



**Wallingford-Swarthmore
School District
Wallingford, Pennsylvania
Delaware County**

Financial Statements
Year Ended June 30, 2021



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	14
<i>Statement of Activities</i>	15
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	16
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position of Governmental Activities on the Statement of Net Position (Deficit)</i>	17
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	18
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	19
<i>Statement of Net Position – Proprietary Funds</i>	20
<i>Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds</i>	21
<i>Statement of Cash Flows – Proprietary Funds</i>	22
<i>Statement of Net Position – Fiduciary Funds</i>	23
<i>Statement of Changes in Net Position – Fiduciary Funds</i>	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	50
<i>Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS</i>	51
<i>Schedule of the District's Pension Plan Contributions - PSERS</i>	52
<i>Schedule of Changes in OPEB Liability – Single Employer Plan</i>	53
<i>Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS</i>	54
<i>Schedule of the District's OPEB Plan Contributions - PSERS</i>	55

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

CONTENTS

SINGLE AUDIT

<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	56
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	58
<i>Summary Schedule of Prior Audit Findings</i>	59

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	60
---	----

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	62
---	----

<i>Schedule of Findings and Questioned Costs</i>	64
--	----

SUPPLEMENTAL DATA - UNAUDITED

<i>Real Estate Tax Levies and Collections</i>	65
<i>Tax Rates</i>	66
<i>Principal Taxpayers</i>	67
<i>Property Assessment Data</i>	68
<i>Enrollment Data</i>	69



INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania**

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Change in Accounting Principle

As described in Note 14 to the financial statements, Wallingford-Swarthmore School District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Wallingford-Swarthmore School District's 2020 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 3 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wallingford-Swarthmore School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The supplemental data is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, on our consideration of the Wallingford-Swarthmore School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wallingford-Swarthmore School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
February 10, 2022**

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Management's discussion and analysis ("**MD&A**") of the financial performance of the Wallingford-Swarthmore School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of three elementary schools, one middle school and one high school consisting of approximately 3,756 students. The District which covers 6.9 square miles is located in Delaware County, west of Philadelphia, in southeastern Pennsylvania and is comprised of the boroughs of Swarthmore, Rutledge and Rose Valley and the Township of Nether Providence. During 2020-2021, there were 503 full and part-time employees in the District consisting of 302 teachers and professional staff, 23 administrators, including general administration, principals and supervisors, and 178 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff and classroom assistants.

DISTRICT MISSION STATEMENT

The District is committed to assuring the academic achievement and personal growth of all students within an environment that promotes: respect for self and others; active engagement in learning; leadership in the global community and the pursuit of excellence.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$63,691,208. During the 2020-2021 fiscal year, the District had an increase in total net position of \$1,386,214. The net position of governmental activities increased by \$1,435,717 and net position of business-type activities decreased by \$49,503.
- The General Fund reported a decrease in fund balance of \$1,200,163, bringing the cumulative balance to \$7,330,089 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$64,702 which is considered nonspendable, \$1,500,000 committed to self-insurance rate stabilization, \$1,000,000 committed to retirement rate stabilization, \$901,322 to balance the 2021-2022 budget and unassigned amounts of \$3,864,065 or 4.34% of the \$89,125,228 2021-2022 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8.00% of the following year's expenditure budget.
- During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$343,145 due to current year capital expenditures. The remaining fund balance of \$6,076,692 as of June 30, 2021 is restricted for future capital project expenditures.
- Total General Fund revenues were \$444,468 or 0.53% more than budgeted amounts and total General Fund expenditures and other financing uses were \$1,399,088 or 1.60% less than budgeted amounts resulting in a net positive variance of \$1,843,556 to budget.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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 supplemental 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 a private-sector business.

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 and earned but unused vacation leave).

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

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 and administration.

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 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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 governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses an internal service fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

The Proprietary Fund financial statements provide separate financial information for the Food Service and Internal Service Funds.

