

Upper Darby School District

Financial Statements and
Supplementary Information

June 30, 2021

Upper Darby School District

Table of Contents

June 30, 2021

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position (Deficit)	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund	26
Balance Sheet - Proprietary Fund	27
Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund	28
Statement of Cash Flows - Proprietary Fund	29
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Notes to Financial Statements	32

Upper Darby School District

Table of Contents

June 30, 2021

	<u>Page</u>
Required Supplementary Information (Unaudited)	
Schedule of the District's Proportionate Share of the PSERS Net Pension Liability	56
Schedule of District PSERS Pension Contributions	57
Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability	58
Schedule of District PSERS OPEB Contributions	59
Schedule of Changes in Total OPEB Liability for District Plan	60
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 <i>Government Auditing Standards</i>	61
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	63
Supplementary Information	
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	67

Independent Auditors' Report

To the Board of School Directors of the
Upper Darby School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Upper Darby School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 19 and the Required Supplementary Information on pages 56 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 65, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 7, 2021

Upper Darby School District

Management's Discussion and Analysis
June 30, 2021
(Unaudited)

This Management's Discussion and Analysis (MD&A) of the financial performance of the Upper Darby School District (District) provides an overview of the District's financial performance for the fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

District Profile

The Upper Darby School District, Delaware County, Pennsylvania is located in southeastern Pennsylvania, adjacent to the City of Philadelphia, and consists of the Township of Upper Darby (91.66 percent) and the Boroughs of Clifton (7.67 percent) and Millbourne (0.67 percent) and covers approximately 8.6 square miles. The District consists of one high school (grades 9-12), two middle schools (grades 6-8), seven elementary schools (grades 1-5), three elementary schools (grades K-5) and one kindergarten center (grade K). During 2020-21, there were 1,684 employees (full/part time) in the District, consisting of 959 teachers/professional staff, 63 administrators, including general administration, principals and supervisors, and 662 support personnel, including administrative assistants, maintenance staff, custodial staff, transportation staff, security staff, classroom and personal-care assistants, community services staff and crossing guards.

District Mission

The District's mission is to provide "a comprehensive and challenging educational program which encourages all learners in a safe environment to respect others, value education, and appreciate and contribute to their community as confident, independent thinkers."

Financial Highlights

On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit net position at the close of the 2020-2021 fiscal year of \$197,178,885. The deficit net position is due to the recognition of the District's net pension and other postemployment benefits (OPEB) liabilities under generally accepted government accounting principles. The net position of governmental activities increased by \$11,423,628 and net position of the business-type activity increased by \$533,432 in 2021.

- The General Fund reported an increase in fund balance of \$2,279,876, bringing the cumulative balance to \$29,198,453 at June 30, 2021.
- At June 30, 2021, the General Fund balance includes \$1,024,456 which is considered nonspendable; \$6,444,922 of funds committed to balance the 2020-2021 General Fund expenditure budget; \$9,084,888 in assigned fund balance including: \$1,849,864 for retirement rate stabilization, \$1,479,180 for compensated absences and other postemployment benefits, \$1,255,844 for special education, \$1,000,000 for educational and technology resources, \$1,500,000 in reserve for emergency capital replacement, and \$2,000,000 in reserve for future revenue impacts; and unassigned amounts of \$12,644,187 or 5.55 percent of the \$227,958,427 2021-2022 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund unassigned fund balance of 8.00 percent of the following year's expenditure budget.
- Total General Fund revenues and other financing sources were \$229,431,808 and total General Fund expenditures and other financing uses were \$227,151,932, resulting in a net increase in General Fund balance of \$2,279,876.
- General Fund revenues include \$12,939,378 of federal funds used to offset the impact of the COVID-19 pandemic on the District's operations. In addition, the District has been allocated an additional \$52.6 million of federal funds to be used through September 2024 for similar purposes.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector business. These statements are prepared using the accrual basis of accounting. The focus of the statements are for the long-term.

The Statement of Net Position (Deficit) presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and pension and other postemployment benefits).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation, administration, community service, interest and depreciation.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental fund financial statements is short-term. Governmental fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements however, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the District's major funds: General Fund, Capital Projects Fund, and Capital Reserve Fund. In addition, the Student Activity Fund, a nonmajor fund, has been reclassified as a governmental fund beginning in 2021 after the adoption of a new accounting principle (see Note 1 to the financial statements).

The basic governmental fund statements can be found on pages 22 through 25 of this report.

The District adopts an annual budget for its General Fund using the Executive Budget approach. A budgetary comparison statement for the General Fund has been provided on page 26 of this report to demonstrate compliance with this budget.

Proprietary Fund

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

Fiduciary Funds

The District is the fiduciary for assets that belong to others, consisting of scholarship funds and general welfare funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in financial statements.

The notes to the financial statements can be found on pages 32 through 55 of this report.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Government-Wide Financial Analysis

As noted above, net position may serve over time as a useful indicator of the District's financial condition. The District's net position has been significantly affected by pension and OPEB liabilities and related items. The District has recognized its proportionate share of the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) net pension liability and related deferred outflows and inflows of resources. Decisions regarding the allocations are determined by the administrators of PSERS, not by the District. In addition, the District has recognized its proportionate share of the PSERS OPEB net liability and related deferred outflows and inflows of resources as well as a net OPEB liability and related deferred outflows and inflows for benefits provided under a District specific plan.

At June 30, 2021, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources resulting in a deficit net position of \$197,178,885. This deficit position resulted from the recognition of net pension and OPEB liabilities, deferred inflows from resources, and deferred outflows of resources totaling \$289,091,170, as discussed above. Please refer to the notes to the financial statements for more information on these items.

The following table presents condensed information for the Statement of Net Position (Deficit) of the District at June 30, 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total		Net Change
	2021	2020	2021	2020	2021	2020	
	(In Thousands)						
Assets and deferred outflows of resources:							
Current assets	\$ 77,742	\$ 72,777	\$ 3,587	\$ 2,963	\$ 81,329	\$ 75,740	\$ 5,589
Noncurrent assets	104,108	72,613	914	1,027	105,022	73,640	31,382
Deferred outflows of resources	49,078	39,808	-	-	49,078	39,808	9,270
Total	<u>\$ 230,928</u>	<u>\$ 185,198</u>	<u>\$ 4,501</u>	<u>\$ 3,990</u>	<u>\$ 235,429</u>	<u>\$ 189,188</u>	<u>\$ 46,241</u>
Liabilities:							
Current liabilities	\$ 38,284	\$ 43,577	\$ 248	\$ 270	\$ 38,532	\$ 43,847	\$ (5,315)
Noncurrent liabilities	380,599	336,381	-	-	380,599	336,381	44,218
Deferred inflows of resources	13,477	18,346	-	-	13,477	18,346	(4,869)
Total	<u>432,360</u>	<u>398,304</u>	<u>248</u>	<u>270</u>	<u>432,608</u>	<u>398,574</u>	<u>34,034</u>
Net Position:							
Net investment in capital assets	58,616	36,622	914	1,028	59,530	37,650	21,880
Restricted	40,435	8,051	-	-	40,435	8,051	32,384
Unrestricted	<u>(300,483)</u>	<u>(257,779)</u>	<u>3,339</u>	<u>2,692</u>	<u>(297,144)</u>	<u>(255,087)</u>	<u>(42,057)</u>
Total	<u>(201,432)</u>	<u>(213,106)</u>	<u>4,253</u>	<u>3,720</u>	<u>(197,179)</u>	<u>(209,386)</u>	<u>12,207</u>
Total	<u>\$ 230,928</u>	<u>\$ 185,198</u>	<u>\$ 4,501</u>	<u>\$ 3,990</u>	<u>\$ 235,429</u>	<u>\$ 189,188</u>	<u>\$ 46,241</u>

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

The District's total assets and deferred outflows of resources as of June 30, 2021 were \$235,429,297 of which \$51,419,915 or 21.84 percent consisted of cash and investments and \$105,021,879 or 44.80 percent consisted of the District's capital assets (including cash and investments restricted for acquisition of capital assets). The District's total liabilities and deferred inflows of resources as of June 30, 2021 were \$432,608,182 of which \$51,937,453 or 12.00 percent was general obligation debt used to acquire and construct capital assets, \$31,018,149 or 7.17 percent was for OPEB, compensated absences and special termination benefits, and \$311,158,000 or 71.92 percent was for pension benefits.

The District has a total deficit net position of \$197,178,885 at June 30, 2021. The District's deficit net position decreased \$11,957,060 over its deficit net position of \$209,135,945 at June 30, 2020 (as restated).

A portion of the District's net position is restricted and totaled \$40,434,959 at June 30, 2021. \$40,219,105 is restricted for capital expenditures, with the remainder restricted for student activities.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation plus unspent bond proceeds less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2021, the District's net investment in capital assets was \$59,529,506, an increase of \$21,880,315 over 2020. The increase resulted primarily from the acquisition of capital assets.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

The following table presents condensed information for the Statement of Activities of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total		Net Change
	2021	2020	2021	2020	2021	2020	
	(In Thousands)						
Program revenues:							
Charges for services	\$ 600	\$ 1,445	\$ 3	\$ 168	\$ 603	\$ 1,613	\$ (1,010)
Operating grants and contributions	65,569	53,024	4,012	6,928	69,581	59,952	9,629
General revenues:							
Taxes levied for general purposes, net	114,641	112,952	-	-	114,641	112,952	1,689
Grants, subsidies and contributions not restricted	40,036	40,036	-	-	40,036	40,036	-
Other	1,146	2,037	(857)	(867)	289	1,170	(881)
Total revenues	221,992	209,494	3,158	6,229	225,150	215,723	9,427
Program expenses:							
Instruction	146,161	141,998	-	-	146,161	141,998	4,163
Instructional student support	17,824	19,425	-	-	17,824	19,425	(1,601)
Administration and financial support services	15,505	14,912	-	-	15,505	14,912	593
Operation and maintenance of plant services	14,518	13,168	-	-	14,518	13,168	1,350
Pupil transportation	7,458	10,201	-	-	7,458	10,201	(2,743)
Student activities	1,403	2,338	-	-	1,403	2,338	(935)
Community services	2,051	3,091	-	-	2,051	3,091	(1,040)
Interest on long-term debt	1,520	967	-	-	1,520	967	553
Unallocated depreciation	4,129	3,716	-	-	4,129	3,716	413
Food service	-	-	2,625	6,195	2,625	6,195	(3,570)
Total expenses	210,569	209,816	2,625	6,195	213,194	216,011	(2,817)
Change in net position	11,423	(322)	533	34	11,956	(288)	12,244
Net position (deficit), beginning, as restated for 2021	(212,855)	(212,784)	3,720	3,686	(209,135)	(209,098)	(37)
Net position (deficit), ending	<u>\$ (201,432)</u>	<u>\$ (213,106)</u>	<u>\$ 4,253</u>	<u>\$ 3,720</u>	<u>\$ (197,179)</u>	<u>\$ (209,386)</u>	<u>\$ 12,207</u>

Upper Darby School District

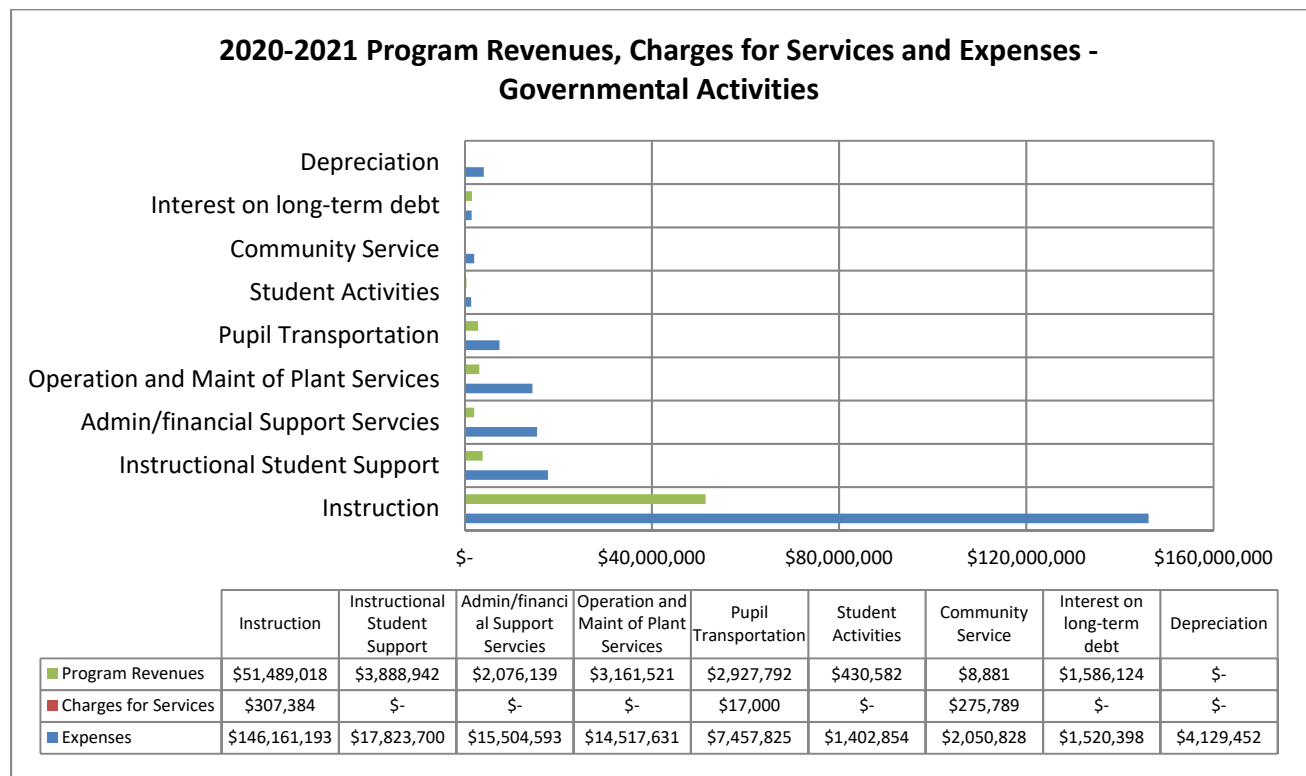
Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Overall, the District's financial position remained stable, however, challenges such as increased special education costs, charter school tuition, pension contributions, state-mandated programs, current employee contracts and the need for financing to address infrastructure issues remain. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing or 79.41 percent of its tax base. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities of 19.78 percent.

