

Upper Darby School District

Financial Statements and
Supplementary Information

June 30, 2023

Upper Darby School District

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Independent Auditors' Report

To the Board of School Directors of
Upper Darby School District

Report on the Audit of the Financial Statements

Opinions

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 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2023 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 (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 4 through 20 and the Required Supplementary Information on pages 59 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 69, 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. The 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 GAAS. In our opinion, the supplementary information 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 on December 4, 2023, 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania
December 4, 2023

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(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, 2023. 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%) and the Boroughs of Clifton (7.67%) and Millbourne (0.67%) 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 2022-23, there were 1,690 employees (full/part time) in the District, consisting of 939 teachers/professional staff, 67 administrators, including general administration, principals and supervisors, and 684 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 2022-2023 fiscal year of \$129,565,573. 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 \$34,402,583 and net position of the business-type activity increased by \$2,894,701 in 2023.

- The General Fund reported an increase in fund balance of \$3,985,473, bringing the cumulative balance to \$35,352,419 at June 30, 2023.
- At June 30, 2023, the General Fund balance includes \$1,209,077 which is considered nonspendable; \$4,194,440 of funds committed to balance the 2023-2024 General Fund expenditure budget; \$18,000,390 in assigned fund balance including: \$1,832,621 for retirement rate stabilization, \$1,667,063 for compensated absences and other postemployment benefits, \$1,500,000 for special education, \$2,000,000 for educational and technology resources, \$6,500,000 in reserve for emergency capital replacement, \$1,500,000 in reserve for future revenue impacts, and \$3,000,706 for reserve for open encumbrances; and unassigned amounts of \$11,948,512 or 4.43% of the \$269,799,629 2023-2024 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% of the following year's expenditure budget.
- Total General Fund revenues and other financing sources were \$244,542,777 and total General Fund expenditures and other financing uses were \$240,557,304, resulting in a net increase in General Fund balance of \$3,985,473.
- General Fund revenues include \$15,908,451 of federal funds used to offset the impact of the COVID-19 pandemic on the District's operations. The District has been allocated \$62.6 million of federal funds under the Elementary and Secondary School Emergency Relief Fund to be used through September 2024 for specified purposes.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(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 21 and 22 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, 2023
(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 District presents the Student Activity Fund as a nonmajor fund.

The basic governmental fund statements can be found on pages 23 through 26 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 27 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 28 through 30 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 31 and 32 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 33 through 58 of this report.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(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, 2023, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources resulting in a deficit net position of \$129,565,573. This deficit position resulted from the recognition of net pension and OPEB liabilities, deferred inflows from resources, and deferred outflows of resources totaling \$259,075,864, 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, 2023 and 2022:

	Governmental Activities		Business-Type Activities		Total		Net
	2023	2022	2023	2022	2023	2022	Change
	(In Thousand)						
Assets and deferred outflows of resources:							
Current assets	\$ 84,767	\$ 88,466	\$ 10,640	\$ 7,009	\$ 95,407	\$ 95,475	\$ (68)
Noncurrent assets	180,060	147,121	637	775	180,697	147,896	32,801
Deferred outflows of resources	44,053	47,011	-	-	44,053	47,011	(2,958)
Total	\$ 308,880	\$ 282,598	\$ 11,277	\$ 7,784	\$ 320,157	\$ 290,382	\$ 29,775
Liabilities:							
Current liabilities	\$ 42,323	\$ 41,345	\$ 1,002	\$ 404	\$ 43,325	\$ 41,749	\$ 1,576
Noncurrent liabilities	383,893	362,151	-	-	383,893	362,151	21,742
Deferred inflows of resources	22,505	53,345	-	-	22,505	53,345	(30,840)
Total	448,721	456,841	1,002	404	449,723	457,245	(7,522)
Net Position:							
Net investment in capital assets	48,573	38,593	637	775	49,210	39,368	9,842
Restricted	32,978	28,029	-	-	32,978	28,029	4,949
Unrestricted	(221,392)	(240,865)	9,638	6,605	(211,754)	(234,260)	22,506
Total	(139,841)	(174,243)	10,275	7,380	(129,566)	(166,863)	37,297
Total	\$ 308,880	\$ 282,598	\$ 11,277	\$ 7,784	\$ 320,157	\$ 290,382	\$ 29,775

Upper Darby School District

Management's Discussion and Analysis

June 30, 2023

(Unaudited)

The District's total assets and deferred outflows of resources as of June 30, 2023 were \$320,157,085 of which \$65,009,404 or 20.31% consisted of cash and investments and \$180,060,281 or 56.44% 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, 2023 were \$449,722,658 of which \$97,443,508 or 21.67% was general obligation debt used to acquire and construct capital assets, \$31,249,257 or 6.95% was for OPEB, compensated absences and special termination benefits, and \$275,285,000 or 61.21% was for pension benefits.

The District has a total deficit net position of \$129,565,573 at June 30, 2023. The District has a total deficit net position of \$166,862,857 at June 30, 2022.

A portion of the District's net position is restricted and totaled \$32,978,499 at June 30, 2023. \$48,573,468 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, 2023, the District's net investment in capital assets was \$49,210,228, an increase of \$9,842,221 over 2022.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(Unaudited)

The following table presents condensed information for the Statement of Activities of the District for 2023 and 2022:

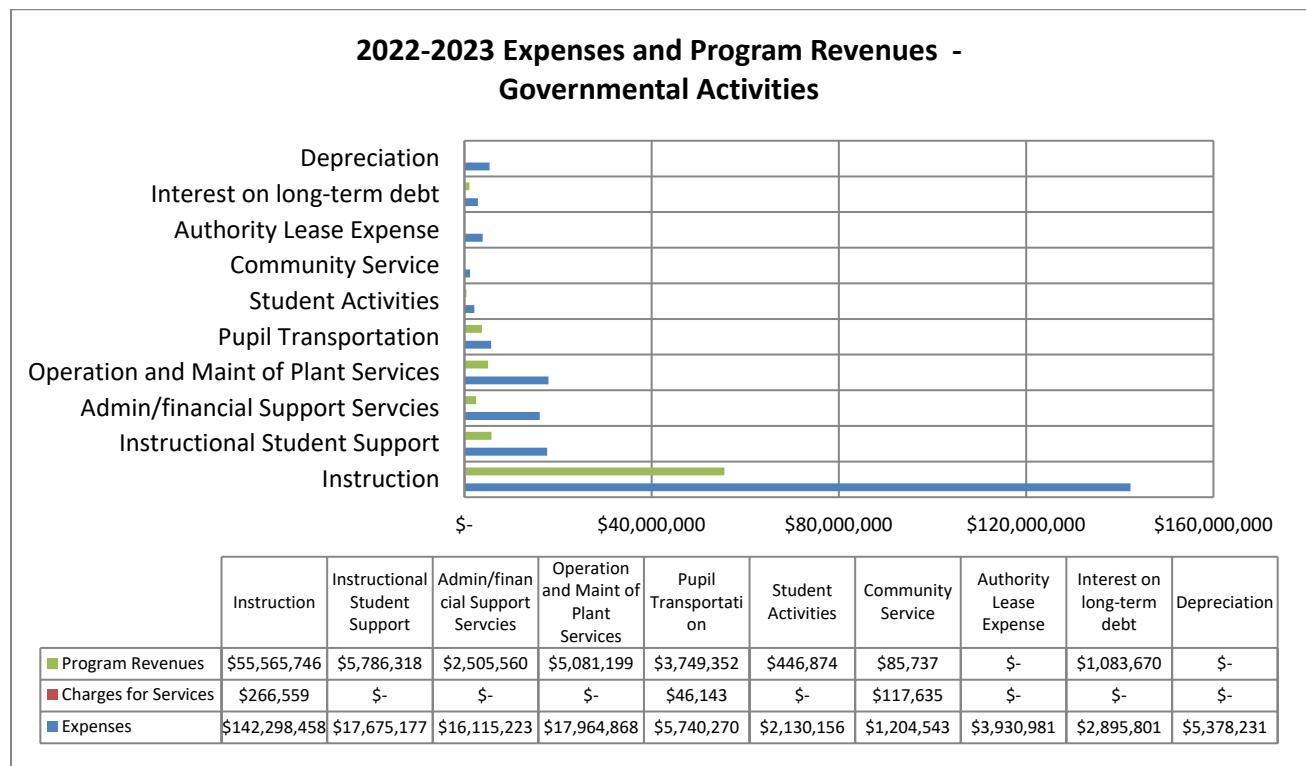
	Governmental Activities		Business-Type Activities		Total		Net
	2023	2022	2023	2022	2023	2022	Change
	(In Thousand)						
Program revenues:							
Charges for services	\$ 430	\$ 952	\$ 47	\$ 10	\$ 477	\$ 962	\$ (485)
Operating grants and contributions	74,304	60,477	9,930	9,825	84,234	70,302	13,932
General revenues:							
Taxes levied for general purposes, net	121,582	119,301	-	-	121,582	119,301	2,281
Grants, subsidies and contributions not restricted	50,711	44,832	-	-	50,711	44,832	5,879
Other	2,708	1,153	(391)	(723)	2,317	430	1,887
Total revenues	249,735	226,715	9,586	9,112	259,321	235,827	23,494
Program expenses:							
Instruction	142,298	136,507	-	-	142,298	136,507	5,791
Instructional student support	17,675	16,879	-	-	17,675	16,879	796
Administration and financial support services	16,115	14,427	-	-	16,115	14,427	1,688
Operation and maintenance of plant services	17,965	13,459	-	-	17,965	13,459	4,506
Pupil transportation	5,740	7,163	-	-	5,740	7,163	(1,423)
Student activities	2,130	1,966	-	-	2,130	1,966	164
Community services	1,205	1,645	-	-	1,205	1,645	(440)
Authority obligation	3,931	-	-	-	3,931	-	3,931
Interest on long-term debt	2,896	2,591	-	-	2,896	2,591	305
Unallocated depreciation	5,378	4,889	-	-	5,378	4,889	489
Food service	-	-	6,691	5,985	6,691	5,985	706
Total expenses	215,333	199,526	6,691	5,985	222,024	205,511	16,513
Change in net position	34,402	27,189	2,895	3,127	37,297	30,316	6,981
Net position (deficit), beginning	(174,243)	(201,432)	7,380	4,253	(166,863)	(197,179)	30,316
Net position (deficit), ending	\$ (139,841)	\$ (174,243)	\$ 10,275	\$ 7,380	\$ (129,566)	\$ (166,863)	\$ 37,297

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(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 73.00% 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 25.65%.