The Proprietary Fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 23 and 24 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 25 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 50 through 55 of this report

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$63,691,208. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 31,884,261	\$ 31,314,011	\$246,118	\$347,173	\$ 32,130,379	\$ 31,661,184
Noncurrent assets	88,464,549	92,248,722	94,899	106,053	88,559,448	92,354,775
Total assets	<u>120,348,810</u>	<u>123,562,733</u>	<u>341,017</u>	<u>453,226</u>	<u>120,689,827</u>	<u>124,015,959</u>
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	1,518,978	1,872,908	-	-	1,518,978	1,872,908
Deferred charges – OPEB	1,295,673	798,544	-	-	1,295,673	798,544
Deferred charges – pensions	20,350,539	14,166,786	-	-	20,350,539	14,166,786
Total deferred outflows	<u>23,165,190</u>	<u>16,838,238</u>	<u>-</u>	<u>-</u>	<u>23,165,190</u>	<u>16,838,238</u>
LIABILITIES						
Current liabilities	9,960,110	9,948,514	62,268	124,974	10,022,378	10,073,488
Noncurrent liabilities	192,485,031	188,863,011	-	-	192,485,031	188,863,011
Total liabilities	<u>202,445,141</u>	<u>198,811,525</u>	<u>62,268</u>	<u>124,974</u>	<u>202,507,409</u>	<u>198,936,499</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	1,374,816	1,251,671	-	-	1,374,816	1,251,671
Deferred credits – pensions	3,664,000	5,743,449	-	-	3,664,000	5,743,449
Total deferred inflows	<u>5,038,816</u>	<u>6,995,120</u>	<u>-</u>	<u>-</u>	<u>5,038,816</u>	<u>6,995,120</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	32,120,182	30,258,694	94,899	106,053	32,215,081	30,364,747
Restricted	6,076,692	6,419,837	-	-	6,076,692	6,419,837
Unrestricted (deficit)	(102,166,831)	(102,084,205)	183,850	222,199	(101,982,981)	(101,862,006)
Total net position (deficit)	<u>\$ (63,969,957)</u>	<u>\$ (65,405,674)</u>	<u>\$278,749</u>	<u>\$328,252</u>	<u>\$ (63,691,208)</u>	<u>\$ (65,077,422)</u>

The District's total assets as of June 30, 2021 were \$120,689,827 of which \$17,224,333 or 14.27% consisted of cash and investments and \$88,559,448 or 73.38% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$202,507,409 of which \$123,836,125 or 61.15% consisted of the actuarially determined net pension liability and \$56,674,304 or 27.99% consisted of general obligation debt used to acquire and construct capital assets.

The District had a deficit in unrestricted net position of \$101,982,981 at June 30, 2021. The District's unrestricted net position decreased by \$120,975 during 2020-2021 primarily due to current results of operations net of the change in the District's actuarially determined net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$6,076,692 as of June 30, 2021. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is 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. For the year ended June 30, 2021, the District's net investment in capital assets increased by \$1,850,334 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were being acquired with funding sources other than long-term debt.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 699,922	\$ 633,408	\$ 27,817	\$ 597,395	\$ 727,739	\$ 1,230,803
Operating grants and contributions	12,369,196	12,565,614	637,840	391,164	13,007,036	12,956,778
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	64,890,514	62,785,613	-	-	64,890,514	62,785,613
Other taxes levied for general purposes	952,304	818,956	-	-	952,304	818,956
Grants and entitlements not restricted to specific programs	5,506,925	5,506,733	-	-	5,506,925	5,506,733
Investment earnings	45,987	724,543	16	1,910	46,003	726,453
Total revenues	<u>84,464,848</u>	<u>83,034,867</u>	<u>665,673</u>	<u>990,469</u>	<u>85,130,521</u>	<u>84,025,336</u>
EXPENSES						
Instruction	53,533,806	50,744,372	-	-	53,533,806	50,744,372
Instructional student support services	8,193,438	7,965,987	-	-	8,193,438	7,965,987
Administrative and financial support services	9,314,401	8,904,341	-	-	9,314,401	8,904,341
Operation and maintenance of plant services	5,393,789	5,816,888	-	-	5,393,789	5,816,888
Pupil transportation	3,594,563	3,912,087	-	-	3,594,563	3,912,087
Student activities	1,529,382	1,642,653	-	-	1,529,382	1,642,653
Interest and amortization expense related to noncurrent liabilities	1,469,752	1,981,791	-	-	1,469,752	1,981,791
Food service	-	-	715,176	1,053,229	715,176	1,053,229
Total expenses	<u>83,029,131</u>	<u>80,968,119</u>	<u>715,176</u>	<u>1,053,229</u>	<u>83,744,307</u>	<u>82,021,348</u>
Change in net position (deficit) before transfers	1,435,717	2,066,748	(49,503)	(62,760)	1,386,214	2,003,988
Transfers	-	(11,937)	-	11,937	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 1,435,717</u>	<u>\$ 2,054,811</u>	<u>\$ (49,503)</u>	<u>\$ (50,823)</u>	<u>\$ 1,386,214</u>	<u>\$ 2,003,988</u>