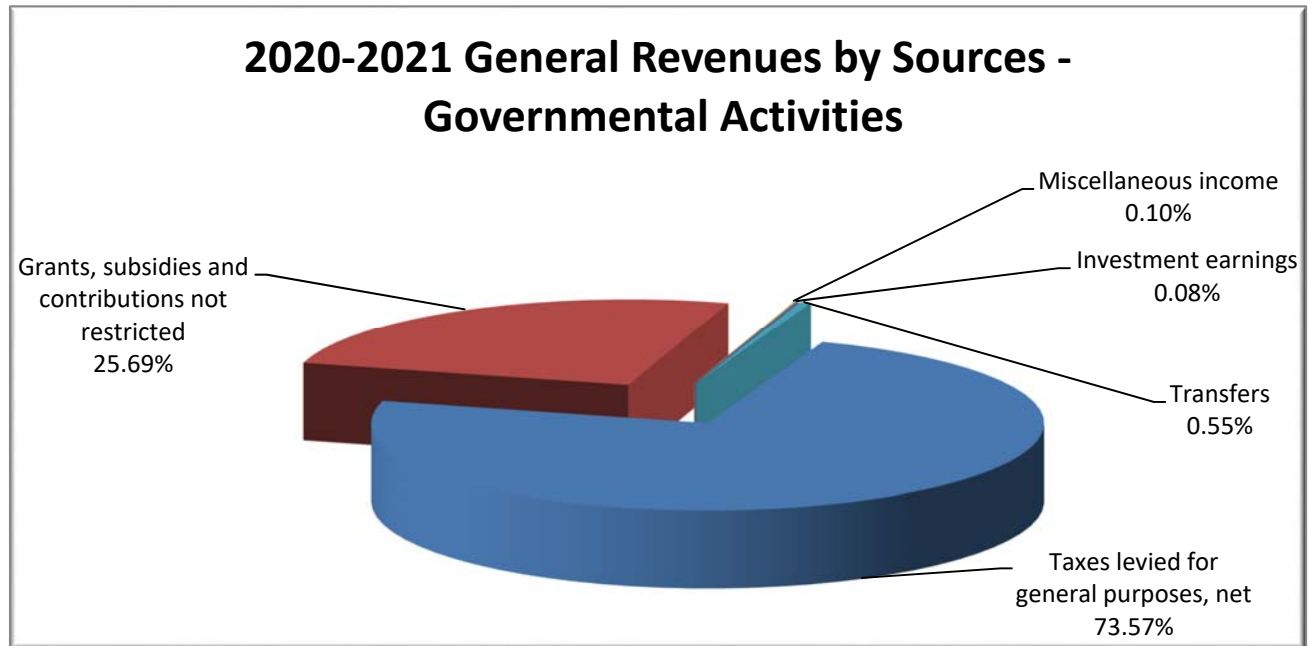
The Statement of Activities focuses on how the District finances its services. The Statement of Activities compares the cost of the District's functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, the District's governmental activities are not self-supporting.



Upper Darby School District

Management's Discussion and Analysis
 June 30, 2021
 (Unaudited)

To the degree that the District's functions or programs cost more than they raise, the Statement of Activities shows how the District chose to finance the differences through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



Fund Financial Analysis

The governmental fund financial statements provide detailed information on the District's major and nonmajor funds. Some funds are required to be established by statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$69,633,412, which is an increase of \$34,413,363 from 2020. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the 2021 change in governmental fund balances.

	2021	2020 (as restated)	Change
General Fund	\$ 29,198,453	\$ 26,918,577	\$ 2,279,876
Capital Reserve Fund	19,827,469	7,823,843	12,003,626
Capital Project Fund	20,391,636	226,949	20,164,687
Student Activity Fund	215,854	250,680	(34,826)
Total	\$ 69,633,412	\$ 35,220,049	\$ 34,413,363

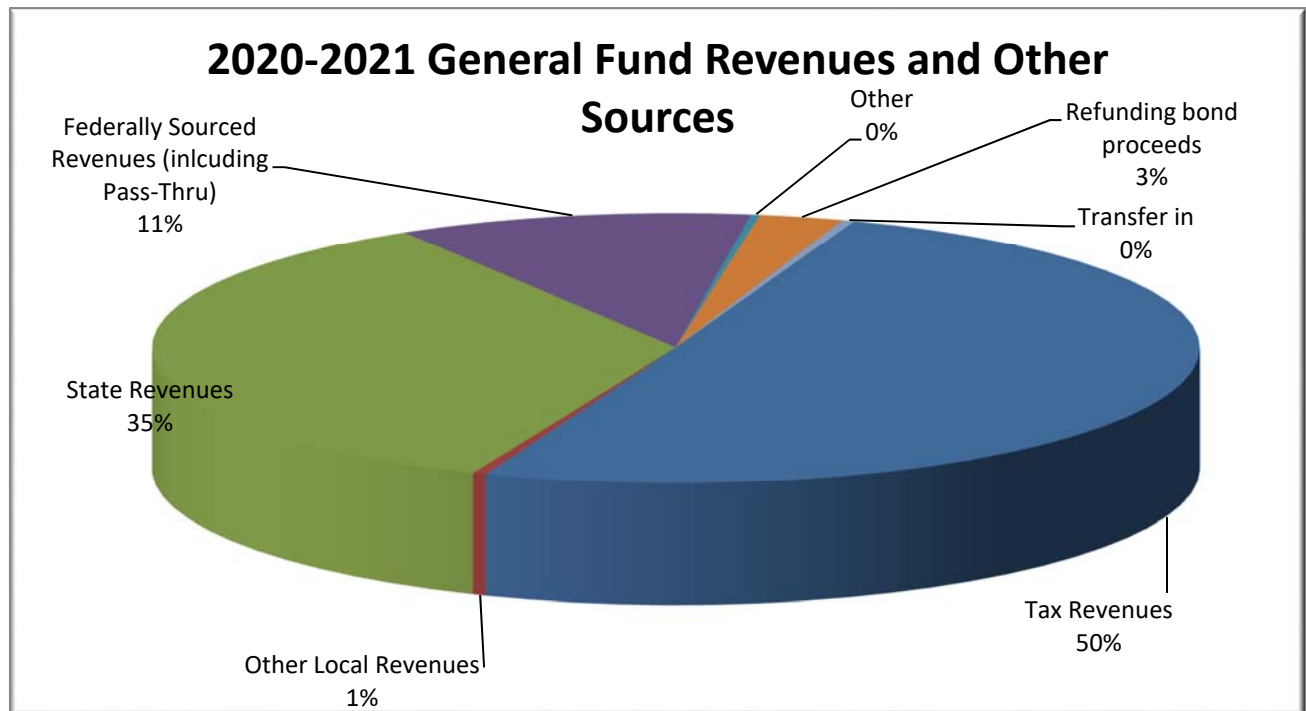
Upper Darby School District

Management's Discussion and Analysis
June 30, 2021
(Unaudited)

General Fund

The General Fund is the District's primary operating fund. At June 30, 2021, the General Fund had a fund balance of \$29,198,453 representing an increase of \$2,279,876 or 8.47 percent, over 2020. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 50 percent of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Tax revenues	\$ 115,504,867	\$ 112,492,963	\$ 3,011,904
Other local revenues	946,502	2,508,785	(1,562,283)
State revenues	80,309,610	83,785,492	(3,475,882)
Federally sourced revenues (including local pass-thru)	25,221,667	9,273,351	15,948,316
Other	629,032	2,188,808	(1,559,776)
Refunding bond proceeds	5,960,000	-	5,960,000
Transfer in	860,130	894,035	(33,905)
Total	<u>\$ 229,431,808</u>	<u>\$ 211,143,434</u>	<u>\$ 18,288,374</u>

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Total tax revenues increased by \$3,011,904 or 2.68 percent in 2021. The increase was primarily due to an increase in the tax levy of 2.6 percent and an increase in delinquent tax collection, which was offset by a decrease in interim and transfer tax compared to 2020. The following table summarizes and compares the changes in the District's total tax revenues for 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Real estate tax	\$ 100,612,262	\$ 98,111,758	\$ 2,500,504
Interim real estate tax	2,484	193,126	(190,642)
PURTA tax	102,669	94,094	8,575
Transfer tax	3,480,412	3,678,021	(197,609)
Delinquent tax	6,165,165	5,274,617	890,548
State property tax reduction	5,141,875	5,141,347	528
Total	<u>\$ 115,504,867</u>	<u>\$ 112,492,963</u>	<u>\$ 3,011,904</u>

State revenues decreased \$3,475,882 or 4.15 percent in 2021 due to several factors. The decrease is primarily the result of a one-time State Legislative Educational Grant received in the prior school year for job training and educational access. Additionally, a decrease in transportation subsidy aligned with a reduction in transportation services related to the virtual and hybrid models of education provided in 2021.

	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Instruction/block and miscellaneous grants	\$ 43,085,406	\$ 46,394,552	\$ (3,309,146)
Special education	8,883,001	8,888,217	(5,216)
Transportation	1,845,619	2,695,984	(850,365)
Rental/leasing fund	1,336,515	1,405,872	(69,357)
Social Security and retirement	24,211,964	23,693,180	518,784
Other	947,105	707,687	239,418
Total	<u>\$ 80,309,610</u>	<u>\$ 83,785,492</u>	<u>\$ (3,475,882)</u>

Federal revenue increased \$15,948,316 or 171.98 percent in 2021 primarily due to COVID-19 relief funds, which include the COVID-19 Educational Stabilization Fund and Governor's Emergency Education Relief Funds. The funds were made up of various grants including, but not limited to, the Elementary and Secondary School Emergency Relief (ESSER) I and II, Special Education COVID-19 Impact Mitigation Grant, and Continuity of Education for Additional Targeted Support and Improvement Schools Funds. A listing of federal funds can be found on the Schedule of Expenditures of Federal Awards on page 65.