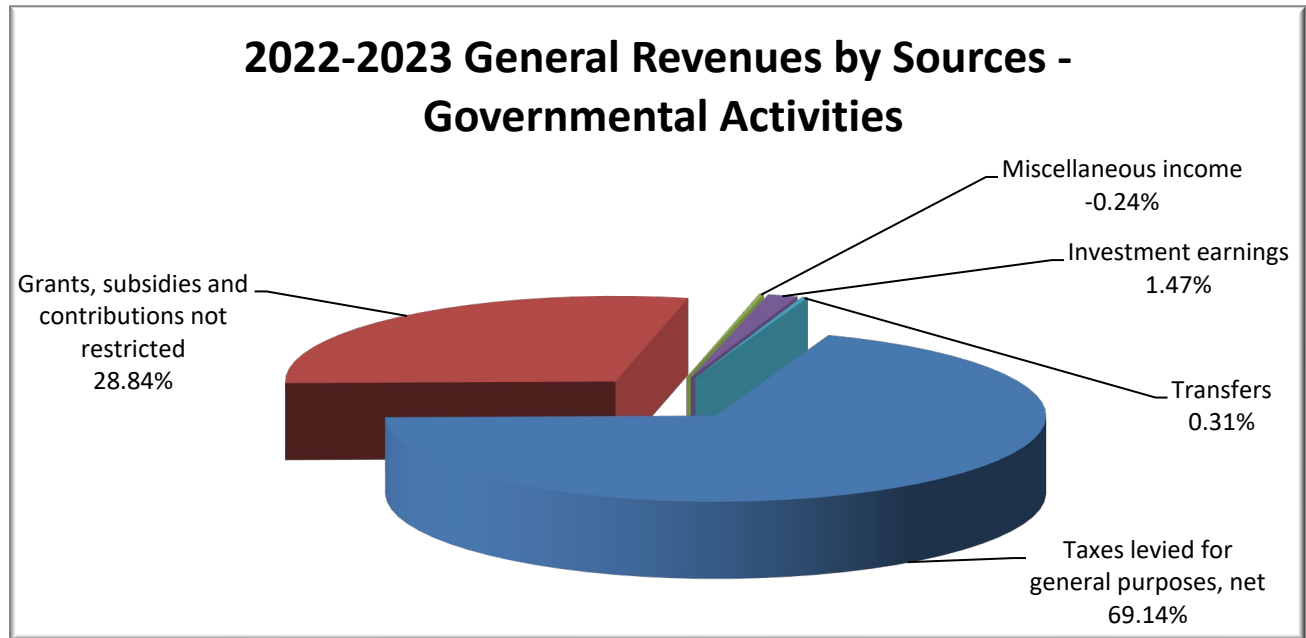
The Statement of Activities focuses on how the District finances its services. The Statement of Activities compares the cost of the District's functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph,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



Upper Darby School District

Management's Discussion and Analysis
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(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, 2023, the District's governmental funds reported a combined fund balance of \$81,917,781, which is a decrease of \$12,196,010 from 2022. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the 2023 change in governmental fund balances.

	2023	2022	Change
General Fund	\$ 35,352,419	\$ 31,366,946	\$ 3,985,473
Capital Project Fund	13,586,863	34,718,157	(21,131,294)
Capital Reserve Fund	32,782,967	27,837,080	4,945,887
Student Activity Fund	195,532	191,608	3,924
Total	<u>\$ 81,917,781</u>	<u>\$ 94,113,791</u>	<u>\$ (12,196,010)</u>

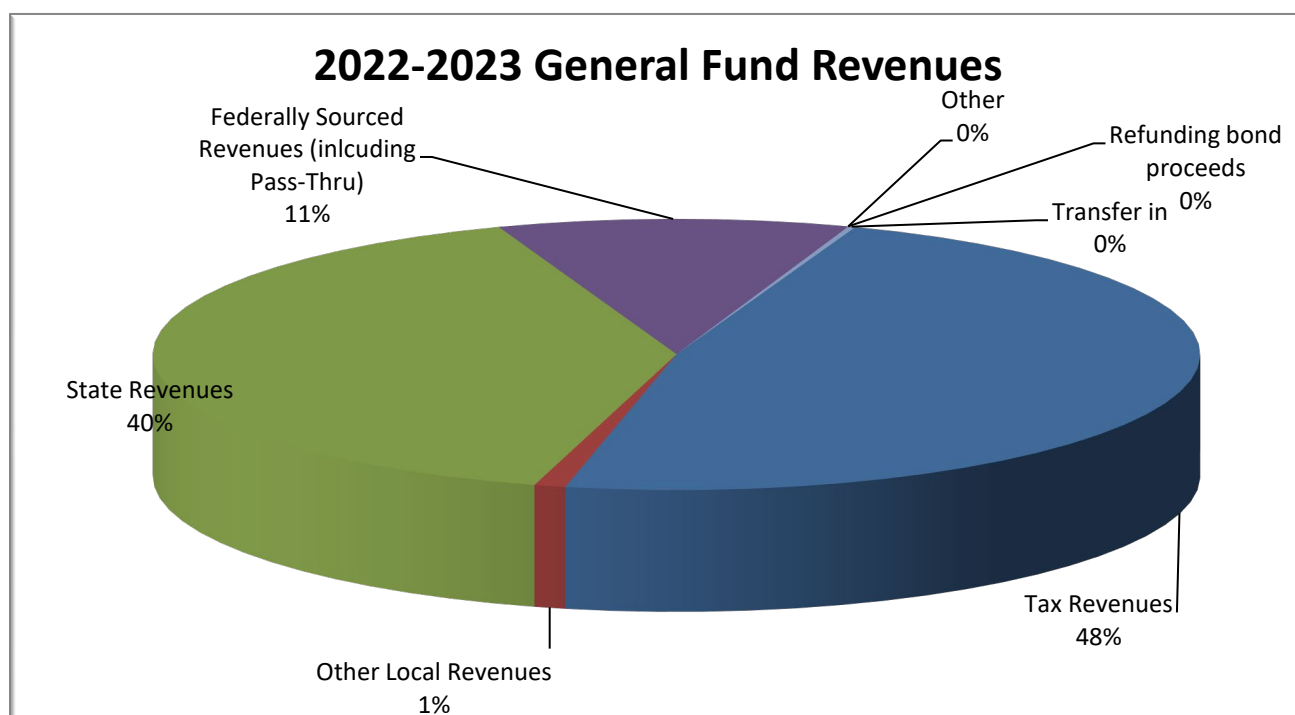
Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(Unaudited)

General Fund

The General Fund is the District's primary operating fund. At June 30, 2023, the General Fund had a fund balance of \$35,352,419 representing an increase of \$3,985,473, or 12.71%, over 2022. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 48% of General Fund revenues are derived from local taxes.



General Fund Revenues

	2023	2022	Change
Tax revenues	\$ 117,001,909	\$ 117,418,698	\$ (416,789)
Other local revenues	2,359,622	1,324,910	1,034,712
State revenues	98,085,332	82,129,716	15,955,616
Federally sourced revenues (including local pass-thru)	26,552,346	23,042,809	3,509,537
Other	-	705,770	(705,770)
Refunding bond proceeds	-	-	-
Transfer in	543,568	729,304	(185,736)
Total	<u>\$ 244,542,777</u>	<u>\$ 225,351,207</u>	<u>\$ 19,191,570</u>

Upper Darby School District

Management's Discussion and Analysis

June 30, 2023

(Unaudited)

Total tax revenues decreased by \$416,789 or 0.35% in 2023. The decrease was primarily due to a decrease in transfer tax revenue. The following table summarizes and compares the changes in the District's total tax revenues for 2023 and 2022:

	2023	2022	Change
Real estate tax	\$ 99,847,426	\$ 100,381,089	\$ (533,663)
Interim real estate tax	136,385	73,916	62,469
PURTA tax	106,851	108,422	(1,571)
Transfer tax	2,567,912	4,817,307	(2,249,395)
Delinquent tax	7,861,527	6,894,064	967,463
State property tax reduction	6,481,808	5,143,900	1,337,908
Total	<u>\$ 117,001,909</u>	<u>\$ 117,418,698</u>	<u>\$ (416,789)</u>

State revenues increased \$15,955,616 or 19.43% in 2023 due to several factors. The increase is primarily the result of an increase in instructional grants. The following table summarizes and compares the changes in the District's total state revenues for 2023 and 2022:

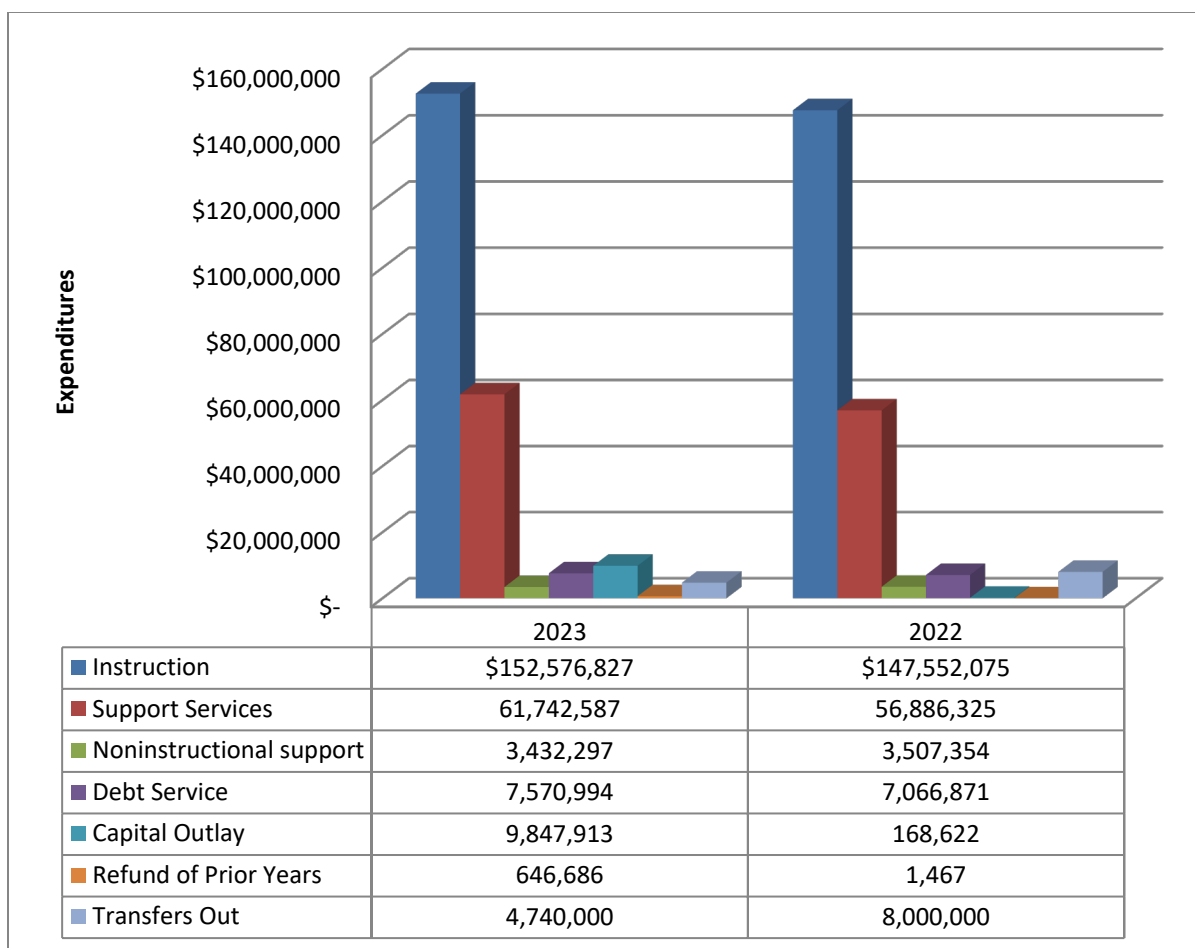
	2023	2022	Change
Instruction/block and miscellaneous grants	\$ 57,227,758	\$ 47,769,209	\$ 9,458,549
Special education	10,214,618	8,921,505	1,293,113
Transportation	2,506,966	2,058,091	448,875
Rental/leasing fund	832,641	324,927	507,714
Social Security and retirement	26,396,323	22,226,052	4,170,271
Other	907,026	829,932	77,094
Total	<u>\$ 98,085,332</u>	<u>\$ 82,129,716</u>	<u>\$ 15,955,616</u>

Federal revenue increased \$3,509,537 or 15.23% in 2023 as a result of increased use of COVID-19 relief funds. The federal grants are made up of various grants including, but not limited to, the Elementary and Secondary School Emergency Relief (ESSER) II and III, Special Education (IDEA), and Title I. A listing of federal funds can be found on the Schedule of Expenditures of Federal Awards on page 69.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(Unaudited)

General Fund Expenditures and Other Financing Uses



	2023	2022	Change
Instruction	\$ 152,576,827	\$ 147,552,075	\$ 5,024,752
Support services	61,742,587	56,886,325	4,856,262
Noninstructional services	3,432,297	3,507,354	(75,057)
Debt service	7,570,994	7,066,871	504,123
Capital outlay	9,847,913	168,622	9,679,291
Refund of prior years	646,686	1,467	645,219
Transfers out	4,740,000	8,000,000	(3,260,000)
Total	<u>\$ 240,557,304</u>	<u>\$ 223,182,714</u>	<u>\$ 17,374,590</u>

Expenditures increased \$17,374,590 in 2023. The primary cause of the increase was the increase in Instruction, Support Services, and Capital Outlays, as the District utilized ESSER funds for additional educational costs and capital projects.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(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 2023, the Capital Reserve Fund reported an increase in fund balance of \$4,945,887. This is primarily the result of a \$4,740,000 transfer into the Capital Reserve from the General Fund. The fund balance of \$32,782,967 at June 30, 2023 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 2022-2023, the District issued the Series of 2022 general obligation bonds with a face value of \$9,995,000 plus a bond discount of \$122,077, for net proceeds of \$9,872,923. Bond issuance costs were \$232,782. Capital outlay totaled \$30,726,281. The Capital Projects Fund reported a decrease in fund balance of \$21,131,294. The fund balance of \$13,586,863 at June 30, 2023 is restricted for capital expenditures.

Amounts spent on capital projects during the year ended June 30, 2023 were as follows:

Clifton Heights Middle School	\$ 1,057,978
Aronimink renovation and expansion	12,716,390
8201 N. Lansdowne Avenue renovation	6,384,570
Beverly Hills Middle School toilet room renovation	1,447,234
Middle School track and field projects	7,972,248
High School Tennis Court	932,056
Other capital projects	<u>215,805</u>
Total	<u>\$ 30,726,281</u>

General Fund Budget Information

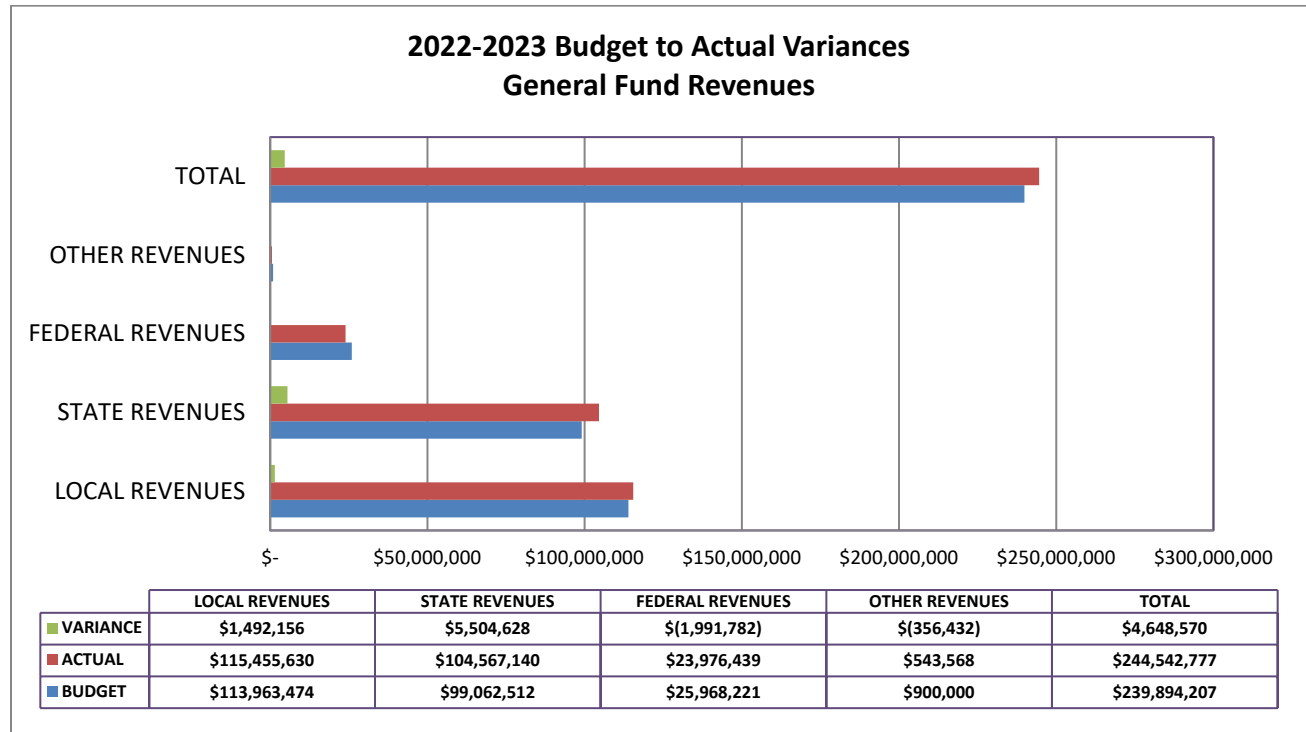
The District maintains its financial records and prepares its financial statements on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and 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 2023 included \$239,894,207 of revenues and other financing sources and \$244,358,822 of expenditures and other financing uses. The District committed \$4,464,615 to be used from its unassigned fund balance to cover the shortfall.

Upper Darby School District

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(Unaudited)

Actual revenues and other financing sources were \$4,648,570 more than the budgeted amounts and actual expenditures and other financing uses were \$3,801,518 less than the final budgeted amounts. The actual amount of revenues over expenditures was \$3,985,473. As such, funds committed to cover the projected shortfall in the amount of \$4,464,615 were not used. Major budgetary highlights for 2022-2023 were as follows:



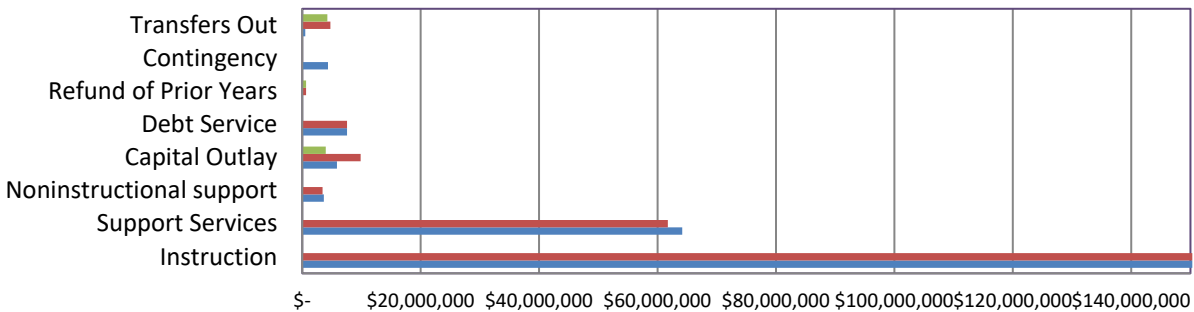
- Local revenues were \$1,492,156, or 1.31% more than budgeted primarily due to better than anticipated collection of delinquent taxes.
- State revenues were \$5,504,628, or 5.56% more than budgeted primarily as a result of a "Level Up Supplement" of \$4,306,950.
- Federal revenues were \$1,991,782, or 7.67% less than budgeted. The decrease relates to decreased drawdowns from federal COVID-19 relief grants due to the timing of capital projects being paid with federal funds.