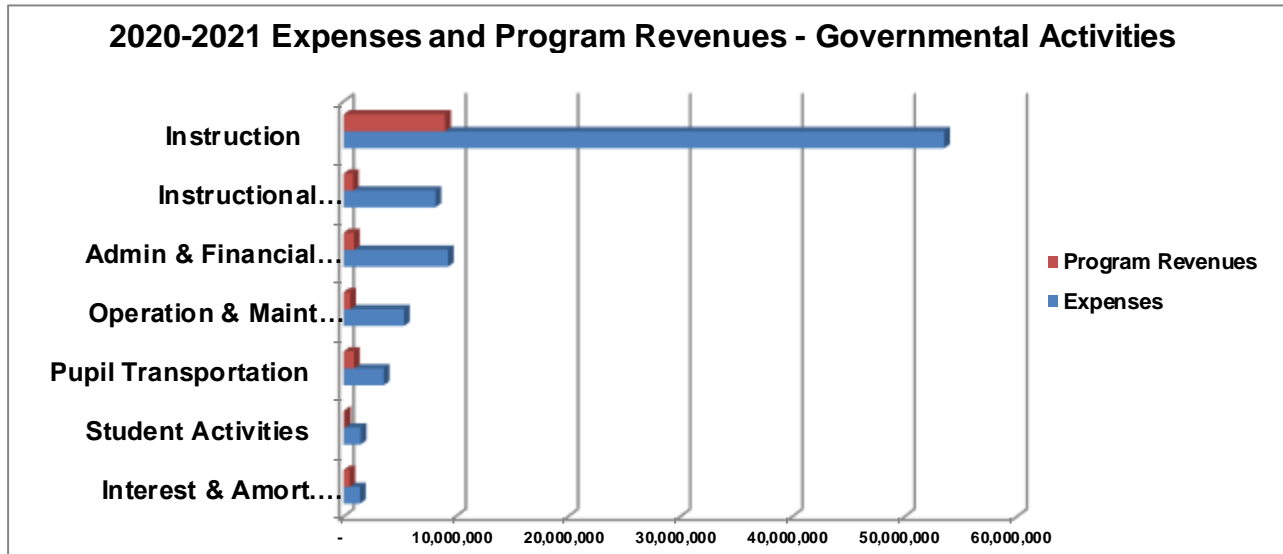
The District has been challenged with meeting its obligations without using its accumulated net position. Increased medical costs, pension contributions, state-mandated programs, and negotiated contracts are all future aspects of this challenge. Management of the District continues to aggressively implement 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 significant portion of the District's property tax base is in the form of residential housing.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

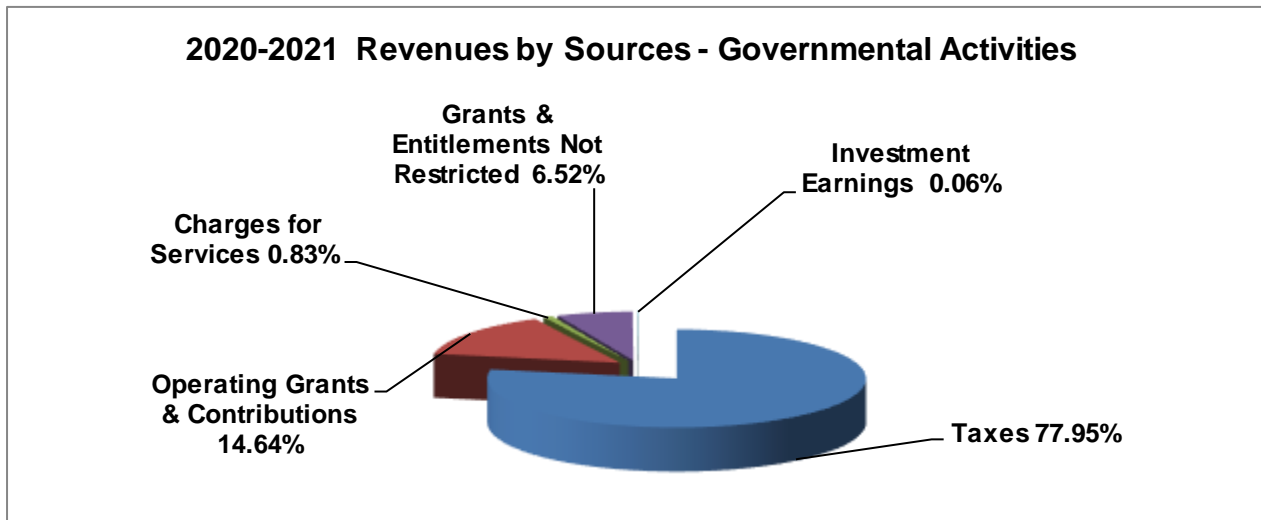
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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