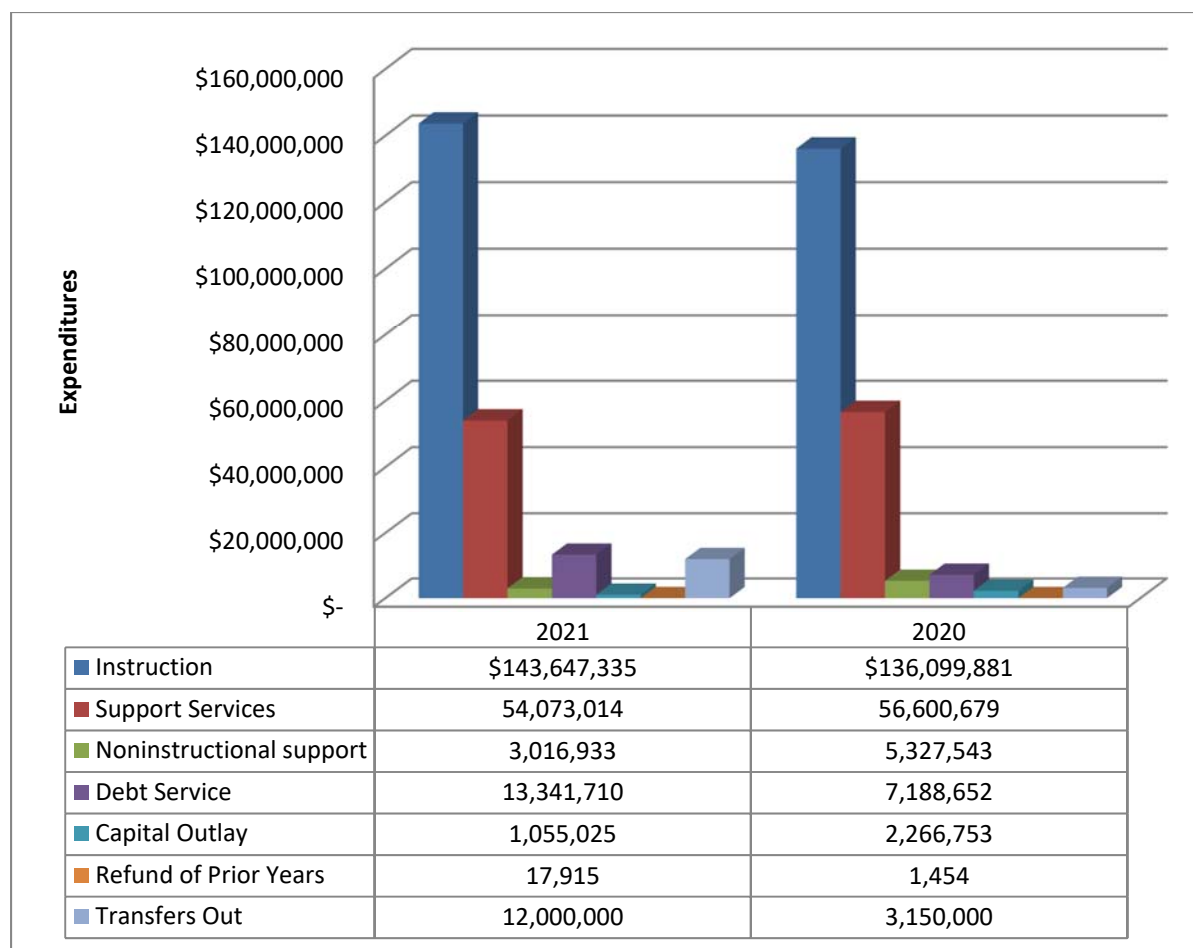
Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

General Fund Expenditures and Other Financing Uses



	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Instruction	\$ 143,647,335	\$ 136,099,881	\$ 7,547,454
Support services	54,073,014	56,600,679	(2,527,665)
Noninstructional services	3,016,933	5,327,543	(2,310,610)
Debt service	13,341,710	7,188,652	6,153,058
Capital outlay	1,055,025	2,266,753	(1,211,728)
Refund of prior years	17,915	1,454	16,461
Transfers out	12,000,000	3,150,000	8,850,000
Total	<u>\$ 227,151,932</u>	<u>\$ 210,634,962</u>	<u>\$ 16,516,970</u>

Expenditures increased \$16,516,970 in 2021. The most significant component of the increase is due to the federal funding related to COVID-19 which allowed the District to expend roughly \$13 million to prevent, prepare for, and respond to the impact of COVID-19. In addition, the District refinanced two bonds into a bank loan. The repayment of the two bonds made up \$5,960,000 or 96.98 percent of the net change to debt service. The overall increase was offset by the virtual and hybrid models of instruction the District operated under due to COVID-19.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Capital Reserve Fund

The Capital Reserve Fund accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the treasury at the end of a fiscal year, and (3) interest earnings of the fund itself. Expenditures from this fund are limited to: capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase of school buses, and for no other purpose.

In 2021, the Capital Reserve Fund reported an increase in fund balance of \$12,003,626. This is primarily the result of a \$12,000,000 transfer into the Capital Reserve from the General Fund. The fund balance of \$19,827,469 at June 30, 2021 is restricted for capital expenditures.

Capital Projects Fund

The Capital Projects Fund accounts for bond proceeds, capital outlay, and interest earnings of the fund itself. Expenditures from this fund are limited to capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase of school buses, and for no other purpose.

During 2020-2021, the District issued the Series of 2020 general obligation bonds with a face value of \$26,510,000 plus a bond premium of \$3,914,265, for total proceeds of \$30,424,265. Bond issuance costs were \$416,485. Capital outlay and other expenses totaled \$9,847,620. The Capital Projects Fund reported an increase in fund balance of \$20,164,687. The fund balance of \$20,391,636 at June 30, 2021 is restricted for capital expenditures.

Amounts spent on capital projects during the year ended June 30, 2021 were as follows:

Clifton Heights Middle School	\$	271,252
Aronimink renovation and expansion		674,933
Beverly Hills Middle School window replacement		941,901
Beverly Hills Middle School chiller replacement		6,200
Highland Park Elementary School HVAC replacement		82,094
Stonehurst Hills Elementary School toilet room renovation		1,275,505
Drexel Hill Middle School toilet room renovation		2,420,246
8201 N. Lansdowne Avenue renovation		1,074,599
Various paving projects		594,900
Bywood Elementary School toilet room renovation		583,984
Beverly Hills Middle School toilet room renovation		588,338
Potential New Elementary School		1,650
Middle School track and field projects		169,786
Garrettford Elementary School window replacement		1,162,272
		<hr/>
Total	\$	<u>9,847,620</u>

General Fund Budget Information

The District maintains its financial records and prepares its financial statements on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

The General Fund's final approved budget for 2021 included \$209,602,070 of revenues and other financing sources and \$214,904,878 of expenditures and other financing uses. The District committed \$5,302,808 to be used from its unassigned fund balance to cover the shortfall.

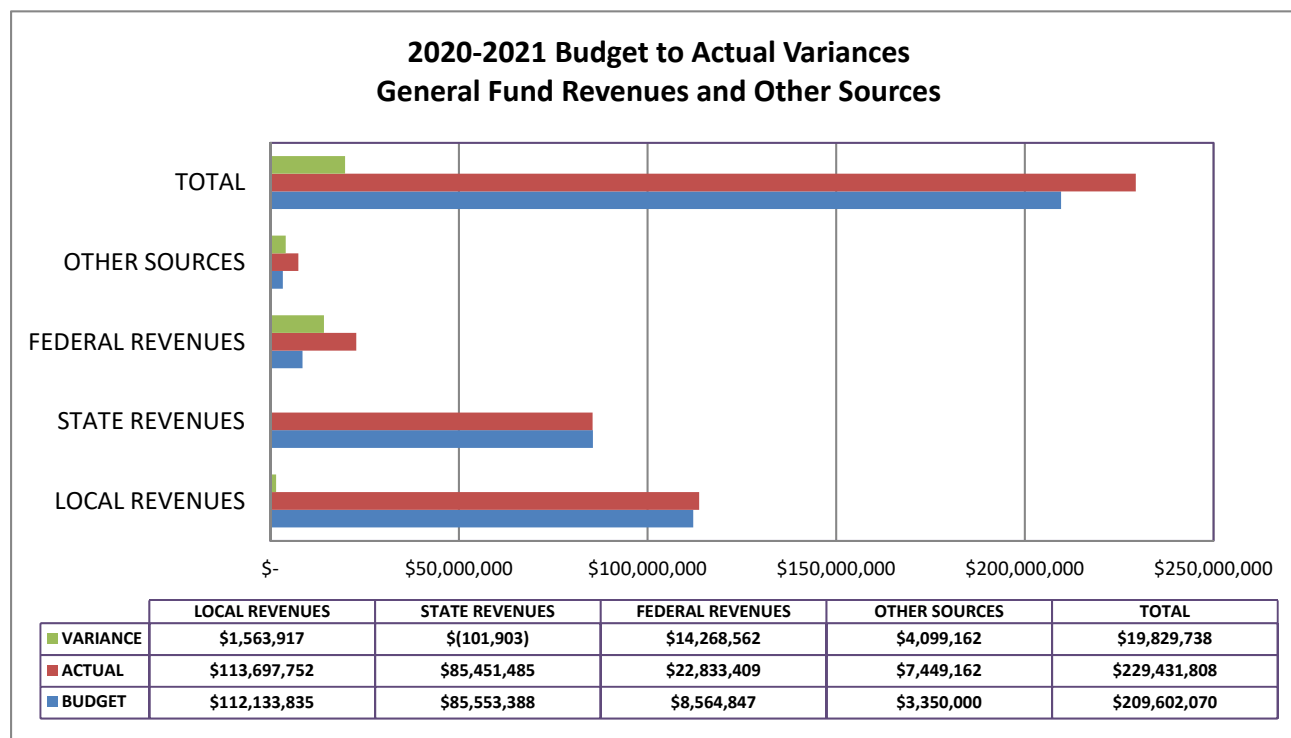
Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Actual revenues and other financing sources were \$19,829,738 more than the budgeted amounts and actual expenditures and other financing uses were \$12,247,054 more than the final budgeted amounts. The actual amount of revenues over expenditures was \$2,279,876. As such, funds committed to cover the projected shortfall in the amount of \$5,302,808 were not used. Major budgetary highlights for 2020-2021 were as follows:



- Local revenues were \$1,563,917, or 1.39 percent more than budgeted due to better than anticipated collection of transfer and delinquent taxes; and a decrease in investment returns due to decreasing interest rates.
- State revenues were \$101,903, or 0.12 percent less than budgeted.
- Federal revenues were \$14,268,562, or 166.59 percent more than budgeted. The increase relates to COVID-19 relief funds and an increased draw down on the medical assistance program (ACCESS).

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Instruction	\$ 143,210,612	\$ 143,647,335	\$ (436,723)
Support services	58,405,473	54,073,014	4,332,459
Noninstructional support	4,941,074	3,016,933	1,924,141
Capital outlay	171,020	1,055,025	(884,005)
Debt service	7,731,699	13,341,710	(5,610,011)
Refund of prior years	10,000	17,915	(7,915)
Contingency	435,000	-	435,000
Transfers out	-	12,000,000	(12,000,000)
Total	<u>\$ 214,904,878</u>	<u>\$ 227,151,932</u>	<u>\$ (12,247,054)</u>

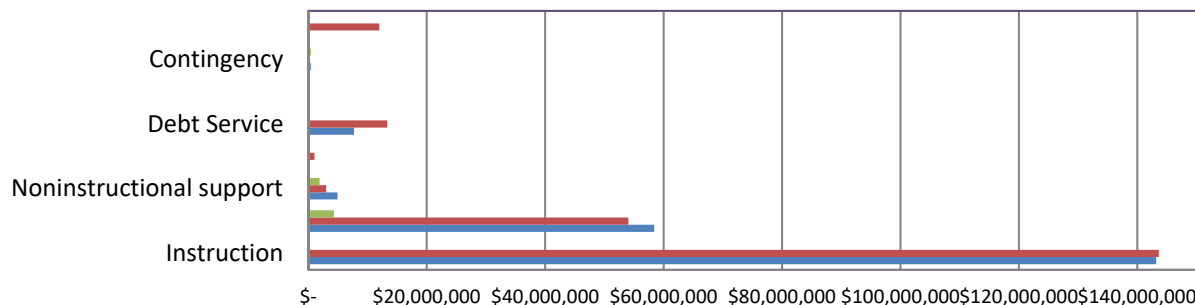
Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

2020-2021 Budget to Actual Variances General Fund Expenditures and Other Uses



	Instruction	Support Services	Noninstructional support	Capital Outlay	Debt Service	Refund of Prior Years	Contingency	Transfers Out
VARIANCE	\$(436,722)	\$4,332,459	\$1,924,141	\$(884,005)	\$(5,610,011)	\$(7,915)	\$435,000	\$(12,000,000)
ACTUAL	\$143,647,335	\$54,073,014	\$3,016,933	\$1,055,025	\$13,341,710	\$17,915	\$-	\$12,000,000
BUDGET	\$143,210,612	\$58,405,473	\$4,941,074	\$171,020	\$7,731,699	\$10,000	\$435,000	\$-

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Salaries	\$ 92,121,035	\$ 87,227,956	\$ (4,893,079)
Employee health benefits	20,402,116	19,060,431	(1,341,679)
Social Security/retirement	37,884,335	35,722,515	(2,161,820)
Other employer benefits	1,975,008	2,254,109	279,102
Total wages and benefits	<u>152,382,493</u>	<u>144,265,017</u>	<u>(8,117,476)</u>
Purch svc/prof/tech	14,883,322	10,810,782	(4,072,540)
Purch property svcs	4,595,570	5,382,911	787,341
Other purchased svcs	25,555,500	21,996,686	(3,558,514)
Supplies	7,175,444	16,810,085	9,634,641
Property	841,341	1,050,567	209,227
Other objects	3,101,216	3,056,594	(44,622)
Other financing uses	6,369,992	23,779,289	17,409,298
Total other	<u>62,522,385</u>	<u>82,886,915</u>	<u>20,364,530</u>
Total	<u>\$ 214,904,878</u>	<u>\$ 227,151,932</u>	<u>\$ 12,247,054</u>

- Total actual expenditures and other financing used were over budget by \$12,247,054 or 5.70 percent.
- Total other expenditures exceeded the budget by \$20,364,530 or 32.57 percent. The majority of the increase was due to purchases related to COVID-19, funded by federal grants, as well as the refunded bond debt service. The variance was offset by salaries and benefits with a total positive variance of \$8,117,476 or 5.33 percent due to the impact of the modified instructional models the District operated under in 2021. Noninstructional and afterschool activities operated at limited capacity due to restrictions in place. The District also experienced a decrease in teaching and support position salaries and benefits resulting from staff turnover. Further complicating the issue, fulfillment of these positions has become increasingly more difficult due to not just a local, but nation-wide shortage of teachers.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2021
(Unaudited)

Business-Type Activity/Proprietary Fund

The District's business-type activity/proprietary fund consists of the District's food service program. The District's food service program is managed by an outside third party contractor. During 2020-2021, the net position of the business-type activity/proprietary fund increased by \$533,432. At June 30, 2021, the business-type activity/proprietary fund had net position of \$4,252,941.