	Budget	Actual	Over (Under) Budget
Instruction	\$ 158,250,574	\$ 152,576,827	\$ 5,673,747
Support services	64,166,172	61,742,587	2,423,585
Noninstructional support	3,646,846	3,432,297	214,549
Capital outlay	5,871,020	9,847,913	(3,976,893)
Debt service	7,564,971	7,570,994	(6,023)
Refund of prior year receipts	-	646,686	(646,686)
Contingency	4,359,239	-	4,359,239
Transfers out	500,000	4,740,000	(4,240,000)
Total	\$ 244,358,822	\$ 240,557,304	\$ 3,801,518

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(Unaudited)

2022-2023 Budget to Actual Variances General Fund Expenditures



	Instruction	Support Services	Noninstructional support	Capital Outlay	Debt Service	Refund of Prior Years	Contingency	Transfers Out
VARIANCE	\$(5,673,747)	\$(2,423,585)	\$(214,549)	\$3,976,893	\$6,023	\$646,686	\$(4,359,239)	\$4,240,000
ACTUAL	\$152,576,827	61,742,587	3,432,297	9,847,913	\$7,570,994	\$646,686	\$-	\$4,740,000
BUDGET	\$158,250,574	\$64,166,172	\$3,646,846	\$5,871,020	\$7,564,971	\$-	\$4,359,239	\$500,000

	Budget	Actual	Over (Under) Budget
Salaries	\$ 98,220,622	\$ 93,905,914	\$ (4,314,708)
Employee health benefits	17,699,688	16,428,614	(1,271,074)
Social Security/retirement	39,978,543	38,979,589	(998,954)
Other employer benefits	1,966,242	1,205,566	(760,676)
Total wages and benefits	157,865,095	150,519,683	(7,345,412)
Purch svc/prof/tech	19,528,761	22,257,037	2,728,276
Purch property svcs	10,819,898	10,183,806	(636,092)
Other purchased svcs	28,593,009	24,482,272	(4,110,737)
Supplies	12,598,579	12,335,844	(262,735)
Property	895,668	6,715,348	5,819,680
Other objects	9,014,582	4,420,483	(4,594,099)
Other financing uses	5,043,230	9,642,831	4,599,601
Total other	86,493,727	90,037,621	3,543,894
Total	\$ 244,358,822	\$ 240,557,304	\$ (3,801,518)

- Total actual expenditures and other financing used were under budget by \$3,801,518 or 1.56%.
- Total other expenditures exceeded the budget by \$3,543,894 or 4.10%. The majority of the increase was due to purchases related to COVID-19, funded by federal grants. The variance was offset by salaries and benefits with a total positive variance of \$7,345,412 or 4.65% due to 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, 2023
(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 2022-2023, the net position of the business-type activity/proprietary fund increased by \$2,894,701 driven by increased federal subsidies. At June 30, 2023, the business-type activity/proprietary fund had net position of \$10,274,702.

Capital Assets

The District's capital assets at June 30, 2023 are summarized below:

	Governmental Activities	Business-Type Activity	Totals
Land and improvements	\$ 23,494,219	\$ -	\$ 23,494,219
Building and improvements	136,938,335	-	136,938,335
Furniture and equipment	36,666,063	2,258,240	38,924,303
Construction in progress	50,378,025	-	50,378,025
Total	247,476,642	2,258,240	249,734,882
Less accumulated depreciation	113,616,818	1,621,480	115,238,298
Net capital assets	<u>\$ 133,859,824</u>	<u>\$ 636,760</u>	<u>\$ 134,496,584</u>

Completed capital projects totaled \$21,328,616 in 2023 and consisted of the following:

Beverly Hills Middle School toilet room renovations	\$ 4,648,254
Middle School track and fields	12,238,637
High School tennis courts	932,056
Elementary School playgrounds	2,196,814
Various other equipment items	1,312,855

In addition to the above completed projects, the District has \$50,378,025 in construction in progress as of June 30, 2023. The three largest projects comprising this balance at June 30, 2023 were the renovation of 8201 N. Lansdowne Ave (\$18,417,941), the Aronimink Elementary School renovation and expansion (\$22,240,439), and HVAC upgrades at the Upper Darby High School (\$3,756,128).

Long-Term Debt

At July 1, 2022, the principal or face amount of the District's general obligation debt was \$81,314,760. The District issued the Series of 2022 general obligation bonds for \$9,995,000. The Series of 2022 bonds were issued to finance capital improvements, including portions of the Aronimink Elementary School renovation, the 8201 N. Lansdowne Ave renovation, and Clifton Heights Middle School project. During the year, the District made principal payments of \$3,191,190. The principal or face amount balance of outstanding debt at June 30, 2023 is \$88,118,570. In the 2023-2024 school year, \$3,331,190 of this debt is scheduled for repayment.

State statutes limit the amount of general obligation debt the District may issue to 225% 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 17.00% of its legal limit of \$518 million.

Upper Darby School District

Management's Discussion and Analysis
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(Unaudited)

During the year ended June 30, 2023 the State Public School Building Authority issued the Series of 2023 College Revenue Bonds for the benefit of Delaware County Community College in the amount of \$66,500,000 to fund construction and related costs of the Community College's new Southeast Campus. As one of the College's sponsoring school districts, the District is responsible for a portion of the debt service related to the bond issue of \$3,930,981 based on the District's percentage of the county-wide total real estate market valuation. A corresponding authority obligation has been recognized in the statement of net position.

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. 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. Recent reports show the District remains one of the most underfunded school districts in the Commonwealth. The hold harmless legislation leaves the District under-funded in excess of \$20 million dollars for the 2023-2024 school year. Furthermore, additional studies based on the adequacy gap have the District listed with one of the highest adequacy shortfalls totaling \$89.4 million dollars.
- The District adopted a 2023-2024 budget totaling \$269,799,628. The 2023-2024 budget included:
 - 1.00% tax increase, which results in an estimated \$103,973,660 in tax revenues.
 - \$4,194,440 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. The District recognized approximately \$15.9 million of these funds in 2023 and approximately \$42.0 million in total since the inception of these programs. The remaining funds must be expended at varying times before September 30, 2024.
- 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.

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.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2023
(Unaudited)

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, Pennsylvania 19026.

Upper Darby School District

Statement of Net Position (Deficit)

June 30, 2023

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 38,782,218	\$ 9,782,493	\$ 48,564,711
Restricted cash	317,363	-	317,363
Investments	15,593,687	533,643	16,127,330
Taxes receivable, net	13,084,874	-	13,084,874
Due from other governments	13,607,541	334,953	13,942,494
Other receivables	1,628,436	430,000	2,058,436
Internal balances	543,568	(543,568)	-
Prepaid expenses	1,010,030	-	1,010,030
Inventories	199,047	102,317	301,364
Total current assets	84,766,764	10,639,838	95,406,602
Noncurrent Assets			
Capital assets	133,859,824	636,760	134,496,584
Assets held for capital projects	46,200,457	-	46,200,457
Total noncurrent assets	180,060,281	636,760	180,697,041
Total assets	264,827,045	11,276,598	276,103,643
Deferred Outflows of Resources			
Pension	40,211,835	-	40,211,835
Other postemployment benefits	3,821,380	-	3,821,380
Deferred amounts on bond refunding	20,227	-	20,227
Total deferred outflows of resources	44,053,442	-	44,053,442
Total assets and deferred outflows of resources	\$ 308,880,487	\$ 11,276,598	\$ 320,157,085
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Liabilities			
Current liabilities:			
Accounts payable	\$ 10,614,391	\$ 986,952	\$ 11,601,343
Current maturities of:			
Bonds and note payable	3,331,190	-	3,331,190
Financed purchase agreements payable	703,934	-	703,934
Lease obligations	316,160	-	316,160
Authority obligation	117,237	-	117,237
Accrued salaries and benefits	25,439,278	-	25,439,278
Accrued interest payable	832,785	-	832,785
Other current liabilities	549,077	-	549,077
Current portion of compensated absences	226,393	-	226,393
Current portion of special termination benefits	56,286	-	56,286
Unearned revenues	136,104	14,944	151,048
Total current liabilities	42,322,835	1,001,896	43,324,731
Bonds and note payable	94,112,318	-	94,112,318
Financed purchase agreements payable	409,617	-	409,617
Authority obligation	5,341,735	-	5,341,735
Compensated absences	2,926,542	-	2,926,542
Special termination benefits	498,636	-	498,636
Other postemployment benefits	17,318,902	-	17,318,902
Net pension liability	263,285,000	-	263,285,000
Total liabilities	426,215,585	1,001,896	427,217,481
Deferred Inflows of Resources			
Pension	12,000,000	-	12,000,000
Other postemployment benefits	10,505,177	-	10,505,177
Total deferred inflows of resources	22,505,177	-	22,505,177
Net Position (Deficit)			
Net investment in capital assets	48,573,468	636,760	49,210,228
Restricted	32,978,499	-	32,978,499
Unrestricted	(221,392,242)	9,637,942	(211,754,300)
Total net position (deficit)	(139,840,275)	10,274,702	(129,565,573)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 308,880,487	\$ 11,276,598	\$ 320,157,085