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 difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$13,406,781 which is a decrease of \$1,543,308 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

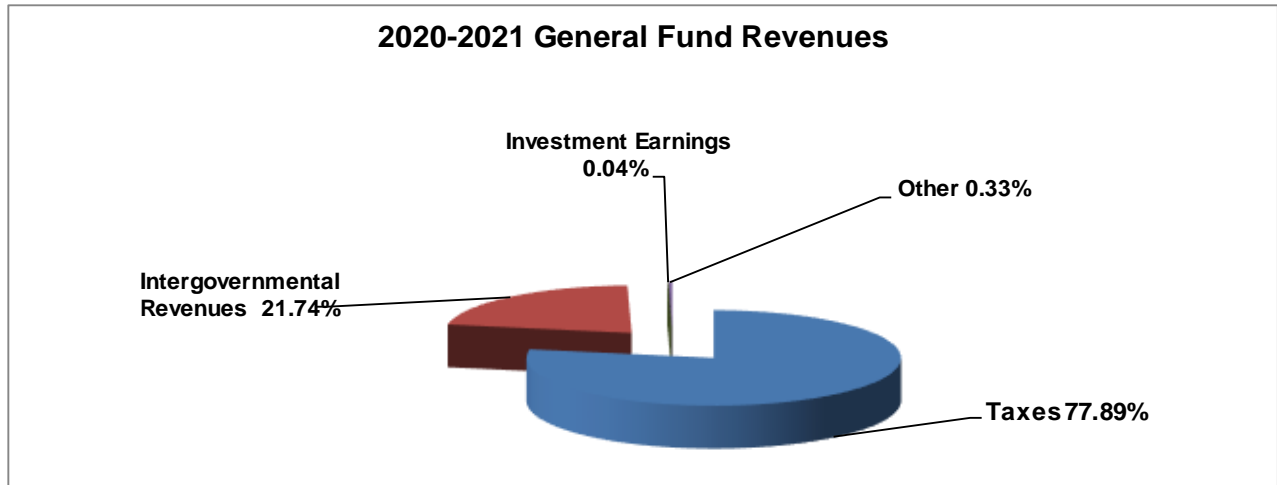
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$ 7,330,089	\$ 8,530,252	\$(1,200,163)
Capital Projects Fund	<u>6,076,692</u>	<u>6,419,837</u>	<u>(343,145)</u>
	<u>\$13,406,781</u>	<u>\$14,950,089</u>	<u>\$(1,543,308)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$7,330,089 representing a decrease of \$1,200,163 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 77.89% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$65,913,463	\$63,575,510	\$2,337,953	3.68
Intergovernmental revenues	18,400,164	18,386,372	13,792	0.08
Investment earnings	35,776	552,931	(517,155)	(93.53)
Other	<u>278,337</u>	<u>1,104,688</u>	<u>(826,351)</u>	<u>(74.80)</u>
	<u>\$84,627,740</u>	<u>\$83,619,501</u>	<u>\$1,008,239</u>	<u>1.21</u>

Net tax revenues increased by \$2,337,953 or 3.68% due to several factors. A millage increase of 3.44% in 2020-2021 compared to 2019-2020 accounted for most of the change. The following table summarizes changes in the District's tax revenues for 2021 compared to 2020:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