Capital Assets

The District's capital assets at June 30, 2021 are summarized below:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Totals</u>
Land and improvements	\$ 9,907,352	\$ -	\$ 9,907,352
Building and improvements	124,965,730	-	124,965,730
Furniture and equipment	33,838,922	2,258,240	36,097,162
Construction in progress	9,069,990	-	9,069,990
Total	177,781,994	2,258,240	180,040,234
Less accumulated depreciation	104,336,086	1,344,468	105,680,554
Net capital assets	<u>\$ 73,445,908</u>	<u>\$ 913,772</u>	<u>\$ 74,359,680</u>

Completed capital projects totaled \$8,570,304 in 2021 and consisted of the following:

Beverly Hills Middle School chiller replacement	\$ 706,354
Highland Park Elementary School HVAC replacement	1,667,995
Stonehurst Hills Elementary School toilet room renovation	1,460,995
Drexel Hill Middle School toilet room renovation	2,742,966
Various parking lots	594,900
High School work benches	19,441
High School marquee	9,290
Various technology equipment	291,199
Hydration stations	71,218
Maintenance equipment	263,311
Transportation and maintenance vehicles	716,436
Musical equipment	26,199

Long-Term Debt

At July 1, 2020, the principal or face amount of the District's general obligation debt was \$24,784,143. The District issued the Series of 2020 general obligation bonds for \$26,510,000 and the Series of 2021 general obligation note for \$5,960,000. The Series of 2020 bonds were issued to finance capital improvements. The Series of 2021 note was issued to currently refund the Series of 2012 bonds and the Series of 2014 note. During the year, the District made principal payments of \$9,518,190, including the refunded principal on the 2012 and 2014 debt. The principal or face amount balance of outstanding debt at June 30, 2021 is \$47,735,953. In the 2021-2022 school year, \$2,971,190 of this debt is scheduled for repayment.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

State statutes limit the amount of general obligation debt the District may issue to 225 percent of its borrowing base capacity which is the annual arithmetic average of total revenues for the three preceding fiscal years. The long-term debt amount for the District is approximately 10.41 percent of its legal limit of \$458 million.

In July 2021, the District issued the Series of 2021A general obligation bonds with a face amount of \$36,550,000 to finance capital improvements. Additional information on the District's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

At the time that these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's local revenue sources continue to be adversely impacted. The District continues to anticipate an increased burden on local taxpayers due to continued reductions in assessed taxable values and nominal return on investments. This trend reinforces expectation that greater local tax efforts will be required to be the mechanism to fund instructional programming.
- The District does not expect significant residential nor commercial business growth in the near future given the existing developed commercial and residential nature of the local economy and a lack of developable land remaining within the District.
- The Commonwealth implemented a new funding formula for the Basic and Special Education subsidies that has not been fully funded. Late in the 2021-2022 state budget process, the State introduced the Level Up Supplement leading to an additional \$1.8 million dollars in Basic Education funding for the District. Yet, recent reports show the District remains one of the most underfunded school districts in the State. The hold harmless legislation leaves the District under-funded in excess of \$20 million dollars for the 2021-2022 school year. Furthermore, additional studies based on the adequacy gap have the District listed with the 5th highest adequacy shortfall totaling \$77.8 million dollars.
- The District adopted a 2021-2022 budget totaling \$214,904,878. The 2021-2022 budget included:
 - Approximately \$4.04 million increase in contractual salaries.
 - Due to the county-wide property reassessment, the real estate millage rate was balanced to a new base millage of 24.0033 and subsequently increased, through the budget process, by 2.6 percent for a total millage rate of 24.6274.
 - \$6,444,922 of General Fund balance was committed to cover the anticipated revenue shortfall.
- The District has been allocated approximately \$62.6 million of federal funds from the various stimulus packages enacted by the federal government in 2020 and 2021 for the specific purpose of providing emergency relief to address the impact that COVID-19 has had, and continues to have on elementary and secondary schools. These funds must be used to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health, and academic needs of students. In fiscal 2021, the District spent approximately \$12.9 million of these funds. The remaining funds must be expended by September 2023.
- The District continues to face overcapacity issues. In June 2015, the Board of School Directors approved a resolution directing the proper officers to submit PlanCon Part A - Project Justification for the Phase I Project. However, the District did not include a facility study which resulted in the rejection of the submission. In March 2017, the District engaged Bonnett and Associates as the architect of record to complete a facility study.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

A Facility Committee was formed and provided recommendations to the Board of School Directors with elementary class size guidelines which addressed current and future education specification needs for school planning. In February 2017, the Board of School Directors adopted a resolution for class size guidelines based on the Committee's recommendation of Scenario 32. A costing out update was provided to the Board in November 2017.

In November 2017, the Facility Committee provided the Board and the public with a costing out update of Scenario 32. The major capital improvements and potential new cost of an elementary school were presented to the Board. The overall major elementary capital improvement construction costs are estimated to total \$180,000,000. The Facilities Committee also reviewed future enrollment trends, redistricting of elementary and middle school students, as well as a timeline for the completion of a new elementary school should the Board decide to move in that direction. The Facilities Committee recommended to the Board to review the cost to renovate Drexel Hill Middle School prior to taking action on the Elementary Facilities Study. After a review of the capital improvements priority list, along with a review of future enrollment trends, the Facilities Committee stated that the immediate facilities concerns seem to be with Drexel Hill Middle School and Beverly Hills Middle School. In order to complete a more in-depth look of both middle schools, the Facilities Committee asked the Board to consider taking action on a class size of 27 for planning purposes. Members of the Board approved the 27-class size in December 2017.

In April 2018, the Facilities Committee provided the Board and the public with 40 different scenarios to solve our current and future middle school enrollment needs. The Facilities Committee's recommendation to the Board was to cost out a third middle school and consider either a concept school or a neighborhood school. The Board agreed to move forward with costing out a new middle school with at least 500 students.

Currently, the District has started construction on the Aronimink Elementary renovation and addition and renovation of the existing transportation and maintenance building to house Central Administration. Additionally, the District has continued designing, developing and pursuing a new middle school and elementary school.

For more information regarding the District's future facility plans, please visit the District's website at upperdarbysd.org.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Upper Darby School District, 4611 Bond Avenue, Drexel Hill, PA 19026

Upper Darby School District

Statement of Net Position (Deficit)

June 30, 2021

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 27,856,573	\$ 2,816,491	\$ 30,673,064
Restricted cash	215,854	-	215,854
Investments	20,016,483	514,514	20,530,997
Taxes receivable, net	6,964,295	-	6,964,295
Due from other governments	19,809,336	586,124	20,395,460
Other receivables	994,890	432,047	1,426,937
Internal balances	860,130	(860,130)	-
Prepaid expenses	949,900	-	949,900
Inventories	74,556	98,023	172,579
Total current assets	<u>77,742,017</u>	<u>3,587,069</u>	<u>81,329,086</u>
Noncurrent Assets			
Capital assets	73,445,908	913,772	74,359,680
Assets held for capital projects	30,662,199	-	30,662,199
Total noncurrent assets	<u>104,108,107</u>	<u>913,772</u>	<u>105,021,879</u>
Total assets	<u>181,850,124</u>	<u>4,500,841</u>	<u>186,350,965</u>
Deferred Outflows of Resources			
Pension	45,798,238	-	45,798,238
Other postemployment benefits	3,234,844	-	3,234,844
Deferred amounts on bond refunding	45,250	-	45,250
Total deferred outflows of resources	<u>49,078,332</u>	<u>-</u>	<u>49,078,332</u>
Total assets and deferred outflows of resources	<u>\$ 230,928,456</u>	<u>\$ 4,500,841</u>	<u>\$ 235,429,297</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Liabilities			
Current liabilities:			
Accounts payable	\$ 7,414,669	\$ 231,835	\$ 7,646,504
Current maturities of:			
Bonds and note payable	2,971,190	-	2,971,190
Capital lease obligations	1,384,692	-	1,384,692
Authority lease obligations	133,108	-	133,108
Accrued salaries and benefits	24,763,084	-	24,763,084
Accrued interest payable	361,743	-	361,743
Other current liabilities	569,975	-	569,975
Current portion of compensated absences	302,572	-	302,572
Current portion of special termination benefits	207,786	-	207,786
Unearned revenues	175,006	16,065	191,071
Total current liabilities	<u>38,283,825</u>	<u>247,900</u>	<u>38,531,725</u>
Bonds and note payable	48,966,263	-	48,966,263
Capital lease obligations	1,727,134	-	1,727,134
Authority lease obligations	1,717,269	-	1,717,269
Compensated absences	2,929,314	-	2,929,314
Special termination benefits	612,225	-	612,225
Other postemployment benefits	22,663,832	-	22,663,832
Net pension liability	301,983,000	-	301,983,000
Total liabilities	<u>418,882,862</u>	<u>247,900</u>	<u>419,130,762</u>
Deferred Inflows of Resources			
Pension	9,175,000	-	9,175,000
Other postemployment benefits	4,302,420	-	4,302,420
Total deferred inflows of resources	<u>13,477,420</u>	<u>-</u>	<u>13,477,420</u>
Net Position (Deficit)			
Net investment in capital assets	58,615,734	913,772	59,529,506
Restricted	40,434,959	-	40,434,959
Unrestricted	<u>(300,482,519)</u>	<u>3,339,169</u>	<u>(297,143,350)</u>
Total net position (deficit)	<u>(201,431,826)</u>	<u>4,252,941</u>	<u>(197,178,885)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 230,928,456</u>	<u>\$ 4,500,841</u>	<u>\$ 235,429,297</u>

See notes to financial statements

Upper Darby School District

 Statement of Activities
 Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities						
Instruction	\$ 146,161,193	\$ 307,384	\$ 51,489,018	\$ (94,364,791)		\$ (94,364,791)
Instructional student support	17,823,700	-	3,888,942	(13,934,758)		(13,934,758)
Administrative and financial support services	15,504,593	-	2,076,139	(13,428,454)		(13,428,454)
Operation and maintenance of plant services	14,517,631	-	3,161,521	(11,356,110)		(11,356,110)
Pupil transportation	7,457,825	17,000	2,927,792	(4,513,033)		(4,513,033)
Student activities	1,402,854	-	430,582	(972,272)		(972,272)
Community service	2,050,828	275,789	8,881	(1,766,158)		(1,766,158)
Interest on long-term debt	1,520,398	-	1,586,124	65,726		65,726
Depreciation	4,129,452	-	-	(4,129,452)		(4,129,452)
Total governmental activities	210,568,474	600,173	65,568,999	(144,399,302)		(144,399,302)
Business-Type Activity, Food Service	2,624,766	3,476	4,011,548	-	\$ 1,390,258	1,390,258
Total	<u>\$ 213,193,240</u>	<u>\$ 603,649</u>	<u>\$ 69,580,547</u>	<u>(144,399,302)</u>	<u>1,390,258</u>	<u>(143,009,044)</u>
General Revenues						
Real estate and transfer taxes levied for general purposes, net				114,641,324	-	114,641,324
Grants, subsidies and contributions not restricted				40,035,918	-	40,035,918
Miscellaneous income				157,890	-	157,890
Investment earnings				127,668	3,304	130,972
Transfers				860,130	(860,130)	-
Total general revenues				<u>155,822,930</u>	<u>(856,826)</u>	<u>154,966,104</u>
Change in Net Position				<u>11,423,628</u>	<u>533,432</u>	<u>11,957,060</u>
Net Position (Deficit), Beginning						
As previously reported				(213,106,134)	3,719,509	(209,386,625)
Adoption of GASB No. 84				250,680	-	250,680
As restated				<u>(212,855,454)</u>	<u>3,719,509</u>	<u>(209,135,945)</u>
Net Position (Deficit), Ending				<u>\$ (201,431,826)</u>	<u>\$ 4,252,941</u>	<u>\$ (197,178,885)</u>

