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 8,556,000	\$ 9,015,000
Contributions in relation to the contractually required contribution	<u>8,556,000</u>	<u>9,015,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
School District's covered payroll	\$ <u><u>25,532,677</u></u>	\$ <u><u>27,057,790</u></u>
Contributions as a percentage of covered payroll	<u><u>33.51%</u></u>	<u><u>33.32%</u></u>

NOTE 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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 8,572,000	\$ 8,042,000	\$ 7,121,000	\$ 5,928,000	\$ 4,813,000
<u>8,572,000</u>	<u>8,042,000</u>	<u>7,121,000</u>	<u>5,928,000</u>	<u>4,813,000</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>26,356,693</u></u>	\$ <u><u>25,512,262</u></u>	\$ <u><u>24,694,740</u></u>	\$ <u><u>24,043,522</u></u>	\$ <u><u>23,875,209</u></u>
<u><u>32.52%</u></u>	<u><u>31.52%</u></u>	<u><u>28.84%</u></u>	<u><u>24.66%</u></u>	<u><u>20.16%</u></u>

PENN-DELCO SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	<u>0.1928%</u>	<u>0.1911%</u>	<u>0.1894%</u>	<u>0.1855%</u>
School District's proportionate share of the net OPEB liability	<u>\$ 4,166,000</u>	<u>\$ 4,064,000</u>	<u>\$ 3,949,000</u>	<u>\$ 3,779,000</u>
School District's covered payroll	<u>\$ 27,057,790</u>	<u>\$ 26,356,693</u>	<u>\$ 25,512,262</u>	<u>\$ 24,694,740</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>15.40%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<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, 2020, 2019, 2018, 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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 209,000	\$ 227,000	\$ 218,000	\$ 210,000
Contributions in relation to the contractually required contribution	<u>209,000</u>	<u>227,000</u>	<u>218,000</u>	<u>210,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ <u>25,532,677</u>	\$ <u>27,057,790</u>	\$ <u>26,538,436</u>	\$ <u>25,512,262</u>
Contributions as a percentage of covered payroll	<u>0.82%</u>	<u>0.84%</u>	<u>0.82%</u>	<u>0.85%</u>

NOTE 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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 185,000	\$ 179,000	\$ 180,000	\$ 174,000
Interest	67,000	86,000	92,000	88,000
Economic/demographic gains or losses	56,000	-	207,000	-
Changes of assumptions	(483,000)	380,000	(311,000)	(69,000)
Benefit payments	(63,000)	(70,000)	(79,000)	(80,000)
NET CHANGE IN TOTAL OPEB LIABILITY	(238,000)	575,000	89,000	113,000
TOTAL OPEB LIABILITY, BEGINNING	<u>3,080,000</u>	<u>2,505,000</u>	<u>2,416,000</u>	<u>2,303,000</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 2,842,000</u>	<u>\$ 3,080,000</u>	<u>\$ 2,505,000</u>	<u>\$ 2,416,000</u>
COVERED PAYROLL	<u>\$ 27,057,790</u>	<u>26,356,693</u>	<u>\$ 25,512,262</u>	<u>\$ 24,694,740</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>10.50%</u>	<u>11.69%</u>	<u>9.82%</u>	<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 2020 actuarial valuation, the discount rate changed from 2.21% to 2.16%. The per capital claims cost and future retiree healthcare trend were updated. In the 2019 actuarial valuation, the discount rate changed from 3.50% to 2.21%. In the 2018 actuarial valuation, the discount rate changed from 3.87% to 3.50%. The trend assumption was updated. The percent of eligible retirees electing coverage in the plan for those not eligible for the enhanced benefits was decreased from 55% to 50%. In the 2017 actuarial valuation, the discount rate changed from 3.58% to 3.87%. Assumptions for salary, mortality, withdrawal and retirement were updated based on the 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, 2021, 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 8, 2021.

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.



Limerick, Pennsylvania
November 8, 2021

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, 2021. 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, 2021.

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.