See notes to financial statements

Upper Darby School District

Statement of Activities

Year Ended June 30, 2023

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	\$ 142,298,458	\$ 266,559	\$ 55,565,746	\$ (86,466,153)		\$ (86,466,153)
Instructional student support	17,675,177	-	5,786,318	(11,888,859)		(11,888,859)
Administrative and financial support services	16,115,223	-	2,505,560	(13,609,663)		(13,609,663)
Operation and maintenance of plant services	17,964,868	-	5,081,199	(12,883,669)		(12,883,669)
Pupil transportation	5,740,270	46,143	3,749,352	(1,944,775)		(1,944,775)
Student activities	2,130,156	-	446,874	(1,683,282)		(1,683,282)
Community service	1,204,543	117,635	85,737	(1,001,171)		(1,001,171)
Authority obligation	3,930,981	-	-	(3,930,981)		(3,930,981)
Interest on long-term debt	2,895,801	-	1,083,670	(1,812,131)		(1,812,131)
Depreciation	5,378,231	-	-	(5,378,231)		(5,378,231)
Total governmental activities	215,333,708	430,337	74,304,456	(140,598,915)		(140,598,915)
Business-Type Activity, Food Service	6,691,344	46,691	9,929,854	-	\$ 3,285,201	3,285,201
Total	<u>\$ 222,025,052</u>	<u>\$ 477,028</u>	<u>\$ 84,234,310</u>	<u>(140,598,915)</u>	<u>3,285,201</u>	<u>(137,313,714)</u>
General Revenues (Expense)						
Real estate and transfer taxes levied for general purposes, net				121,582,436	-	121,582,436
Grants, subsidies and contributions not restricted				50,711,152	-	50,711,152
Miscellaneous expense				(418,632)	-	(418,632)
Investment earnings				2,582,974	153,068	2,736,042
Transfers				543,568	(543,568)	-
Total general revenues				175,001,498	(390,500)	174,610,998
Change in net position				34,402,583	2,894,701	37,297,284
Net Position (Deficit), Beginning				<u>(174,242,858)</u>	<u>7,380,001</u>	<u>(166,862,857)</u>
Net Position (Deficit), Ending				<u>\$ (139,840,275)</u>	<u>\$ 10,274,702</u>	<u>\$ (129,565,573)</u>

See notes to financial statements

Upper Darby School District

Balance Sheet - Governmental Funds

June 30, 2023

	Major Funds			Nonmajor	
	General	Capital Projects	Capital Reserve	Fund	Totals
Assets					
Cash and cash equivalents	\$ 38,782,218	\$ -	\$ -	\$ -	\$ 38,782,218
Restricted cash	121,831	-	-	195,532	317,363
Investments	15,593,687	-	-	-	15,593,687
Assets held for capital projects	-	17,657,490	28,542,967	-	46,200,457
Taxes receivable, net	13,084,874	-	-	-	13,084,874
Due from other governments	13,607,541	-	-	-	13,607,541
Other receivables	1,628,436	-	-	-	1,628,436
Due from other funds	1,519,369	-	4,240,000	-	5,759,369
Prepaid expenses	1,010,030	-	-	-	1,010,030
Inventories	199,047	-	-	-	199,047
Total	\$ 85,547,033	\$ 17,657,490	\$ 32,782,967	\$ 195,532	\$ 136,183,022
Liabilities					
Accounts payable	\$ 7,519,565	\$ 3,094,826	\$ -	\$ -	\$ 10,614,391
Accrued salaries and benefits	25,439,278	-	-	-	25,439,278
Unearned revenues	136,104	-	-	-	136,104
Due to other funds	4,240,000	975,801	-	-	5,215,801
Other current liabilities	549,077	-	-	-	549,077
Total liabilities	37,884,024	4,070,627	-	-	41,954,651
Deferred Inflows of Resources					
Unavailable revenues, real estate taxes	12,310,590	-	-	-	12,310,590
Fund Balances					
Nonspendable	1,209,077	-	-	-	1,209,077
Restricted	-	13,586,863	32,782,967	195,532	46,565,362
Committed	4,194,440	-	-	-	4,194,440
Assigned	18,000,390	-	-	-	18,000,390
Unassigned	11,948,512	-	-	-	11,948,512
Total fund balances	35,352,419	13,586,863	32,782,967	195,532	81,917,781
Total	\$ 85,547,033	\$ 17,657,490	\$ 32,782,967	\$ 195,532	\$ 136,183,022

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, 2023

Total Fund Balances, Governmental Funds \$ 81,917,781

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	133,859,824
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	12,310,590
Deferred gain on debt refundings are included in the statement of net position	20,227
Accrued interest payable is included in the statement of net position	(832,785)
Deferred outflows of resources related to the net pension liability is included in the statement of net position	40,211,835
Deferred outflows of resources related to the other postretirement benefits liability is included in the statement of net position	3,821,380
Deferred inflows of resources related to the net pension liability is included in the statement of net position	(12,000,000)
Deferred inflows of resources related to the other postretirement benefits liability is included in the statement of net position	(10,505,177)
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	(97,443,508)
Financed purchase agreements payable	(1,113,551)
Lease obligations	(316,160)
Authority obligation	(5,458,972)
Compensated absences	(3,152,935)
Special termination benefits	(554,922)
Other postretirement benefits	(17,318,902)
Net pension liability	(263,285,000)

Total Net Deficit, Governmental Activities \$ (139,840,275)

Upper Darby School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	Major Funds				Total Governmental Funds
	General	Capital Projects	Capital Reserve	Nonmajor Fund	
Revenues					
Local sources	\$ 115,455,630	\$ 930,646	\$ 205,887	\$ 123,134	\$ 116,715,297
State sources	104,567,140	-	-	-	104,567,140
Federal sources	23,976,439	-	-	-	23,976,439
Total revenues	243,999,209	930,646	205,887	123,134	245,258,876
Expenditures					
Instruction	152,576,827	-	-	-	152,576,827
Support services	61,742,587	232,781	-	-	61,975,368
Noninstructional services	3,432,297	-	-	119,210	3,551,507
Capital outlay	9,847,913	30,726,281	-	-	40,574,194
Refund of prior year receipts	646,686	-	-	-	646,686
Debt service	7,570,994	975,801	-	-	8,546,795
Total expenditures	235,817,304	31,934,863	-	119,210	267,871,377
Revenues over (under) expenditures	8,181,905	(31,004,217)	205,887	3,924	(22,612,501)
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	9,995,000	-	-	9,995,000
Bond discount	-	(122,077)	-	-	(122,077)
Transfers in	543,568	-	4,740,000	-	5,283,568
Transfers out	(4,740,000)	-	-	-	(4,740,000)
Other financing sources (uses), net	(4,196,432)	9,872,923	4,740,000	-	10,416,491
Revenues and other financing sources over (under) expenditures and other financing uses	3,985,473	(21,131,294)	4,945,887	3,924	(12,196,010)
Fund Balance, Beginning	31,366,946	34,718,157	27,837,080	191,608	94,113,791
Fund Balance, Ending	\$ 35,352,419	\$ 13,586,863	\$ 32,782,967	\$ 195,532	\$ 81,917,781

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, 2023

Total Net Change in Fund Balances - Governmental Funds **\$ (12,196,010)**

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	\$ 40,731,459	
Less depreciation expense	<u>(5,378,231)</u>	35,353,228

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 4,580,530

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	122,077	
Amortization of bond premiums/discounts	499,258	
Amortization of deferred refunding charges	<u>(26,969)</u>	594,366

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 (9,995,000)

Authority obligation recognized (3,930,981)

Repayment of long-term 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	3,191,190	
Financed purchase agreements payable	1,176,056	
Leases	764,635	
Authority obligation	<u>126,121</u>	5,258,002

Change in accrued interest payable (79,298)

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	14,884,666	
Compensated absences	(101,306)	
Special termination benefits	49,673	
Other postretirement benefits	<u>(15,287)</u>	14,817,746

Change in Net Position of Governmental Activities **\$ 34,402,583**

Upper Darby School District

Statement of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2023

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues			
Local sources	\$ 113,963,474	\$ 115,455,630	\$ 1,492,156
State sources	99,062,512	104,567,140	5,504,628
Federal sources	25,968,221	23,976,439	(1,991,782)
Total revenues	238,994,207	243,999,209	5,005,002
Expenditures			
Instruction	158,250,574	152,576,827	5,673,747
Support services	64,166,172	61,742,587	2,423,585
Noninstructional services	3,646,846	3,432,297	214,549
Capital outlay	5,871,020	9,847,913	(3,976,893)
Refund of prior year receipts	-	646,686	(646,686)
Debt service	7,564,971	7,570,994	(6,023)
Total expenditures	239,499,583	235,817,304	3,682,279
Revenues over (under) expenditures	(505,376)	8,181,905	8,687,281
Other Financing Sources (Uses)			
Transfers in	900,000	543,568	(356,432)
Transfers out	(500,000)	(4,740,000)	(4,240,000)
Budgetary reserve	(4,359,239)	-	4,359,239
Total other financing sources (uses), net	(3,959,239)	(4,196,432)	(237,193)
Revenues and other financing sources over (under) expenditures and other financing uses	(4,464,615)	3,985,473	8,450,088
Fund Balance, Beginning	19,850,000	31,366,946	11,516,946
Fund Balance, Ending	<u>\$ 15,385,385</u>	<u>\$ 35,352,419</u>	<u>\$ 19,967,034</u>

See notes to financial statements

Upper Darby School District

Balance Sheet - Proprietary Fund

June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 9,782,493
Investments	533,643
Due from other governments	334,953
Other receivables	430,000
Inventories	<u>102,317</u>

Total current assets 11,183,406

Capital Assets

636,760

Total assets \$ 11,820,166

Liabilities and Net Position

Liabilities

Current liabilities:

Accounts payable	\$ 986,952
Other current liabilities	14,944
Due to other funds	<u>543,568</u>

Total liabilities 1,545,464

Net Position

Net investment in capital assets	636,760
Unrestricted net position	<u>9,637,942</u>

Total net position 10,274,702

Total liabilities and net position \$ 11,820,166

See notes to financial statements

Upper Darby School District

Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund
Year Ended June 30, 2023

Operating Revenues

Food service revenue	\$ 46,691
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Operating Expenses

Purchased services	6,011,746
Donated commodities	534,660
Other	7,009
Depreciation	137,929

Total operating expenses	6,691,344
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Operating loss	(6,644,653)
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Nonoperating Revenues (Expenses)

Federal subsidies	9,507,200
State subsidies	422,654
Earnings on investments	153,068
Transfers out	(543,568)

Nonoperating revenues, net	9,539,354
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Increase in net position	2,894,701
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Net Position, Beginning	7,380,001
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Net Position, Ending	\$ 10,274,702
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Upper Darby School District

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2023

Cash Flows From Operating Activities

Receipts from customers	\$ 46,295
Payments to suppliers	<u>(7,010,127)</u>
Net cash used in operating activities	<u>(6,963,832)</u>