See notes to financial statements

Upper Darby School District

Balance Sheet - Governmental Funds

June 30, 2021

	Major Funds			Nonmajor Fund	Totals
	General	Capital Projects	Capital Reserve		
Assets					
Cash and cash equivalents	\$ 27,856,573	\$ -	\$ -	\$ -	\$ 27,856,573
Restricted cash	-	-	-	215,854	215,854
Investments	20,016,483	-	-	-	20,016,483
Assets held for capital projects	-	22,837,900	7,824,299	-	30,662,199
Taxes receivable, net	6,964,295	-	-	-	6,964,295
Due from other governments	19,809,336	-	-	-	19,809,336
Other receivables	994,890	-	-	-	994,890
Due from other funds	860,130	-	12,003,170	-	12,863,300
Prepaid expenses	949,900	-	-	-	949,900
Inventories	74,556	-	-	-	74,556
Total	\$ 77,526,163	\$ 22,837,900	\$ 19,827,469	\$ 215,854	\$ 120,407,386
Liabilities					
Accounts payable	\$ 4,971,575	\$ 2,443,094	\$ -	\$ -	\$ 7,414,669
Accrued salaries and benefits	24,763,084	-	-	-	24,763,084
Unearned revenues	175,004	-	-	-	175,004
Due to other funds	12,000,000	3,170	-	-	12,003,170
Other current liabilities	569,975	-	-	-	569,975
Total liabilities	42,479,638	2,446,264	-	-	44,925,902
Deferred Inflows of Resources					
Unavailable revenues, real estate taxes	5,848,072	-	-	-	5,848,072
Fund Balances					
Nonspendable	1,024,456	-	-	-	1,024,456
Restricted	-	20,391,636	19,827,469	215,854	40,434,959
Committed	6,444,922	-	-	-	6,444,922
Assigned	9,084,888	-	-	-	9,084,888
Unassigned	12,644,187	-	-	-	12,644,187
Total fund balances	29,198,453	20,391,636	19,827,469	215,854	69,633,412
Total	\$ 77,526,163	\$ 22,837,900	\$ 19,827,469	\$ 215,854	\$ 120,407,386

See notes to financial statements

Upper Darby School District

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total Fund Balances, Governmental Funds	\$ 69,633,412
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	73,445,908
Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds	5,848,070
Deferred gain on debt refundings are included in the statement of net position	45,250
Accrued interest payable is included in the statement of net position	(361,743)
Deferred outflows of resources related to the net pension liability is included in the statement of net position	45,798,238
Deferred outflows of resources related to the other postretirement benefits liability is included in the statement of net position	3,234,844
Deferred inflows of resources related to the net pension liability is included in the statement of net position	(9,175,000)
Deferred inflows of resources related to the other postretirement benefits liability is included in the statement of net position	(4,302,420)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds and note payable	(51,937,453)
Capital lease obligations	(3,111,826)
Authority lease obligations	(1,850,377)
Compensated absences	(3,231,886)
Special termination benefits	(820,011)
Other postretirement benefits	(22,663,832)
Net pension liability	<u>(301,983,000)</u>
Total Net Deficit, Governmental Activities	<u><u>\$ (201,431,826)</u></u>

Upper Darby School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General	Capital Projects	Capital Reserve		
Revenues					
Local sources	\$ 113,697,752	\$ 4,527	\$ 3,626	\$ 22,629	\$ 113,728,534
State sources	85,451,485	-	-	-	85,451,485
Federal sources	22,833,409	-	-	-	22,833,409
Total revenues	221,982,646	4,527	3,626	22,629	222,013,428
Expenditures					
Instruction	143,647,335	-	-	-	143,647,335
Support services	54,073,014	683,025	-	-	54,756,039
Noninstructional services	3,016,933	-	-	57,455	3,074,388
Capital outlay	1,055,025	9,581,080	-	-	10,636,105
Refund of prior year receipts	17,915	-	-	-	17,915
Debt service	13,341,710	-	-	-	13,341,710
Total expenditures	215,151,932	10,264,105	-	57,455	225,473,492
Revenues Over (Under) Expenditures	6,830,714	(10,259,578)	3,626	(34,826)	(3,460,064)
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	26,510,000	-	-	26,510,000
Bond premium	-	3,914,265	-	-	3,914,265
Proceeds from refunding note issue	5,960,000	-	-	-	5,960,000
Proceeds from extended term financing	615,997	-	-	-	615,997
Proceeds from sale of assets	13,035	-	-	-	13,035
Transfers in	860,130	-	12,000,000	-	12,860,130
Transfers out	(12,000,000)	-	-	-	(12,000,000)
Other financing sources (uses), net	(4,550,838)	30,424,265	12,000,000	-	37,873,427
Revenues and Other Financing Sources Over (Under) Expenditures	2,279,876	20,164,687	12,003,626	(34,826)	34,413,363
Fund Balance, Beginning					
As previously reported	26,918,577	226,949	7,823,843	-	34,969,369
Adoption of GASB No. 84	-	-	-	250,680	250,680
As restated	26,918,577	226,949	7,823,843	250,680	35,220,049
Fund Balance, Ending	\$ 29,198,453	\$ 20,391,636	\$ 19,827,469	\$ 215,854	\$ 69,633,412

See notes to financial statements

Upper Darby School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds **\$ 34,413,363**

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

Capital outlays are reported in the governmental funds as expenditures.

However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense. The amount of capital outlay exceeding depreciation expense in the period is:

Capital outlay	\$ 11,244,714	
Less: depreciation expense	<u>(4,129,452)</u>	7,115,262

In the statement of activities only the gain (loss) on disposal of assets is reported, whereas in the governmental funds, the proceeds from disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net carrying value of the assets.

(536)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in real estate tax revenue accrued between the prior and current year

(863,542)

Bond premiums/discounts and refunding charges are reported in the funds when the debt is issued. However, premiums/discounts and refunding charges are deferred and amortized in the statement of activities.

Activity during the period is as follows:

New premiums/discounts	(3,914,265)	
Amortization of bond premiums/discounts	321,350	
Amortization of deferred refunding charges	<u>8,567</u>	(3,584,348)

Proceeds from bond and note issuances are considered a current financial resource and are reported in the funds but not in the statement of activities

(32,470,000)

Repayment of bonds and note payable and capital and authority lease obligations use current financial resources and are reported in the funds but not the statement of activities. Principal repayments were as follows:

Bonds and notes	9,518,190	
Capital leases	2,053,784	
Authority leases	<u>121,337</u>	11,693,311

Proceeds from extended term financing is considered a current financial resource and are reported in the funds but not in the statement of activities

(615,997)

Change in accrued interest payable

(201,916)

In the statement of activities, certain expenses are measured by the amounts incurred during the year. In the funds, these items are measured by the amounts paid. The net differences between these amounts are as follows:

Retirement	(3,952,056)	
Compensated absences	(55,538)	
Special termination benefits	106,315	
Other postretirement benefits	<u>(160,690)</u>	(4,061,969)

Change in Net Position of Governmental Activities

\$ 11,423,628

Upper Darby School District

Statement of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues			
Local sources	\$ 112,133,835	\$ 113,697,752	\$ 1,563,917
State sources	85,553,388	85,451,485	(101,903)
Federal sources	8,564,847	22,833,409	14,268,562
Total revenues	<u>206,252,070</u>	<u>221,982,646</u>	<u>15,730,576</u>
Expenditures			
Instruction	143,210,612	143,647,335	(436,723)
Support services	58,405,473	54,073,014	4,332,459
Noninstructional services	4,941,074	3,016,933	1,924,141
Capital outlay	171,020	1,055,025	(884,005)
Debt service	7,731,699	13,341,710	(5,610,011)
Refund of prior year receipts	10,000	17,915	(7,915)
Total expenditures	<u>214,469,878</u>	<u>215,151,932</u>	<u>(682,054)</u>
Revenues Over (Under) Expenditures	<u>(8,217,808)</u>	<u>6,830,714</u>	<u>15,048,522</u>
Other Financing Sources (Uses)			
Proceeds from refunding note issue	-	5,960,000	5,960,000
Proceeds from extended term financing	2,250,000	615,997	(1,634,003)
Proceeds from sale of assets	-	13,035	13,035
Transfers in	1,100,000	860,130	(239,870)
Transfers out	-	(12,000,000)	(12,000,000)
Budgetary reserve	(435,000)	-	435,000
Total other financing sources (uses), net	<u>2,915,000</u>	<u>(4,550,838)</u>	<u>(7,465,838)</u>
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	<u>(5,302,808)</u>	<u>2,279,876</u>	<u>7,582,684</u>
Fund Balance, Beginning	<u>26,060,631</u>	<u>26,918,577</u>	<u>857,946</u>
Fund Balance, Ending	<u>\$ 20,757,823</u>	<u>\$ 29,198,453</u>	<u>\$ 8,440,630</u>

See notes to financial statements

Upper Darby School District

Balance Sheet - Proprietary Fund

June 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 2,816,491
Investments	514,514
Due from other governments	586,124
Other receivables	432,047
Inventories	<u>98,023</u>

Total current assets 4,447,199

Capital Assets

913,772

Total assets \$ 5,360,971

Liabilities and Net Position

Liabilities

Current liabilities:

Accounts payable	\$ 231,835
Other current liabilities	16,065
Due to other funds	<u>860,130</u>

Total liabilities 1,108,030

Net Position

Net investment in capital assets	913,772
Unrestricted net position	<u>3,339,169</u>

Total net position 4,252,941

Total liabilities and net position \$ 5,360,971

Upper Darby School District

Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund
Year Ended June 30, 2021

Operating Revenues

Food service revenue	<u>\$ 3,476</u>
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Operating Expenses

Purchased services	2,225,279
Donated commodities	258,036
Other	635
Depreciation	<u>140,816</u>

Total operating expenses	<u>2,624,766</u>
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Operating Loss

<u>(2,621,290)</u>

Nonoperating Revenues (Expenses)

Federal subsidies	3,869,474
State subsidies	142,074
Earnings on investments	3,304
Transfers out	<u>(860,130)</u>

Nonoperating revenues, net	<u>3,154,722</u>
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Increase in Net Position

533,432

Net Position, Beginning

<u>3,719,509</u>

Net Position, Ending

<u><u>\$ 4,252,941</u></u>

Upper Darby School District

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2021

Cash Flows From Operating Activities

Receipts from customers	\$ 1,374
Payments to suppliers	<u>(2,247,841)</u>
Net cash used in operating activities	<u>(2,246,467)</u>

Cash Flows From Noncapital Financing Activities

Transfers out	(1,841,127)
State subsidies	134,326
Federal subsidies	<u>3,374,064</u>
Net cash provided by noncapital financing activities	<u>1,667,263</u>

Cash Flows Used in Capital and Related Financing Activities

Acquisition of capital assets	<u>(27,273)</u>
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Cash Flows Provided by Investing Activities

Proceeds from sale of investments	(136)
Interest on investments	<u>3,304</u>
Net cash provided by investing activities	<u>3,168</u>

Net Decrease in Cash (603,309)

Cash, Beginning 3,419,800

Cash, Ending \$ 2,816,491

Supplemental Disclosure of Noncash Transactions

USDA donated commodities	<u><u>\$ 258,036</u></u>
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Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (2,621,290)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	140,816
USDA donated commodities	316,416
Changes in:	
Other receivables	(1,612)
Inventories	(58,380)
Accounts payable	(21,927)
Other current liabilities	<u>(490)</u>
Net cash used in operating activities	<u><u>\$ (2,246,467)</u></u>

Upper Darby School District

Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash	\$ 880,637
Net Position	
Restricted for general welfare	307,795
Restricted for scholarships	<u>572,842</u>
Total net position	<u>\$ 880,637</u>

Upper Darby School District

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	<u>Custodial Funds</u>
Additions	
Contribution income	\$ 327,303
Interest income	549
	<hr/>
Total additions	327,852
	<hr/>
Deductions	
Employee groups and District programs	104,281
Scholarships awarded	236,905
	<hr/>
Total deductions	341,186
	<hr/>
Change in Net Position	<u>(13,334)</u>
Net Position, Beginning	
As previously reported	584,047
Adoption of GASB No. 84	309,924
	<hr/>
As restated	893,971
	<hr/>
Net Position, Ending	<u><u>\$ 880,637</u></u>

See notes to financial statements

Upper Darby School District

Notes to Financial Statements
June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies

The major accounting principles and practices followed by the Upper Darby School District (District) are summarized below:

Nature of Operations

The District provides elementary and secondary education to the residents of Upper Darby Township and the Boroughs of Clifton Heights and Millbourne, Pennsylvania. The District assesses taxpayers based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB) Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

Based on these criteria, the District has determined that there are no related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

Basis of Presentation, Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, supported by taxes and District general revenues, from business-type activities, financed in whole or in part with fees charged to customers. The District's General, Capital Projects, and Student Activity Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation, Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures/ expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental funds:

General Fund (Major)

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

Capital Projects Fund

Capital Projects fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The District uses the following Capital Project sub-funds which it has elected to report as major funds:

Capital Reserve Fund (Major)

The Capital Reserve Fund was established under the Pennsylvania Municipal Code to account for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the District at the end of a fiscal year, and (3) interest earnings of the fund itself. Bond proceeds and other local, state and federal revenue may not be deposited in this fund. No transfers out of this fund are allowable for any purpose. Expenditures from this fund are limited to: capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase or replacement of school buses, and for no other purpose.