Limerick, Pennsylvania
November 8, 2021

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

PENN-DELCO SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2021

	Source Code	Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning Date
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I- Grants to Local Educational Agencies	I	84.010	013-20-0325	July 1, 2019 to September 30, 2020
Title I- Grants to Local Educational Agencies	I	84.010	013-21-0325	July 1, 2020 September 30, 2021
TOTAL TITLE I				
Title II A- Improving Teacher Quality	I	84.367	020-20-0325	July 1, 2019 to September 30, 2020
Title II A- Improving Teacher Quality	I	84.367	020-21-0325	July 1, 2020 September 30, 2021
TOTAL TITLE II				
Title IV	I	84.424	144-20-0325	July 1, 2019 to September 30, 2020
Title IV	I	84.424	144-21-0325	July 1, 2020 September 30, 2021
TOTAL TITLE IV				
Continuity of Education Grant for A-TSI Shools	I	84.425C	254-20-0325	March 13, 2020 September 30, 2021
Special Education COVID-19 Impact Mitigation Grant	I	84.425C	252-20-0325	March 13, 2020 September 30, 2021
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0325	March 13, 2020 September 30, 2021
Passed through the Delaware County Intermediate Unit				
Special Education - Grants to States	I	84.027	062-210013	July 1, 2020 to June 30, 2021
Passed through the Delaware County Intermediate Unit				
Special Education - Preschool Grants	I	84.173	131-200013	July 1, 2019 September 30, 2020
Special Education - Preschool Grants	I	84.173	131-210013	July 1, 2020 September 30, 2021
TOTAL CFDA 84.173				
TOTAL SPECIAL EDUCATION CLUSTER				
Passed through the Montgomery County Intermediate Unit				
Special Education - State Improvement Grant Program	I	84.323	N/A	July 1, 2020 September 30, 2021
Passed through the Pennsylvania Department on Crime and Delinquency				
School Health and Safety Grant	I	84.425D	2020-ES-01-35368	March 13, 2020 September 30, 2022
TOTAL FORWARD				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance Program	I	93.778	N/A	July 1, 2019 September 30, 2020
Medical Assistance Program	I	93.778	N/A	July 1, 2020 September 30, 2021
TOTAL CFDA 93.778				
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Amount Passed Through to Sub-Recipients</u>
\$ 313,375	\$ 62,710	\$ 62,710	\$ -	\$ -	\$ -	\$ -
298,737	<u>257,607</u>	<u>-</u>	<u>298,737</u>	<u>298,737</u>	<u>41,130</u>	<u>-</u>
	<u>320,317</u>	<u>62,710</u>	<u>298,737</u>	<u>298,737</u>	<u>41,130</u>	<u>-</u>
69,822	5,003	5,003	-	-	-	-
65,637	<u>56,122</u>	<u>-</u>	<u>65,637</u>	<u>65,637</u>	<u>9,515</u>	<u>-</u>
	<u>61,125</u>	<u>5,003</u>	<u>65,637</u>	<u>65,637</u>	<u>9,515</u>	<u>-</u>
24,014	3,202	51	3,151	3,151	-	-
23,713	<u>23,713</u>	<u>-</u>	<u>23,713</u>	<u>23,713</u>	<u>-</u>	<u>-</u>
	<u>26,915</u>	<u>51</u>	<u>26,864</u>	<u>26,864</u>	<u>-</u>	<u>-</u>
44,014	9,266	-	4,172	4,172	(5,094)	-
43,735	16,113	-	27,650	27,650	11,537	-
256,811	202,746	-	254,005	254,005	51,259	-
608,639	608,639	-	608,639	608,639	-	-
2,587	2,587	2,587	-	-	-	-
<u>3,640</u>	<u>3,640</u>	<u>-</u>	<u>3,640</u>	<u>3,640</u>	<u>-</u>	<u>-</u>
<u>6,227</u>	<u>6,227</u>	<u>2,587</u>	<u>3,640</u>	<u>3,640</u>	<u>-</u>	<u>-</u>
	<u>614,866</u>	<u>2,587</u>	<u>612,279</u>	<u>612,279</u>	<u>-</u>	<u>-</u>
10,000	10,000	-	10,000	10,000	-	-
104,773	<u>-</u>	<u>-</u>	<u>83,970</u>	<u>83,970</u>	<u>83,970</u>	<u>-</u>
	<u>1,261,348</u>	<u>70,351</u>	<u>1,383,314</u>	<u>1,383,314</u>	<u>192,317</u>	<u>-</u>
N/A	1,386	1,386	-	-	-	-
N/A	<u>1,102</u>	<u>-</u>	<u>4,106</u>	<u>4,106</u>	<u>3,004</u>	<u>-</u>
	<u>2,488</u>	<u>1,386</u>	<u>4,106</u>	<u>4,106</u>	<u>3,004</u>	<u>-</u>
\$	<u>2,488</u>	<u>1,386</u>	<u>4,106</u>	<u>4,106</u>	<u>3,004</u>	<u>-</u>