Cash Flows From Noncapital Financing Activities

State subsidies	417,373
Federal subsidies	<u>8,916,200</u>
Net cash provided by noncapital financing activities	<u>9,333,573</u>

Cash Flows From Investing Activities

Purchase of investments	(18,577)
Interest on investments	<u>153,068</u>
Net cash provided by investing activities	<u>134,491</u>

Net increase in cash 2,504,232

Cash, Beginning 7,278,261

Cash, Ending \$ 9,782,493

Supplemental Disclosure of Noncash Transactions

USDA donated commodities	<u><u>\$ 585,957</u></u>
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Reconciliation of Operating Loss to Net Cash

Used in Operating Activities

Operating loss	\$ (6,644,653)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	137,929
USDA donated commodities	585,957
Changes in:	
Inventories	(51,297)
Accounts payable	598,061
Other current liabilities	(397)
Due to other funds	<u>(1,589,432)</u>
Net cash used in operating activities	<u><u>\$ (6,963,832)</u></u>

See notes to financial statements

Upper Darby School District

Statement of Fiduciary Net Position

June 30, 2023

	Custodial Funds
Assets	
Cash	\$ 797,006
Net Position	
Restricted for general welfare	\$ 317,300
Restricted for scholarships	479,706
Total net position	\$ 797,006

See notes to financial statements

Upper Darby School District

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Custodial Funds
Additions	
Contribution income	\$ 449,729
Interest income	17,089
Total additions	466,818
Deductions	
Employee groups and District programs	232,117
Scholarships awarded	259,551
Total deductions	491,668
Change in net position	(24,850)
Net Position, Beginning	821,856
Net Position, Ending	\$ 797,006

See notes to financial statements

Upper Darby School District

Notes to Financial Statements

June 30, 2023

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, Capital Reserve, 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:

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 or notes.

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 nonoperating 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 nonoperating.

Upper Darby School District

Notes to Financial Statements
June 30, 2023

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, 2023

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 liquid asset 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, 2023

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.

Assets under lease agreements with terms in excess of one year are capitalized and amortized over the lease term in the government-wide financial statements. Amortization of assets under lease is included with depreciation. In the fund financial statements, new leases are reported as capital outlay and proceeds from extended term financing.

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, 2023

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 2023, the Board of School Directors committed \$4,194,440 of General Fund balance to balance the 2023-2024 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, 2023, the Chief Financial Officer has assigned General Fund balance for a reserve for open encumbrances - \$3,000,706, compensated absences/OPEB - \$1,667,063, special education - \$1,500,000, PSERS retirement rate stabilization - \$1,832,621, technology and educational resources- \$2,000,000, emergency capital replacement - \$6,500,000, and special education - \$1,500,000.
- *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, 2023

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 Community College and Community College Authority

The District, along with other Delaware County school districts, sponsor the Delaware Community College (the College) and the Delaware Community College Authority (Authority). The sponsoring districts pay a portion of the College's operating and debt service costs, which fluctuate based on each district's certified real estate market values. In return, residents of each district pay reduced fees for College programs. The sponsoring districts have entered into agreements to provide payments sufficient to retire the College's outstanding debt related to the College's facilities. At June 30, 2023, the Authority has no outstanding debt. The District's share of the College's operating costs and debt service was \$1,023,716 in 2023.

The College prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

Delaware County Vocational-Technical School and Vocational-Technical School Authority

The District and the other Delaware County school districts participate in the Delaware County Vocational Technical School (the Vo-Tech School) which provides vocational-technical training and education to students of the participating districts. The Vo-Tech School is controlled by a joint board comprised of representatives from each of the participating districts. The participating districts pay a share of the Vo-Tech School's operating costs based on the percentage of enrollment. The District's share of the Vo-Tech School operating costs was \$2,284,324 in 2023.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

The same districts also participate in the Delaware County Vocational-Technical School Authority (the Authority). The Authority is responsible for acquiring holding, constructing, improving and maintaining the Vo-Tech School's buildings. The Authority is controlled by a joint board comprised of representatives from each of the districts. The District is responsible for an allocated portion of the outstanding debt of the Authority. At June 30, 2023, there is no allocated outstanding debt.

The Vo-Tech School's and Vo-Tech Authority's financial statements are available from 200 Yale Avenue, Morton, Pennsylvania 19070.

Adoption of New Accounting Principles

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This Statement defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Statement requires the recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The amortization of the subscription asset is then recognized as an outflow of resources over the subscription term. The adoption of this statement did not affect the District's financial reporting at June 30, 2023, as the District was not involved in any material SBITAs during fiscal 2023.

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, 2023, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$87,449,126 compared to the carrying amount of \$81,530,046. The difference is caused by items in-transit and outstanding checks. \$87,099,126 of the District's deposits were exposed to custodial credit risk at June 30, 2023 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.

At June 30, 2023, the carrying amount of amounts with the PSDLAF was \$30,476,821. This includes \$15,593,687 reported as investments in the General Fund, \$1,505,124 and \$12,844,367 reported as assets held for capital projects in the Capital Reserve and Capital Projects Funds, respectively, and \$533,643 reported as investments in the Food Service Fund.

Upper Darby School District

Notes to Financial Statements
June 30, 2023

3. Real Estate Taxes

The tax on real estate, as levied by the Board of School Directors, was 24.8737 mills (\$24.8737 per \$1,000 of assessed valuation) for fiscal year 2023. 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% 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, 2023 totaled \$12,994,760 and are included in taxes receivable. The amount of real estate taxes receivable is reported net of an allowance for doubtful collections of \$684,170. Taxes receivable also includes \$204,624 of real estate transfer taxes receivable, and \$569,660 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, 2023:

Governmental activities:	
Pennsylvania Department of Education:	
State source revenues	\$ 6,994,404
Federal source revenues	6,201,969
Other school districts:	
Local source revenues	<u>411,168</u>
Total governmental activities	<u>\$ 13,607,541</u>
Business-type activity:	
Pennsylvania Department of Education:	
State source revenues	\$ 15,761
Federal source revenues	<u>319,192</u>
Total business-type activity	<u>\$ 334,953</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2023

5. Capital Assets

The changes in the District's capital assets in 2023 are summarized as follows:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Governmental activities:					
Cost:					
Land	\$ 680,000	\$ -	\$ -	\$ -	\$ 680,000
Land improvements	9,514,752	128,774	-	13,170,693	22,814,219
Buildings and improvements	130,225,958	459,829	-	4,648,253	135,334,040
Buildings and improvements - leased	1,604,295	-	-	-	1,604,295
Furniture and equipment	34,731,393	2,921,067	(986,397)	-	36,666,063
Construction in progress	30,975,182	37,221,789	-	(17,818,946)	50,378,025
Total cost	<u>207,731,580</u>	<u>40,731,459</u>	<u>(986,397)</u>	<u>-</u>	<u>247,476,642</u>
Less accumulated depreciation:					
Land improvements	(5,474,928)	(414,939)	-	-	(5,889,867)
Buildings and improvements	(75,967,126)	(3,197,618)	-	-	(79,164,744)
Buildings and improvements - leased	(532,716)	(756,607)	-	-	(1,289,323)
Furniture and equipment	(27,250,214)	(1,009,067)	986,397	-	(27,272,884)
Total accumulated depreciation	<u>(109,224,984)</u>	<u>(5,378,231)</u>	<u>986,397</u>	<u>-</u>	<u>(113,616,818)</u>
Net	<u>\$ 98,506,596</u>	<u>\$ 35,353,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,859,824</u>
Business-type activity:					
Furniture and equipment	\$ 2,258,240	\$ -	\$ -	\$ -	\$ 2,258,240
Less accumulated depreciation	(1,483,551)	(137,929)	-	-	(1,621,480)
Net	<u>\$ 774,689</u>	<u>\$ (137,929)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,760</u>

The District is engaged in various capital projects. As of June 30, 2023, the District had awarded approximately \$79 million of contracts related to these projects.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

6. Bonds and Notes Payable/Subsequent Event

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

	Interest Rate	Current Portion	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Series of 2010 note, matures March 2026	5.00%	\$ 339,333	\$ 1,357,332	\$ -	\$ (339,333)	\$ 1,017,999
Series A of 2011 note, matures September 2025	5.09%	26,857	107,428	-	(26,857)	80,571
Series of 2015 bonds, mature May 2024	3.00% - 5.00%	1,010,000	1,715,000	-	(705,000)	1,010,000
Series of 2018 bonds, mature April 2027	2.00% - 3.00%	5,000	4,985,000	-	(5,000)	4,980,000
Series of 2019 bonds, mature April 2030	2.00% - 3.00%	5,000	6,070,000	-	(5,000)	6,065,000
Series of 2020 bonds, mature April 2045	.45% - 4.00%	5,000	26,500,000	-	(5,000)	26,495,000
Series of 2021 note, matures May 2024	.72%	1,930,000	4,030,000	-	(2,100,000)	1,930,000
Series of 2021A bonds, mature April 2051	1.00% - 4.00%	5,000	36,550,000	-	(5,000)	36,545,000
Series of 2022 bonds, mature April 2052	4.00% - 4.125%	5,000	-	9,995,000	-	9,995,000
Total		<u>\$ 3,331,190</u>	81,314,760	9,995,000	(3,191,190)	88,118,570
Premiums			<u>9,946,273</u>	<u>(122,077)</u>	<u>(499,258)</u>	<u>9,324,938</u>
Total			<u>\$ 91,261,033</u>	<u>\$ 9,872,923</u>	<u>\$ (3,690,448)</u>	<u>\$ 97,443,508</u>

Total interest paid on these bonds and notes in 2023 was \$3,420,044. 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 2023 was 91.51% on the Series of 2010 and 94.74% on the Series A of 2011. In 2023, the District received \$251,029 in interest subsidies which is included in federal source revenues.

In July 2022, the District issued \$9,995,000 of general obligation bonds (Series of 2022) to finance capital improvements. The bonds are due in varying installments ranging from \$5,000 to \$4,745,000, bear interest at rates ranging from 4.00% to 4.125%, and mature through April 2052.