Other Capital Projects Fund (Major)

The Other Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation, or construction of major capital facilities which are financed through the issuance of bonds.

Student Activity Fund (Nonmajor)

The Student Activity Fund accounts for the collections and disbursements of assets of various student activities and clubs.

Proprietary Fund Type

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and non-operating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as non-operating.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Fiduciary Fund Type

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The fund included in this category is:

Custodial Funds

The Custodial Funds include a Scholarship Fund which account for the activity of various scholarship accounts that provide scholarship grants to students of the District and the General Welfare Fund which accounts for the collections and disbursements of assets of various programs administered for the general welfare of students. The District does not control how the assets in these funds are spent.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position (deficit).

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Proprietary funds are accounted for using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds and notes payable, compensated absences, pension and other postemployment obligations, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds and notes payable, compensated absences, pension and other postemployment obligations, and claims and judgments are recorded as fund liabilities when due and unpaid.

The District reports unearned revenue in both the government-wide and fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

The District allocates certain building-related and operative and administrative costs to the Food Service Fund, and the Food Service Fund reimburses the General Fund for these expenses. It does not allocate any other indirect costs, including depreciation.

Budgetary Data

An operating budget is prepared each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the superintendent, together with the business office, to prepare and submit a plan of financial operation to the School Board.

Cash and Cash Equivalents

The District considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are held in money market funds and are reported at cost, which approximates fair value.

Assets Held for Capital Projects

Assets held for capital purposes consist of cash and liquid asset funds restricted for the acquisition of capital assets.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Inventories

General Fund inventories are valued at the lower of cost (first-in, first-out method) or market. A fund balance reserve equal to the value of the inventories is established to indicate that the inventories do not constitute expendable financial resources available for appropriation.

Food Service Fund inventories consist entirely of donated commodities, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the Food Service Fund are reported both in the business-type activity column of the government-wide statement of net position and in the fund financial statements due to the measurement focus of the proprietary fund.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method (1/2 month convention) over the following estimated useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Land improvements	20 years	N/A
Buildings and improvements	45 years	N/A
Furniture and equipment	5-20 years	10 years

The District does not have any infrastructure capital assets.

If applicable, interest is capitalized on Food Service Fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Compensated Absences

The District's collective bargaining agreements with its professional, administrative, and support personnel specify the sick and vacation leave policies. The agreements provide for payment of accumulated sick leave, at retirement, based on years of service and days accumulated. The rate varies by position in accordance with collective bargaining agreements, compensation plans and individual employment agreements. Vacation leave is available only to administrative and twelve-month support employees. Vacation leave is earned in the year in which the service has been performed and generally must be used in the year earned.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Pensions/Other Postemployment Benefits (OPEB)

The District provides eligible employees with retirement and OPEB benefits through the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343. In addition, the District provides eligible employees with OPEB benefits through a single employer defined benefit plan sponsored by the District (District Plan).

For purposes of measuring the PSERS net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS 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.

Governmental Fund Balance Classifications

Fund balances are classified based on the level of constraints placed on the usage of fund resources.

- *Nonspendable* fund balances are amounts that cannot be spent because they are either not in spendable form or, are legally or contractually required to be maintained intact. Nonspendable fund balance consists entirely of prepaid expenses and inventories which are not considered to be in spendable form.
- *Restricted* fund balances are amounts that are restricted to specific purposes by constraints placed on their use that are externally imposed by creditors, grantors, contributions, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- *Committed* fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the District's School Board of Directors. These amounts cannot be used for any other purpose unless the School Board of Directors removes or changes the specific use by taking the same action it employed to previously commit the amounts. In June 2021, the Board of School Directors committed \$6,444,922 of General Fund balance to balance the 2021-2022 budget.
- *Assigned* fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. The District's School Board of Directors has designated the Chief Financial Officer to assign fund balance amounts as deemed financially necessary and appropriate. At June 30, 2021, the Chief Financial Officer has assigned General Fund balance for compensated absences/OPEB - \$1,479,180, special education - \$1,255,844, PSERS retirement contribution - \$1,849,864, technology and educational resources - \$1,000,000, emergency capital replacement - \$1,500,000 and future revenue impact - \$2,000,000.
- *Unassigned* fund balance is a residual classification and represents amounts that have not been assigned to other funds, and has not been restricted, committed or assigned to a specific purpose within the General Fund.

Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net position.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Use of Restricted Net Position/Fund Balances

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to use restricted amounts first, and then unrestricted amounts as needed.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position in this category. The District also reports deferred losses on debt refundings in the government-wide statement of net position in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, the District has an item that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes not yet collected which are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position in this category.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Joint Ventures

The District participates with other school districts in Delaware County in the following joint ventures:

Delaware County Vocational-Technical School Authority

The Delaware County Vocational-Technical School Authority (Vo-Tech Authority) is responsible for acquiring, holding, constructing, improving, and maintaining the vocational-technical school buildings used in providing vocational-technical education to students of Delaware County. The District is responsible for an allocated portion of the outstanding debt of the Vo-Tech Authority. At June 30, 2021 there is no allocated outstanding debt. The Vo-Tech Authority's financial statements are available from the Vo-Tech Authority, 200 Yale Avenue, Morton, PA 19070.

Community College of Delaware County Authority

The Community College of Delaware County Authority (Authority) was responsible for acquiring, holding, constructing, improving and maintaining the Delaware County Community College facilities. During 1993, the Authority released all the land, building and furniture to the Delaware County Community College and as of December 31, 1993, the Authority is on "inactive status." The District is responsible for an allocated portion of the outstanding debt of the Community College of Delaware County and has included such in the accompanying statement of net position.

Adoption of New Accounting Principle

Effective July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities based primarily on whether a government controls the assets of the fiduciary activity and requires all fiduciary funds to report statements of fiduciary net position and changes in fiduciary net position. The District determined its Student Activity Fund did not meet the criteria to continue to be classified as a fiduciary fund and it is now considered a governmental fund type. This resulted in an increase in beginning government-wide net position (deficit) and fund balance of \$250,680. In addition, the General Welfare Fund met the criteria to continue to be classified as a fiduciary fund but must now report net position and activity therein. This resulted in an increase in fiduciary net position of \$309,924. Finally, the Scholarship Fund was reclassified as a custodial fund from a private purpose trust fund. This had no effect on fiduciary net position as it had previously reported net position.

Future Accounting Principles

In June 2017, the GASB issued Statement No. 87, *Leases* which requires a lessee recognize a lease liability and an intangible right-to-use asset for operating leases in excess of twelve months. The District leases certain facilities and equipment that will require recognition but it has not yet determined the effect on the financial statements. The District is required to adopt Statement No. 87 for its 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*. The statement requires that interest cost incurred during a construction period be expensed in the period incurred and not capitalized into the cost of the capital asset. The District is required to adopt Statement No. 89 for its 2022 financial statements. Management has not determined the effect on the financial statements.

2. Deposits and Investments

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to these statutes.

Deposits With Financial Institutions and PSDLAF

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District does not have a formal policy for custodial credit risk. At June 30, 2021, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$45,144,946 compared to the carrying amount of \$40,739,690. The difference is caused by items in-transit and outstanding checks. \$40,489,339 of the District's deposits were exposed to custodial credit risk at June 30, 2021 and were uninsured but collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each school district owns shares of PSDLAF, which invests the pooled assets. Since PSDLAF has the characteristics of a mutual fund, it is not subject to the disclosure requirements noted above. Due to the short term nature and liquidity of the investments held within these pools, the fair value of the underlying investments approximates amortized cost. Shares with PSDLAF can be withdrawn at any time in any amount, with no liquidity fees or redemption gates.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

At June 30, 2021, the carrying amount of amounts with the PSDLAF was \$42,223,061. This includes \$20,016,483 reported as investments in the General Fund, \$1,447,850 and \$20,244,214 reported as assets held for capital projects in the Capital Reserve and Capital Projects Funds, respectively, and \$514,514 reported as investments in the Food Service Fund.

3. Real Estate Taxes

The tax on real estate, as levied by the Board of School Directors, was 38.8289 mills (\$38.8289 per \$1,000 of assessed valuation) for fiscal year 2021. Delaware County determines the assessed value of property and the tax collector is responsible for collection. The District's Chief Financial Officer is the tax collector. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 31	10% penalty period
February 1	Lien date

In accordance with Act 1 of 2006, the District offers its taxpayers an installment option for paying real estate taxes. Under this option, taxpayers are allowed to pay the face amount (no discount allowed) of the tax bill in three installments: August 31, September 30 and October 31. If the taxpayer elects the installment option and then fails to make an installment by the required due date noted above, a 10 percent penalty is assessed on any delinquent installment.

The District does not maintain or participate in any tax abatement programs.

Delinquent real estate taxes receivable at June 30, 2021 totaled \$6,531,707 and are included in taxes receivable. The amount of real estate taxes receivable is reported net of an allowance for doubtful collections of \$683,635. Taxes receivable also includes \$416,176 of real estate transfer taxes receivable and \$700,047 of delinquent real estate taxes collected by Delaware County but not yet remitted to the District.

4. Due From Other Governments

Due from other governments consists of the following at June 30, 2021:

Governmental activities:	
Pennsylvania Department of Education:	
State source revenues	\$ 10,808,360
Federal source revenues	8,366,215
Other school districts:	
Local source revenues	634,761
	<hr/>
Total governmental activities	\$ 19,809,336
	<hr/>
Business-type activity:	
Pennsylvania Department of Education:	
State source revenues	\$ 22,590
Federal source revenues	563,534
	<hr/>
Total business-type activity	\$ 586,124
	<hr/>

Upper Darby School District

Notes to Financial Statements

June 30, 2021

5. Capital Assets/Subsequent Events

The changes in the District's capital assets in 2021 are summarized as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
Governmental activities:					
Cost:					
Land	\$ 680,000	\$ -	\$ -	\$ -	\$ 680,000
Land improvements	8,623,162	-	-	604,190	9,227,352
Buildings and improvements	118,216,071	180,639	-	6,569,020	124,965,730
Furniture and equipment	32,627,827	1,216,455	(5,360)	-	33,838,922
Construction-in-progress	6,395,580	9,847,620	-	(7,173,210)	9,069,990
Total cost	<u>166,542,640</u>	<u>11,244,714</u>	<u>(5,360)</u>	<u>-</u>	<u>177,781,994</u>
Less accumulated depreciation:					
Land improvements	(4,687,753)	(381,845)	-	-	(5,069,598)
Buildings and improvements	(70,050,049)	(2,871,608)	-	-	(72,921,657)
Furniture and equipment	(25,473,656)	(875,999)	4,824	-	(26,344,831)
Total accumulated depreciation	<u>(100,211,458)</u>	<u>(4,129,452)</u>	<u>4,824</u>	<u>-</u>	<u>(104,336,086)</u>
Total	<u>\$ 66,331,182</u>	<u>\$ 7,115,262</u>	<u>\$ (536)</u>	<u>\$ -</u>	<u>\$ 73,445,908</u>
Business-type activity:					
Furniture and equipment	\$ 2,230,967	\$ 27,273	\$ -	\$ -	\$ 2,258,240
Less accumulated depreciation	<u>(1,203,652)</u>	<u>(140,816)</u>	<u>-</u>	<u>-</u>	<u>(1,344,468)</u>
Total	<u>\$ 1,027,315</u>	<u>\$ (113,543)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 913,772</u>

The District is engaged in various capital projects. As of June 30, 2021, the District had awarded a total of \$30,315,000 of contracts related to these projects. In addition, the District awarded \$17,034,000 of contracts relating to these projects subsequent to June 30, 2021.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

6. Bonds and Notes Payable/Subsequent Event

The following summarizes the changes in the District's general obligation bonds and notes payable in 2021:

	Interest Rate	Current Portion	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Series of 2010 note, matures March 2026	5.00%	\$ 339,333	\$ 2,035,999	\$ -	\$ (339,333)	\$ 1,696,666
Series A of 2011 note, matures September 2025	5.09%	26,857	161,144	-	(26,857)	134,287
Series of 2012 bonds, refunded in 2021	-	-	4,195,000	-	(4,195,000)	-
Series of 2014 note, refunded in 2021	-	-	1,847,000	-	(1,847,000)	-
Series of 2015 bonds, mature May 2024	3.00% - 5.00%	660,000	5,470,000	-	(3,095,000)	2,375,000
Series of 2018 bonds, mature April 2027	2.00% - 3.00%	5,000	4,995,000	-	(5,000)	4,990,000
Series of 2019 bonds, mature April 2030	2.00% - 3.00%	5,000	6,080,000	-	(5,000)	6,075,000
Series of 2020 bonds, mature April 2045	.45% - 4.00%	5,000	-	26,510,000	(5,000)	26,505,000
Series of 2021 note, matures November 2023	.72%	<u>1,930,000</u>	<u>-</u>	<u>5,960,000</u>	<u>-</u>	<u>5,960,000</u>
Total		<u>\$ 2,971,190</u>	24,784,143	32,470,000	(9,518,190)	47,735,953
Premiums			<u>602,498</u>	<u>3,914,265</u>	<u>(315,263)</u>	<u>4,201,500</u>
Total			<u>\$ 25,386,641</u>	<u>\$ 36,384,265</u>	<u>\$ (9,833,453)</u>	<u>\$ 51,937,453</u>

Total interest paid on these bonds and notes in 2021 was \$1,493,769. No interest was capitalized in 2021. No interest is reported as a direct expense in the statement of activities.