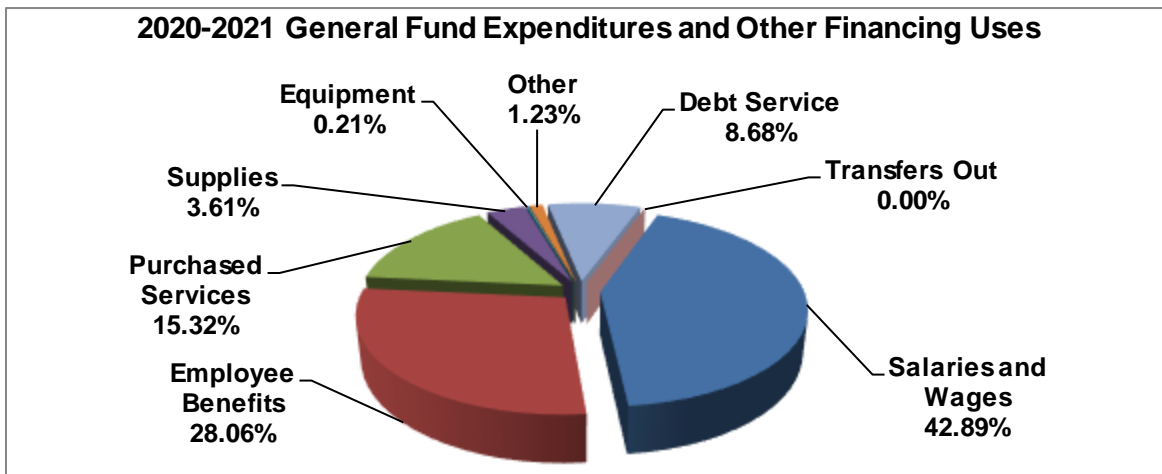
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$63,694,378	\$61,673,748	\$2,020,630	3.28
Interim real estate tax	5,780	60,462	(54,682)	(90.44)
PURTA tax	60,179	55,704	4,475	8.03
PILOT tax	-	2,391	(2,391)	(100.00)
Per capita tax	122,578	102,115	20,463	20.04
Transfer tax	769,547	661,137	108,410	16.40
Delinquent real estate tax	<u>1,261,001</u>	<u>1,019,953</u>	<u>241,048</u>	<u>23.63</u>
	<u>\$65,913,463</u>	<u>\$63,575,510</u>	<u>\$2,337,953</u>	<u>3.68</u>

Investment earnings decreased consistent with funds available for investing during 2020-2021 and a reduction in the investment market rates.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$36,813,566	\$35,523,127	\$1,290,439	3.63
Employee benefits	24,080,241	23,500,367	579,874	2.47
Purchased services	13,151,492	13,468,684	(317,192)	(2.36)
Supplies	3,100,813	2,078,868	1,021,945	49.16
Equipment	182,046	557,934	(375,888)	(67.37)
Other	1,049,989	1,375,584	(325,595)	(23.67)
Debt service	7,449,756	7,577,550	(127,794)	(1.69)
Transfers out	-	11,937	(11,937)	(100.00)
	<u>\$85,827,903</u>	<u>\$84,094,051</u>	<u>\$1,733,852</u>	<u>2.06</u>

Salaries and wages increased \$1,290,439 or 3.63% primarily due to contractual employment obligations.

Employee benefits increased primarily due to an increase in the required employer annual retirement contribution to 34.51% from 34.29%, which represents a 0.64% increase over the prior year. Increasing health insurance rates also contributed to the increase.

Purchased services decreased \$317,192 or 2.36% directly related to decreased costs for contracted services in 2020-2021 compared to 2019-2020 in part due to disruptions and restrictions caused by COVID-19.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Supplies increased in 2020-2021 by \$1,021,945 or 49.16% due to increases in COVID-related supply expenditures.

There were no transfers out of the General Fund in 2020-2021. Transfers out in 2019-2020 represented transfers to the Food Service Fund to repay negative student balances.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$343,145 due to current year capital expenditures. The fund balance as of June 30, 2021 of \$6,076,692 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports 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.

Actual revenues were \$444,468 or 0.53% more than budgeted amounts and actual expenditures and other financing uses were \$1,399,088 or 1.60% less than budgeted amounts resulting in a net positive variance of \$1,843,556. The 2020-2021 General Fund budget included the use of \$3,043,719 of fund balance to balance the budget. Major budgetary highlights for 2020-2021 were as follows:

- Actual local revenues received were \$196,105 more than budgeted amounts primarily due to higher collections of transfer tax and delinquent real estate tax collections as a result of the active real estate market.
- Actual federal revenues received were \$162,606 more than budgeted amounts primarily due to additional funding received through the CARES Act related to COVID-19.
- Total actual expenditures were \$1,010,022 or 1.16% less than budgeted amounts. Within the expenditure categories, there were favorable variances for expenditures saved while learning was performed on a remote basis (student transportation services, building operations and student activities). In part, these favorable variances were offset by increased expenditures in other costs associated with remote instruction and other adjustments made during the year related to COVID-19 mitigation measures.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2020-2021, the net position of business-type activities and Food Service Fund decreased by \$49,503. As of June 30, 2021, the business-type activities and Food Service Fund had net position of \$278,749.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$88,559,448 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total net decrease in the District's investment in capital assets for the current fiscal year was \$3,795,327 or 4.11%, net of depreciation expense.