PENN-DELCO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

	Source Code	Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
TOTAL FORWARDED				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program - Commodities	I	10.555 *	N/A	July 1, 2020 June 30, 2021
Passed through the Pennsylvania Department of Education				
Breakfast Program	I	10.553 *	N/A	July 1, 2020 June 30, 2021
National School Lunch Program	I	10.555 *	N/A	July 1, 2019 June 30, 2020
National School Lunch Program	I	10.555 *	N/A	July 1, 2020 June 30, 2021
TOTAL CHILD NUTRITION CLUSTER				
State Matching Share - Breakfast	S	N/A	N/A	July 1, 2020 June 30, 2021
State Matching Share	S	N/A	N/A	July 1, 2019 June 30, 2020
State Matching Share	S	N/A	N/A	July 1, 2020 June 30, 2021
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
US DEPARTMENT OF TREASURY				
Passed through the Pennsylvania Department on Crime and Delinquency				
Coronavirus Relief Fund	I	21.019	2020-CS-01 34086	July 1, 2020 October 30, 2020
Passed through the Delaware County Intermediate Unit				
Coronavirus Relief Fund	I	21.019	N/A	March 1, 2020 December 30, 2020
TOTAL U.S. DEPARTMENT OF TREASURY				
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, 2020.
- (C) Total amount of foods used.
- (D) Ending inventory at June 30, 2021.

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, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Sub-Recipients
	\$ 1,261,348	\$ 70,351	\$ 1,383,314	\$ 1,383,314	\$ 192,317	\$ -
	<u>2,488</u>	<u>1,386</u>	<u>4,106</u>	<u>4,106</u>	<u>3,004</u>	<u>-</u>
N/A	61,973 (A)	(7,210) (B)	63,460	63,460 (C)	(5,723) (D)	-
N/A	126,583	-	138,044	138,044	11,461	-
N/A	1,445	1,445	-	-	-	-
N/A	<u>418,004</u>	<u>-</u>	<u>471,916</u>	<u>471,916</u>	<u>53,912</u>	<u>-</u>
	608,005	(5,765)	673,420	673,420	59,650	-
N/A	6,698	-	7,304	7,304	606	-
N/A	42	42	-	-	-	-
N/A	<u>14,811</u>	<u>-</u>	<u>16,535</u>	<u>16,535</u>	<u>1,724</u>	<u>-</u>
	<u>629,556</u>	<u>(5,723)</u>	<u>697,259</u>	<u>697,259</u>	<u>61,980</u>	<u>-</u>
247,385.00	247,385	-	247,385	247,385	-	-
388,134.00	388,134	-	388,134	388,134	-	-
	<u>635,519</u>	<u>-</u>	<u>635,519</u>	<u>635,519</u>	<u>-</u>	<u>-</u>
	2,528,911	66,014	2,720,198	2,720,198	257,301	-
	<u>(21,551)</u>	<u>(42)</u>	<u>(23,839)</u>	<u>(23,839)</u>	<u>(2,330)</u>	<u>-</u>
	<u>\$ 2,507,360</u>	<u>\$ 65,972</u>	<u>\$ 2,696,359</u>	<u>\$ 2,696,359</u>	<u>\$ 254,971</u>	<u>\$ -</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

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, 2021

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
CHILD NUTRITION CLUSTER	
School Breakfast Program	10.553
National School Lunch Program	10.555

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.