Interest on the Series of 2010 and Series A of 2011 general obligation notes is subsidized by the federal government. The subsidy rate for 2021 was 91.06 percent on the Series of 2010 and 94.27 percent on the Series A of 2011. In 2021, the District received \$249,609 in interest subsidies which is included in federal source revenues.

The Series of 2020 bonds were issued to finance capital improvements and is considered a direct placement borrowing.

The Series of 2021 note was issued to currently refund the Series of 2012 bonds and the Series of 2014 note. The refunding reduced debt service requirements and resulted in an economic gain of approximately \$86,000.

In July 2021, the District issued \$36,550,000 of general obligation bonds to finance capital improvements. The bonds are due in varying installments ranging from \$5,000 to \$4,255,000, carry interest at rates ranging from 1.00 percent to 4.00 percent, and mature through April 2051.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

The following summarizes the District's scheduled future debt service on its bonds and notes payable as of June 30, 2021:

	Direct Placement Bonds		Other Bonds and Notes		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2022	\$ 5,000	\$ 1,058,975	\$ 2,966,190	\$ 721,907	\$ 4,752,072
2023	5,000	1,058,925	3,181,190	671,931	4,917,046
2024	5,000	1,058,875	3,316,191	636,061	5,016,127
2025	5,000	1,058,825	2,781,191	557,828	4,402,844
2026	5,000	1,058,775	2,861,191	355,310	4,280,276
2027-2031	1,340,000	5,292,750	6,125,000	474,934	13,232,684
2032-2036	7,445,000	4,455,800	-	-	11,900,800
2037-2041	9,055,000	2,843,000	-	-	11,898,000
2042-2045	8,640,000	881,000	-	-	9,521,000
Total	<u>\$ 26,505,000</u>	<u>\$ 18,766,925</u>	<u>\$ 21,230,953</u>	<u>\$ 3,417,971</u>	<u>\$ 69,920,849</u>

7. Authority Lease Obligations

The District's portion of authority bonds is allocated based on the annual usage of the facility, as required by lease agreements. The agreements provide that, if the individual authorities retire all of the bonds issued to finance school facilities or accumulate sufficient reserves to retire the bonds, the subsequently scheduled rental payments need not be made. Since annual rentals include reserve funds that are either invested by the authorities or used for advance retirement of obligations, it is anticipated that less than the presently scheduled rentals will eventually be paid. At June 30, 2021, the District's authority lease obligations consisted of the following:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Delaware County Community College	\$ 1,971,714	\$ -	\$ (121,337)	\$ 1,850,377

Interest expense on authority lease obligations was \$87,959 in 2021.

The aggregate maturities of authority lease obligations are as follows:

Years ending June 30:	
2022	\$ 203,311
2023	196,123
2024	181,294
2025	181,110
2026	181,133
2027-2031	905,600
2032-2035	489,173
Total lease payments	2,337,744
Less amount representing interest	(487,367)
Total authority lease obligations	<u>\$ 1,850,377</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2021

8. Leases

Capital Lease Obligations

The District leases certain equipment under the terms of lease agreements that have been classified as capital leases. The following summarizes the changes in capital lease obligations in 2020:

Balance, July 1, 2020	\$ 4,549,613
Additions	615,997
Payments	<u>(2,053,784)</u>
Balance, June 30, 2021	<u>\$ 3,111,826</u>

The following is a schedule of future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments as of June 30, 2021:

Years ending June 30	
2022	\$ 1,436,583
2023	1,063,309
2024	572,245
2025	<u>125,841</u>
Total minimum lease payments	3,197,978
Less amount representing interest	<u>(86,152)</u>
Present value of net minimum lease payments	<u>\$ 3,111,826</u>

Interest expense on capital leases was \$67,465 in in 2021.

Operating Leases

The District leases buildings for use as elementary schools and a recreation center. These leases have been accounted for as operating leases. Rent expense under these leases was \$540,400 in 2021. Future minimum payments under these leases are as follows:

Years ending June 30	
2022	\$ 537,377
2023	301,984
2024	280,330
2025	30,802
2026	30,802
Thereafter	<u>200,242</u>
Total minimum lease payments	<u>\$ 1,381,537</u>

9. Retirement Plan

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 PSERS 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 1 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 new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 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 percent or 2.5 percent, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 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 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final 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 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 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.

Member Contributions

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

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

Upper Darby School District

Notes to Financial Statements

June 30, 2021

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

Members who joined PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of 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 7.50 percent and 9.50 percent and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

District Contributions

The District's contractually required contribution rate for the PSERS defined benefit plan for the fiscal year ended June 30, 2021 was 33.51 percent 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 PSERS from the District were approximately \$28,575,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$301,983,000 for its proportionate share of the PSERS net pension liability. The PSERS 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 PSERS total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was .6133 percent, which was an increase from its proportion measured as of June 30, 2020 of .6087 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$32,264,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 13,272,000	\$ 7,238,000
Changes in proportion and differences between District contributions and proportionate share of contributions	3,161,000	1,937,000
Difference between expected and actual experience	790,000	-
District contributions subsequent to the measurement date	28,575,238	-
Total	<u>\$ 45,798,238</u>	<u>\$ 9,175,000</u>

The \$28,575,238 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Years ending June 30	
2022	\$ (1,471,000)
2023	1,099,000
2024	4,477,000
2025	<u>3,943,000</u>
Total	<u>\$ 8,048,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the District's total pension liability as of the June 30, 2019 actuarial valuation 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 percent, includes inflation at 2.75 percent
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

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

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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)	<u>(14.0)</u>	(0.7)
	<u>100.00 %</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.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of the net pension liability	\$ 373,617,000	\$ 301,983,000	\$ 241,299,000

Pension Plan Fiduciary Net Position

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

10. Compensated Absences and Special Termination Benefits

Compensated Absences

The changes in compensated absences in 2021 are summarized as follows:

Balance, July 1, 2020	\$ 3,176,348
Increases	173,093
Decreases	<u>(117,555)</u>
Balance, June 30, 2021	<u>\$ 3,231,886</u>

Special Termination Benefits

The District's current agreement with its administrators includes a retirement incentive provision (must be employed as an administrator prior to July 1, 2012 and must retire with a minimum ten years of service as an administrator to the District) equal to 75 percent of the administrator's final salary. Payments made under this provision are non-elective employer contributions to the employees' 403(b) accounts in accordance with IRS regulations. The District has recorded a liability of \$820,011 for this benefit based on the present value of the expected retirement incentive amount and the probability that the administrator will receive such incentive. The benefit is funded on a pay-as-you-go basis.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Changes in the special termination benefits liability in 2020 were as follows:

Balance, July 1, 2020	\$	926,326
Increases		332,111
Payments and other decreases		<u>(438,426)</u>
Balance, June 30, 2021	\$	<u>820,011</u>

11. Other Postemployment Benefits (OPEB)

District OPEB Plan

Plan Description and Benefits

The District provides postemployment healthcare benefits for certain administrative employees who qualify to retire under PSERS and for all other administrative employees who meet minimum District and PSERS service requirements under a plan that is considered a single employer plan. For certain specified administrative employees, benefits include payment of 100 percent of the premiums for medical, prescription drug, dental and vision for the employees and their spouses for the earlier of 12 years or until employee is age 65. Afterwards, coverage may be continued by paying 102 percent of the cost of such coverage. For the other administrative employees who meet the minimum District and PSERS service requirements, the District pays 100 percent of the employee's premiums for medical, prescription drug, dental and vision until age 65. The employee must pay 102 percent of any additional premium for spouse and dependent coverage. If the administrative employee does not meet the specified service requirement, the employee and spouse may continue coverage by paying 100 percent of the premium as determined for the purposes of COBRA. In addition, under Act 110 of 1998 and Act 43 of 1989, retired teachers and support staff may participate by paying 102 percent of the cost of such coverage until age 65.

The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. As such, the plan is unfunded, there is no underlying trust, and no financial report is prepared.

Employees Covered by District Plan

At July 1, 2020, the following employees were covered by the District Plan:

Active employees	1,359
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees currently receiving benefit payments	<u>361</u>
Total	<u>1,720</u>

District Plan Total OPEB Liability

The District Plan's total OPEB liability of \$9,392,832 was measured as of July 1, 2020, as rolled forward from an actuarial valuation as of July 1, 2019.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

District Plan Actuarial Assumptions

The District Plan total OPEB liability was determined using the following actuarial assumptions:

- Discount rate – 1.86 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020
- Salary increases - 2.50 percent cost of living adjustment, 1.00 percent real wage growth, and for teachers and administrators, a merit increase which varies by age from 2.75 percent to 0 percent
- Mortality rates - separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation (Note 9). Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement
- Healthcare cost trend rates - 5.50 percent through 2023. Rates gradually decrease from 5.40 percent in 2024 to 4.00 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

Changes in the District Plan Total OPEB Liability

Balance at July 1, 2020	\$ 8,697,000
Service cost	561,295
Interest	301,556
Differences between expected and actual experience	(686,790)
Changes in assumptions	1,042,952
Benefit payments	(523,181)
	<hr/>
Balance at June 30, 2021	\$ 9,392,832

The changes in assumptions amount results from a change in the discount rate from 3.36 percent to 1.86 percent.

Sensitivity to Changes in the Discount Rate

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower and higher than the current discount rate:

	<u>1% Decrease (0.86%)</u>	<u>Discount Rate (1.86%)</u>	<u>1% Increase (2.86%)</u>
Total District Plan OPEB Liability	\$ 10,110,469	\$ 9,392,832	\$ 8,715,072

Sensitivity to Changes in the Healthcare Cost Trend Rates

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower and higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total District Plan OPEB Liability	\$ 8,358,935	\$ 9,392,832	\$ 10,629,763

Upper Darby School District

Notes to Financial Statements

June 30, 2021

District Plan OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the District recognized OPEB expense of \$534,563 for the District Plan. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the District Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 373,441	\$ -
Net differences between projected and actual investment earnings	-	2,557,951
Changes in assumptions	1,224,158	1,251,469
Total	<u>\$ 1,597,599</u>	<u>\$ 3,809,420</u>

The \$373,441 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the District Plan's total OPEB liability in the year ended June 30, 2022.

Of the remaining net deferred inflows, \$328,288 will be recognized in OPEB expense each year from 2022 through 2029.

PSERS Plan

Plan Description and Benefits

PSERS provides premium assistance through a governmental cost sharing, multiple-employer OPEB plan 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 (HOP). As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Upper Darby School District

Notes to Financial Statements

June 30, 2021

District Contributions

The District's contractually required contribution rate for the year ended June 30, 2021 was .82 percent 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 PSERS from the District were approximately \$699,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$13,271,000 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 PSERS' 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 District'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 .6142 percent, an increase of .0055 percent from June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$695,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 541,000	\$ (291,000)
Difference between expected and actual experience	122,000	-
Net differences between projected and actual investment earnings	23,000	-
Changes in proportion	252,000	(202,000)
District contributions subsequent to the measurement date	699,245	-
Total	<u>\$ 1,637,245</u>	<u>\$ (493,000)</u>

The \$699,245 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the PSERS Plan's total OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Years ending June 30	
2022	\$ 63,000
2023	60,000
2024	57,000
2025	102,000
2026	104,000
Thereafter	59,000
Total	<u>\$ 445,000</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2021

Actuarial Assumptions

The PSERS total OPEB liability at June 30, 2020, was determined by rolling forward the PSERS' total OPEB liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 2.66 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50 percent
 - Eligible retirees will elect to participate post age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 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 percent of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Health Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Health Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25 percent males and 75 percent 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.