The Series of 2020 and Series of 2021A bonds are considered direct placement borrowings.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

The following summarizes the District's scheduled debt service on its bonds and notes payable:

	Direct Placement Bonds		Other Bonds and Notes		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2024	\$ 15,000	\$ 2,892,794	\$ 3,316,190	\$ 636,061	\$ 6,860,045
2025	15,000	2,892,494	2,781,190	557,828	6,246,512
2026	15,000	2,892,194	2,861,190	355,310	6,123,694
2027	400,000	2,891,869	1,465,000	182,484	4,939,353
2028	415,000	2,883,044	1,505,000	139,800	4,942,844
2029-2033	7,365,000	14,047,294	3,155,000	152,650	24,719,944
2034-2038	12,685,000	12,024,169	-	-	24,709,169
2039-2043	15,435,000	9,275,569	-	-	24,710,569
2044-2048	18,775,000	5,931,969	-	-	24,706,969
2049-2052	17,915,000	1,852,588	-	-	19,767,588
Total	<u>\$ 73,035,000</u>	<u>\$ 57,583,984</u>	<u>\$ 15,083,570</u>	<u>\$ 2,024,133</u>	<u>\$ 147,726,687</u>

In November 2023, the District issued \$9,995,000 of general obligation bonds to finance capital improvements. The bonds are due in varying installments ranging from \$105,000 to \$6,395,000, bear interest at rates ranging from 4.75% to 5.00% and mature through April 2053.

7. Financed Purchase Agreements Payable

The District has purchased equipment under extended term financing agreements. These agreements require semi-annual or annual payments ranging from \$31,992 to \$316,441, bear interest at rates ranging from .95% to 2.00%, and mature through March 2026. The following summarizes the changes in financed purchase agreements payable:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Equipment	\$ 2,289,607	\$ -	\$ (1,176,056)	\$ 1,113,551

Interest expense on financed purchase agreements payable was \$32,076 in 2023.

The following summarizes the District's scheduled debt service on the financed purchase agreements payable:

	Principal	Interest	Total
Years ending June 30:			
2024	\$ 703,934	\$ 13,135	\$ 717,069
2025	266,289	4,376	270,665
2026	143,328	1,496	144,824
Total	<u>\$ 1,113,551</u>	<u>\$ 19,007</u>	<u>\$ 1,132,558</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2023

8. Authority Obligation

The following summarizes the changes in the District's authority obligation associated with the District's portion of the College's debt service costs:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Delaware County Community College	\$ 1,654,112	\$ 3,930,981	\$ (126,121)	\$ 5,458,972

Interest expense on authority obligations was \$62,789 in 2023.

The following summarizes the District's scheduled debt service on the authority obligation:

	Principal	Interest	Total
Years ending June 30:			
2024	\$ 117,237	\$ 241,490	\$ 358,727
2025	224,396	232,997	457,393
2026	235,724	221,521	457,245
2027	247,283	209,460	456,743
2028	259,944	196,807	456,751
2029-2033	1,441,227	840,390	2,281,617
2034-2038	985,110	541,874	1,526,984
2039-2043	1,093,581	309,978	1,403,559
2044-2048	727,675	94,561	822,236
2049	126,795	2,615	129,410
Total	<u>\$ 5,458,972</u>	<u>\$ 2,891,693</u>	<u>\$ 8,350,665</u>

9. Lease Obligations

The District leases operating space under the terms of lease agreements. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets are included in capital assets. Lease liabilities are based on the present value of future minimum lease payments to be made over the expected lease term using the District's incremental borrowing rate in determining the present value of future payments. The following summarizes the changes in lease obligations in 2023:

Balance, July 1, 2022	\$ 1,080,795
Cancellations	(233,094)
Payments	<u>(531,541)</u>
Balance, June 30, 2023	<u>\$ 316,160</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2023

The following summarizes the District's scheduled payments on its lease obligations:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2024	\$ 316,160	\$ 3,194	\$ 319,354

Interest expense on leases was \$6,977 in in 2023.

10. 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.pa.gov.

Benefits Provided

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

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1% or 2.5%, 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 five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final 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.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

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

Member Contributions

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

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with 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% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. 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 5.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 8.30% and 12.30%.

Members who joined PSERS after June 30, 2019 and elect Membership Class T-G or T-H contribute at a rate of 5.50% or 4.50% (base rates), respectively, and have a shared risk provision that could cause the Membership Class T-G contribution rate to fluctuate between 2.50% and 8.50% and Membership Class T-H to fluctuate between 1.50% and 7.50%. In addition, these members contribute 2.75% (Class T-G) and 3.00% (Class T-H) to a defined contribution plan.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.31%* 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 \$31,682,000 for the year ended June 30, 2023.

*This includes the defined contribution rate of 0.20% which is an estimated rate.

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

At June 30, 2023, the District reported a liability of \$263,285,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was .5922%, which was an decrease of .0017% from its proportion measured as of June 30, 2022.

Upper Darby School District

Notes to Financial Statements
June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$16,613,000. At June 30, 2023, 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	\$ -	\$ 4,467,000
Changes in proportion and differences between District contributions and proportionate share of contributions	549,000	5,256,000
Changes in assumptions	7,862,000	-
Difference between expected and actual experience	119,000	2,277,000
District contributions subsequent to the measurement date	<u>31,681,835</u>	<u>-</u>
Total	<u>\$ 40,211,835</u>	<u>\$ 12,000,000</u>

The \$31,681,835 reported as deferred outflows of resources related to pensions 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, 2023.

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

Years ending June 30	
2024	\$ (1,057,000)
2025	(1,592,000)
2026	(7,056,000)
2027	<u>6,235,000</u>
Total	<u>\$ (3,470,000)</u>

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2022 (the 2022 measurement date) was determined by rolling forward the PSERS' total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 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 - 7.00%, includes inflation at 2.50%;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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 PSERS 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	28.0 %	5.3 %
Private equity	12.0	8.0
Fixed income	33.0	2.3
Commodities	9.0	2.3
Absolute return	6.0	3.5
Infrastructure/MLPs	9.0	5.4
Real estate	11.0	4.6
Cash	3.0	0.5
Leverage	(11.0)	0.5
	<u>100.00 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Upper Darby School District

Notes to Financial Statements
June 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, 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 7.00%, 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 one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 340,541,000	\$ 263,285,000	\$ 198,148,000

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.

11. Compensated Absences and Special Termination Benefits

Compensated Absences

The changes in compensated absences in 2023 are summarized as follows:

Balance, July 1, 2022	\$ 3,051,629
Increases	245,756
Decreases	<u>(144,450)</u>
Balance, June 30, 2023	<u>\$ 3,152,935</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% of the administrator's final salary. Payments made under this provision are nonelective employer contributions to the employees' 403(b) accounts in accordance with IRS regulations. The District has recorded a liability 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, 2023

Changes in the special termination benefits liability in 2023 were as follows:

Balance, July 1, 2022	\$ 604,595
Increases	84,903
Payments and other decreases	<u>(134,576)</u>
Balance, June 30, 2023	<u>\$ 554,922</u>

12. 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% 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% of the cost of such coverage. For the other administrative employees who meet the minimum District and PSERS service requirements, the District pays 100% of the employee's premiums for medical, prescription drug, dental and vision until age 65. The employee must pay 102% 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% 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% 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, 2022, the following employees were covered by the District Plan:

Active employees	1,229
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees currently receiving benefit payments	<u>325</u>
Total	<u>1,554</u>

District Plan Total OPEB Liability

The District Plan's total OPEB liability of \$6,399,902 as of June 30, 2023 was measured as of July 1, 2022, as rolled forward from an actuarial valuation as of July 1, 2022.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

District Plan Actuarial Assumptions

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

- Discount rate - 4.06% based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022
- Salary increases - 2.50% cost of living adjustment, 1.50% real wage growth, and for teachers and administrators, a merit increase which varies by age from 2.75% to 0%
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers and for all other employees. Incorporated into the tables are rates projected generationally Scale MP-2021 to reflect mortality improvement.
- Healthcare cost trend rates - 6.50% in 2022, 6.00% in 2023 and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% 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, 2022	\$ 9,643,631
Service cost	748,500
Interest	231,655
Change of benefit terms	940,647
Differences between expected and actual experience	(1,462,507)
Changes in assumptions	(3,274,093)
Benefit payments	(427,931)
	<hr/>
Balance at June 30, 2023	<u>\$ 6,399,902</u>

The changes in assumptions amount results from a change in the discount rate from 2.28% to 4.06%.

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% lower and higher than the current discount rate:

	1% Decrease (3.06%)	Discount Rate (4.06%)	1% Increase (5.06%)
Total District Plan OPEB Liability	\$ 6,993,952	\$ 6,399,902	\$ 5,862,019

Upper Darby School District

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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% 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	\$ 5,712,835	\$ 6,399,902	\$ 7,216,731

District Plan OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,134,251 for the District Plan. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the District Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 706,320	\$ -
Net differences between expected and actual experience	-	3,279,235
Changes in assumptions	965,524	4,169,942
Total	<u>\$ 1,671,844</u>	<u>\$ 7,449,177</u>

The \$706,320 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, 2024.

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

Years ending June 30:	
2024	\$ (786,551)
2025	(786,551)
2026	(786,551)
2027	(786,551)
2028	(786,551)
Thereafter	<u>(2,550,898)</u>
Total	<u>\$ (6,483,653)</u>

PSERS Health Insurance Premium Assistance Program**General Information About the PSERS Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance, which is 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, 2022, 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 Employer Contributions

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

District Contributions

The District's contractually required contribution rate for the year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$689,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$10,919,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was .5932%, which was a decrease of .0010% from its proportion measured at June 30, 2022.

Upper Darby School District

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized OPEB expense of \$271,000. At June 30, 2023, 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	\$ 1,212,000	\$ 2,579,000
Difference between expected and actual experience	101,000	59,000
Net differences between projected and actual investment earnings	30,000	-
Changes in proportion	118,000	418,000
District contributions subsequent to the measurement date	688,536	-
Total	<u>\$ 2,149,536</u>	<u>\$ 3,056,000</u>

The \$688,536 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the PSERS Plan's total OPEB liability in the year ended June 30, 2023.