The PSERS policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

Upper Darby School District

Notes to Financial Statements

June 30, 2021

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3 %	(1.0) %
U.S. Core Fixed Income	46.5	(0.1)
Non-U.S. Developed Fixed	3.2	(0.1)
	100.0	

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

Discount Rate

The discount rate used to measure the PSERS Plan's total OPEB liability was 2.66 percent. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66 percent 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.

Sensitivity 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. 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 PSERS' net OPEB liability for June 30, 2020 calculated using current healthcare cost trends as well as what PSERS' net OPEB liability would be if its health cost trends were 1 percent lower or higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS net OPEB Liability	\$ 13,269,000	\$ 13,271,000	\$ 13,272,000

Sensitivity to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.66 rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
District's proportionate share of the PSERS net OPEB liability	\$ 15,131,000	\$ 13,271,000	\$ 11,731,000

Upper Darby School District

Notes to Financial Statements

June 30, 2021

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 PSERS' website at www.psers.pa.gov.

12. Internal Balances/Interfund Balances and Transfers

At June 30, 2021, \$860,130 was due to the General Fund from the Food Service Fund for maintenance, utility, insurance, operative and administrative salaries and benefits for 2021.

\$12,000,000 was due from the General Fund to the Capital Reserve Fund at June 30, 2021. The amount represents a transfer to support future capital expenditures.

\$3,070 was due from the Capital Projects Fund to the Capital Reserve Fund at June 30, 2021. The amount represents a transfer to support future capital expenditures.

The following summarizes all interfund transfers in 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Food Service Fund	\$ 860,130	\$ -
Capital Reserve Fund	-	12,000,000
Food Service Fund:		
General Fund	-	860,130
Capital Reserve Fund:		
General Fund	<u>12,000,000</u>	<u>-</u>
Total	<u>\$ 12,860,130</u>	<u>\$ 12,860,130</u>

13. Contingencies and COVID-19

The District is involved, from time to time, in various lawsuits. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

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

The COVID-19 pandemic has affected the District and its operations significantly, as the District has transitioned between virtual and hybrid learning environments. To assist local school districts, the federal government, through a series of stimulus acts enacted in 2020 and 2021, awarded grants to state education agencies for the purpose of providing emergency relief to address the impact that COVID-19 has had, and continues to have on elementary and secondary schools. Funds must be used to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health, and academic needs of students. To date, the District has been allocated approximately \$62.6 million under these programs. The District recognized approximately \$12.9 million of these funds in 2021. The remaining funds must be expended by September 2023.

Upper Darby School District**Schedule of the District's Proportionate Share of the PSERS Net Pension Liability**

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the PSERS net pension liability	<u>0.6133%</u>	<u>0.6087%</u>	<u>0.6086%</u>	<u>0.6252%</u>	<u>0.6088%</u>	<u>0.5946%</u>	<u>0.5030%</u>
District's proportionate share of the PSERS net pension liability	<u>\$ 301,983</u>	<u>\$ 284,766</u>	<u>\$ 292,158</u>	<u>\$ 308,776</u>	<u>\$ 301,702</u>	<u>\$ 257,552</u>	<u>\$ 199,091</u>
District's covered-employee payroll	<u>\$ 86,212</u>	<u>\$ 83,951</u>	<u>\$ 81,951</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>	<u>\$ 76,505</u>	<u>\$ 64,182</u>
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	<u>350.28%</u>	<u>339.21%</u>	<u>356.50%</u>	<u>370.96%</u>	<u>382.68%</u>	<u>336.65%</u>	<u>310.20%</u>
PSERS plan fiduciary net position as a percentage of the total PSERS pension liability	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>

Information for years prior to 2015 is not available.

Upper Darby School District**Schedule of District PSERS Pension Contributions**

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PSERS contractually required contribution	\$ 28,575	\$ 28,944	\$ 27,368	\$ 26,069	\$ 23,638	\$ 19,836	\$ 15,789
Contributions in relation to the contractually required contribution	<u>28,575</u>	<u>28,944</u>	<u>27,368</u>	<u>26,069</u>	<u>23,638</u>	<u>19,836</u>	<u>15,789</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 84,716</u>	<u>\$ 86,610</u>	<u>\$ 83,898</u>	<u>\$ 81,357</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>	<u>\$ 76,505</u>
Contributions as a percentage of covered-employee payroll	<u>33.73%</u>	<u>33.42%</u>	<u>32.62%</u>	<u>32.04%</u>	<u>28.40%</u>	<u>25.16%</u>	<u>20.64%</u>

Information for years prior to 2015 is not available.

Upper Darby School District

Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the PSERS net OPEB liability	<u>0.6142%</u>	<u>0.6087%</u>	<u>0.6086%</u>	<u>0.6252%</u>	<u>0.6088%</u>
District's proportionate share of the PSERS net OPEB liability	<u>\$ 13,271</u>	<u>\$ 12,946</u>	<u>\$ 12,689</u>	<u>\$ 12,738</u>	<u>\$ 13,113</u>
District's covered-employee payroll	<u>\$ 86,212</u>	<u>\$ 83,951</u>	<u>\$ 81,951</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	<u>15.39%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>	<u>16.63%</u>
PSERS plan fiduciary net position as a percentage of the total PSERS OPEB liability	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>	<u>5.47%</u>

Information for years prior to 2017 is not available.

Upper Darby School District

Schedule of District PSERS OPEB Contributions

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PSERS contractually required contribution	\$ 699	\$ 729	\$ 697	\$ 691	\$ 672
Contributions in relation to the contractually required contribution	<u>(699)</u>	<u>(729)</u>	<u>(697)</u>	<u>(691)</u>	<u>(672)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 84,716</u>	<u>\$ 86,610</u>	<u>\$ 83,898</u>	<u>\$ 81,357</u>	<u>\$ 83,236</u>
Contributions as a percentage of covered-employee payroll	<u>0.83%</u>	<u>0.84%</u>	<u>0.83%</u>	<u>0.85%</u>	<u>0.81%</u>

Information for years prior to 2017 is not available.

Upper Darby School District

Schedule of Changes in Total OPEB Liability for District Plan

Years Ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 561,295	\$ 560,428	\$ 854,242	\$ 810,359
Interest cost	301,556	265,255	391,740	284,515
Differences between expected and actual experience	(686,790)	-	(2,658,693)	-
Changes in assumptions	1,042,952	(260,709)	(1,427,472)	414,032
Benefit payments	<u>(523,181)</u>	<u>(455,443)</u>	<u>(510,088)</u>	<u>(408,300)</u>
Net change	695,832	109,531	(3,350,271)	1,100,606
Total OPEB Liability, Beginning	<u>8,697,000</u>	<u>8,587,469</u>	<u>11,937,740</u>	<u>10,837,134</u>
Total OPEB Liability, Ending	<u><u>\$ 9,392,832</u></u>	<u><u>\$ 8,697,000</u></u>	<u><u>\$ 8,587,469</u></u>	<u><u>\$ 11,937,740</u></u>

The Plan is unfunded; therefore, total and net OPEB liability are same.

Information for years prior to 2018 is not available.

**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 of
Upper Darby School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Upper Darby School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 7, 2021

**Independent Auditors' Report on Compliance
for Each Major Federal Program and Report
on Internal Control Over Compliance
Required by the Uniform Guidance**

To the Board of School Directors of
Upper Darby School District

Report on Compliance for Each Major Federal Program

We have audited Upper Darby School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Philadelphia, Pennsylvania
December 7, 2021

Upper Darby School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2020	Revenues Recognized	Federal Expenditure	Accrued or (Deferred) Revenue at June 30, 2021
U.S. Department of Education								
Passed-through Pennsylvania Department of Education:								
Title I Grants to Local Educational Agencies	84.010	013-190448	\$ 4,863,202	\$ 677,753	\$ 677,753	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-200448	4,777,960	2,388,807	1,218,514	1,170,293	1,170,293	-
Title I Grants to Local Educational Agencies	84.010	013-210448	4,655,976	2,967,494	-	3,770,047	3,770,047	802,553
Total				6,034,054	1,896,267	4,940,340	4,940,340	802,553
English Language Acquisition State Grants	84.365	010-190448	214,852	92,079	92,079	-	-	-
English Language Acquisition State Grants	84.365	010-200448	223,625	31,946	25,142	118,617	118,617	111,813
English Language Acquisition State Grants	84.365	010-210448	265,247	132,623	-	216,957	216,957	84,334
Total				256,648	117,221	335,574	335,574	196,147
Supporting Effective Instruction State Grants	84.367	020-190448	643,729	272,792	272,792	-	-	-
Supporting Effective Instruction State Grants	84.367	020-200448	594,593	338,096	41,967	296,129	296,129	-
Supporting Effective Instruction State Grants	84.367	020-210448	550,117	312,457	-	312,457	312,457	-
Total				923,345	314,759	608,586	608,586	-
School Improvement Grant	84.377	142-190448	121,916	16,255	-	12,153	12,153	(4,102)
Student Support and Academic Enrichment Program	84.424	144-200448	363,981	259,987	32,325	227,662	227,662	-
Student Support and Academic Enrichment Program	84.424	144-210448	362,356	103,530	-	223,373	223,373	119,843
Total				363,517	32,325	451,035	451,035	119,843
COVID-19 Education Stabilization Fund/Governor's Emergency Education Relief Fund:								
Special Education COVID-19 Impact Mitigation Grant	84.425C	252-200448	155,149	40,829	-	155,149	155,149	114,320
Continuity of Education for Additional Targeted Support and Improvement Schools Grant	84.425C	254-200448	212,110	44,655	-	47,476	47,476	2,821
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	200-200448	3,924,351	2,065,448	-	3,924,351	3,924,351	1,858,903
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	200-210448	17,193,071	-	-	2,030,164	2,030,164	2,030,164
Passed-through the Pennsylvania Commission on Crime and Delinquency:								
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	2020-ES-01-34963	414,018	6,560	-	260,601	260,601	254,041
Total				2,157,492	-	6,417,741	6,417,741	4,260,249
Special Education Cluster (IDEA):								
Passed-through Delaware County Intermediate Unit:								
Special Education Grants to States	84.027	H027A110093 (2020)	1,942,013	1,938,013	1,892,039	45,974	45,974	-
Special Education Grants to States	84.027	H027A110093 (2021)	2,332,262	2,135,949	-	2,332,262	2,332,262	196,313
Special Education Preschool Grants	84.173	H39211009 (2020)	8,467	8,467	7,363	1,104	1,104	-
Special Education Preschool Grants	84.173	H39211009 (2021)	8,918	8,918	-	8,918	8,918	-
Total Special Education Cluster (IDEA)				4,091,347	1,899,402	2,388,258	2,388,258	196,313
Total U.S. Department of Education				13,842,658	4,259,974	15,153,687	15,153,687	5,571,003
U.S. Department of Treasury								
Passed-through the Pennsylvania Commission on Crime and Delinquency:								
COVID-19 Coronavirus Relief Fund	21.019	2020-CS-01-33771	603,841	603,841	-	603,841	603,841	-
Passed-through Delaware County Intermediate Unit:								
COVID-19 Coronavirus Relief Fund	21.019	N/A	5,917,796	5,917,796	-	5,917,796	5,917,796	-
Total U.S. Department of Treasury				6,521,637	-	6,521,637	6,521,637	-
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed-through Pennsylvania Department of Education:								
School Breakfast Program	10.553	365	1,342,479	1,283,540	148,419	1,342,479	1,342,479	207,358
National School Lunch Program	10.555	362	2,210,580	2,090,523	236,119	2,210,580	2,210,580	356,176
Passed-through Pennsylvania Department of Agriculture:								
Food Donation	10.555	N/A	316,416	316,416	-	316,416	316,416	-
Total Child Nutrition Cluster/U.S. Department of Agriculture				3,690,479	384,538	3,869,475	3,869,475	563,534
U.S. Department of Health and Human Services								
Passed-through Pennsylvania Department of Public Welfare:								
Medical Assistance Program/Medicaid Cluster	93.778	044-007448	144,538	134,817	71,293	144,538	144,538	81,014
Total				\$ 24,189,591	\$ 4,715,805	\$ 25,689,337	\$ 25,689,337	\$ 6,215,551

See notes to schedule of expenditures of federal awards

Upper Darby School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Upper Darby School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures, other than Child Nutrition Cluster expenditures, are reported on the Schedule on the modified accrual basis of accounting. Child Nutrition Cluster expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

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

Upper Darby School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$770,680

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Schedule of Prior Year Audit Findings

No audit findings reported in prior year.