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	
2024	\$ (323,000)
2025	(282,000)
2026	(278,000)
2027	(326,000)
Thereafter	(386,000)
Total	<u>\$ (1,595,000)</u>

Actuarial Assumptions

The PSERS Total OPEB Liability as of June 30, 2022 (the measurement date), was determined by rolling forward PSERS's Total OPEB Liability as of June 30, 2021 to June 30, 2022 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 - 4.09% - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;

Upper Darby School District

Notes to Financial Statements

June 30, 2023

- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%
 - Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022;
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees;
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0 %	0.5 %

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, 2022.

Discount Rate

The discount rate used to measure the PSERS Total OPEB Liability was 4.09%. 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 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Upper Darby School District

Notes to Financial Statements
June 30, 2023

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, 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, 2023, calculated using current healthcare cost trends as well as what PSERS net OPEB liability would be if health cost trends were 1% lower or 1% higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS net OPEB Liability	\$ 10,918,000	\$ 10,919,000	\$ 10,920,000

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
District's proportionate share of the PSERS net OPEB liability	\$ 12,349,000	\$ 10,919,000	\$ 9,724,000

OPEB Plan Fiduciary Net Position

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

13. Internal Balances/Interfund Balances and Transfers

Interfund balances are summarized as follows:

	Due From	Due To
General Fund:		
Food Service Fund	\$ 543,568	\$ -
Capital Project Fund	975,801	-
Capital Reserve Fund	-	4,240,000
Food Service Fund:		
General Fund	-	543,568
Capital Projects Fund:		
General Fund	-	975,801
Capital Reserve Fund:		
General Fund	4,240,000	-
Total	\$ 5,759,369	\$ 5,759,369

Upper Darby School District

Notes to Financial Statements

June 30, 2023

\$543,568 was due to the General Fund from the Food Service Fund for maintenance, utility, insurance, operating and administrative salaries and benefits. \$975,801 was due to the General Fund from the Capital Projects Fund for debt service.

\$4,240,000 was due to the Capital Reserve Fund from the General Fund to support future capital expenditures.

Interfund transfers for 2023 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Food Service Fund	\$ 543,568	\$ -
Capital Reserve Fund	-	4,740,000
Food Service Fund:		
General Fund	-	543,568
Capital Reserve Fund:		
General Fund	4,740,000	-
Total	<u>\$ 5,283,568</u>	<u>\$ 5,283,568</u>

14. 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.

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. Through June 30, 2023, the District has been allocated approximately \$62.6 million under these programs and has spent approximately \$42 million, including \$15.9 million in 2023. The remaining funds must be expended by various times through September 2024.

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>2023</u>	<u>2022</u>	<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>0.5922%</u>	<u>0.5939%</u>	<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>\$ 263,285</u>	<u>\$ 243,836</u>	<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>\$ 87,225</u>	<u>\$ 84,241</u>	<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>301.85%</u>	<u>289.45%</u>	<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>61.34%</u>	<u>63.67%</u>	<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>2023</u>	<u>2022</u>	<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	\$ 31,682	\$ 29,779	\$ 28,575	\$ 28,944	\$ 27,368	\$ 26,069	\$ 23,638	\$ 19,836	\$ 15,789
Contributions in relation to the contractually required contribution	<u>31,682</u>	<u>29,779</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 91,228</u>	<u>\$ 89,432</u>	<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>34.73%</u>	<u>33.30%</u>	<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>2023</u>	<u>2022</u>	<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>0.5932%</u>	<u>0.5942%</u>	<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>\$ 10,919</u>	<u>\$ 14,084</u>	<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>\$ 87,225</u>	<u>\$ 84,241</u>	<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>12.52%</u>	<u>16.72%</u>	<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>6.86%</u>	<u>5.30%</u>	<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)

	2023	2022	2021	2020	2019	2018	2017
PSERS contractually required contribution	\$ 689	\$ 701	\$ 699	\$ 729	\$ 697	\$ 691	\$ 672
Contributions in relation to the contractually required contribution	<u>(689)</u>	<u>(701)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 91,228</u>	<u>\$ 89,432</u>	<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>0.76%</u>	<u>0.78%</u>	<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)

	2023	2022	2021	2020	2019	2018
Service cost	\$ 748,500	\$ 743,755	\$ 561,295	\$ 560,428	\$ 854,242	\$ 810,359
Interest cost	231,655	184,778	301,556	265,255	391,740	284,515
Change of benefit terms	940,647	-	-	-	-	-
Differences between expected and actual experience	(1,462,507)	-	(686,790)	-	(2,658,693)	-
Changes in assumptions	(3,274,093)	(304,293)	1,042,952	(260,709)	(1,427,472)	414,032
Benefit payments	<u>(427,931)</u>	<u>(373,441)</u>	<u>(523,181)</u>	<u>(455,443)</u>	<u>(510,088)</u>	<u>(408,300)</u>
Net change	(3,243,729)	250,799	695,832	109,531	(3,350,271)	1,100,606
Total OPEB Liability, Beginning	<u>9,643,631</u>	<u>9,392,832</u>	<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>\$ 6,399,902</u></u>	<u><u>\$ 9,643,631</u></u>	<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.

**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***

Independent Auditors' Report

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 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated on December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

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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 4, 2023

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

Independent Auditors' Report

To the Board of School Directors of
Upper Darby School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upper Darby School District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 4, 2023

Upper Darby School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass- Through Grantor Number	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2022	Revenues Recognized	Federal Expenditure	Accrued or (Deferred) Revenue at June 30, 2023
U.S. Department of Education								
Passed-through Pennsylvania Department of Education:								
Title I Grants to Local Educational Agencies	84.010	013-220448	\$ 5,981,213	\$ 3,417,639	\$ 2,173,686	\$ 1,243,953	\$ 1,243,953	\$ -
Title I Grants to Local Educational Agencies	84.010	013-230448	5,876,363	4,512,505	-	5,096,955	5,096,955	584,450
Total				7,930,144	2,173,686	6,340,908	6,340,908	584,450
English Language Acquisition State Grants	84.365	010-200448	223,625	71,985	71,985	-	-	-
English Language Acquisition State Grants	84.365	010-220448	258,466	130,839	68,749	62,090	62,090	-
English Language Acquisition State Grants	84.365	010-230448	293,552	255,551	-	247,010	247,010	(8,541)
Total				458,375	140,734	309,100	309,100	(8,541)
Supporting Effective Instruction State Grants	84.367	020-220448	659,401	377,850	(37,790)	415,640	415,640	-
Supporting Effective Instruction State Grants	84.367	020-230448	525,675	280,371	-	256,944	256,944	(23,427)
Total				658,221	(37,790)	672,584	672,584	(23,427)
School Improvement Grant	84.377	142-190448	121,916	89,405	89,405	-	-	-
Student Support and Academic Enrichment Program	84.424	144-210448	362,356	258,826	258,826	-	-	-
Student Support and Academic Enrichment Program	84.424	144-220448	350,135	250,155	134,931	115,224	115,224	-
Student Support and Academic Enrichment Program	84.424	144-230448	469,314	275,122	-	259,868	259,868	(15,254)
Total				784,103	393,757	375,092	375,092	(15,254)
COVID-19 Education Stabilization Fund/Governor's Emergency Education Relief Fund:								
Continuity of Education for Additional Targeted Support and Improvement Schools Grant	84.425C	254-200448	212,110	66,982	66,982	-	-	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	200-210448	17,193,071	11,195,488	8,000,201	3,869,796	3,869,796	674,509
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425W	181-212451	160,928	8,253	(8,253)	25,674	25,674	9,168
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	223-210448	34,776,608	4,426,114	(1,200,038)	10,548,000	10,548,000	4,921,848
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	224-210448	193,963	45,846	(10,409)	65,473	65,473	9,218
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	225-210448	2,702,924	2,064,051	578,437	1,399,508	1,399,508	(86,106)
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	18,197	18,197	-	-	-
Total				17,824,931	7,445,117	15,908,451	15,908,451	5,528,637
Special Education Cluster (IDEA):								
Passed-through Delaware County Intermediate Unit:								
Special Education Grants to States	84.027	H027A110093 (2022)	2,384,945	2,384,945	2,289,125	95,820	95,820	-
COVID-19 Special Education Grants to States	84.027	H027A110093 (2022)	524,117	524,117	524,117	-	-	-
Special Education Grants to States	84.027	H027A220093 (2023)	2,472,858	2,472,858	-	2,472,858	2,472,858	-
Special Education Preschool Grants	84.173	H39211009 (2021)	11,183	11,183	11,183	-	-	-
Special Education Preschool Grants	84.173	H173A210090 (2023)	7,227	-	-	7,227	7,227	7,227
Total Special Education Cluster (IDEA)				5,393,103	2,824,425	2,575,905	2,575,905	7,227
Total U.S. Department of Education				33,138,282	13,029,334	26,182,040	26,182,040	6,073,092
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed-through Pennsylvania Department of Education:								
School Breakfast Program	10.553	365	3,234,038	3,236,273	120,781	3,234,038	3,234,038	118,546
National School Lunch Program	10.555	362	5,684,071	5,676,792	193,368	5,684,070	5,684,070	200,646
Passed-through Pennsylvania Department of Agriculture:								
Food Donation	10.555	N/A	585,957	585,957	-	585,957	585,957	-
Total Child Nutrition Cluster				9,499,022	314,149	9,504,065	9,504,065	319,192
Passed-through Pennsylvania Department of Education:								
Pandemic EBT Administrative Costs	10.649	358	3,135	3,135	-	3,135	3,135	-
Total U.S. Department of Agriculture				9,502,157	314,149	9,507,200	9,507,200	319,192
U.S. Department of Health and Human Services								
Passed-through Pennsylvania Department of Public Welfare:								
Medical Assistance Program/Medicaid Cluster	93.778	044-007448	119,274	163,252	43,978	119,274	119,274	-
Total				\$ 42,803,691	\$ 13,387,461	\$ 35,808,514	\$ 35,808,514	\$ 6,392,284

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, 2023

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, 2023. 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% de minimis indirect cost rate allowed under the Uniform Guidance.

Upper Darby School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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 X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

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:

Assistance Listing Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster (IDEA)
84.425	Education Stabilization Fund

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

\$1,071,261

Auditee qualified as low-risk auditee?

 X yes _____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Upper Darby School District

Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

Section IV - Schedule of Prior Year Audit Findings

No audit findings reported in prior year.