Current year capital additions were \$876,033 and depreciation expense was \$4,671,360.

Major capital additions for the current fiscal year included the following:

- Capital leases related to technology instructional programs \$724,047
-

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$56,674,304 consisting of \$7,735,000 in bonds payable, \$47,596,000 in notes payable, and net deferred credits from bond premiums and discounts of \$1,343,304. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$6,130,731 or 9.76% during the fiscal year.

On October 29, 2020, the District issued \$10,119,000 of general obligation notes, Series A of 2020, the proceeds from which were used to currently refund all of the District's outstanding general obligation notes, Series of 2016 and to pay for the costs of issuance. The District currently refunded the general obligation notes to reduce future debt service payments by \$783,861.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$56,674,304 is within the current debt limitation of the District which was \$185,028,712 as of June 30, 2021.

The District's general obligation debt rating is a Standard & Poor's AA/Stable underlying rating. Standard and Poor's notes that the AA/Stable rating reflects the District's stable financial performance, limited tax base and manageable debt position.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the net pension plan liability which totaled \$123,836,125 as of June 30, 2021. The District's net pension liability increased by \$8,891,257 or 7.74% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$9,499,503 as of June 30, 2021. The District's OPEB liability increased by \$562,402 or 6.29% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases and compensated absences, which totaled \$2,475,099 as of June 30, 2021. These liabilities increased by \$299,092 or 13.74% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time 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 adopted a balanced 2021-2022 budget totaling \$89,125,228 which used \$901,322 of General Fund balance as of June 30, 2021 and the real estate tax millage rate was increased by 4.28%.
- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant. The Commonwealth of Pennsylvania only accounted for approximately 19.92% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2020-2021. Local sources of revenue, primarily property taxes, now provide approximately 78.88% of total revenue sources.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the state level. The intent of this legislation was to provide a mechanism to relieve the burden of funding public education from property owners. This legislation put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- ◆ In the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (2.60% for Wallingford-Swarthmore School District for 2021-2022), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
- ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.
- In November 2010, and again in 2017, legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law was effective July of 2019. The law changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2022-2023 is projected at 35.36%.
- As the District approached the 2021-2022 school year during the on-going pandemic, the District needed to extensively invest in personal protective equipment ("**PPE**"), additional technology, special supports for the at risk students, and technology to track COVID-19 related symptoms. In addition, food service and transportation were redesigned to provide services within a COVID-19 environment. The District prepared an Education Plan that would support learning in three different models: virtual, hybrid, and in-person. All areas of public education are affected by the pandemic. Acquiring the supports necessary to respond to this environment takes financial commitment from the District. The 2021-2022 budget was approved with a reliance on over \$900 thousand from the fund balance in an effort to offset these additional costs. Even with that commitment, the on-going costs of COVID-19 continue to rise. Although, federal funds have been committed to defer some of these costs, it is an extremely small commitment in the face of the mounting costs of COVID-19.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Wallingford-Swarthmore School District, 200 South Providence Road, Wallingford, Pennsylvania 19086.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 13,421,701	\$ 82,986	\$ 13,504,687	\$ 17,405,107
Investments	3,719,646	-	3,719,646	1,680,000
Taxes receivable	1,207,330	-	1,207,330	1,277,726
Due from other governments	5,142,935	88,412	5,231,347	4,771,641
Other receivables	634,572	73,900	708,472	747,688
Prepaid expenses	7,758,077	820	7,758,897	5,779,022
Total current assets	<u>31,884,261</u>	<u>246,118</u>	<u>32,130,379</u>	<u>31,661,184</u>
NONCURRENT ASSETS				
Capital assets, net	88,464,549	94,899	88,559,448	92,354,775
Total assets	<u>120,348,810</u>	<u>341,017</u>	<u>120,689,827</u>	<u>124,015,959</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	1,518,978	-	1,518,978	1,872,908
Deferred charges - OPEB	1,295,673	-	1,295,673	798,544
Deferred charges - pension	20,350,539	-	20,350,539	14,166,786
Total deferred outflows	<u>23,165,190</u>	<u>-</u>	<u>23,165,190</u>	<u>16,838,238</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	3,635,222	590	3,635,812	3,684,773
Accrued salaries, payroll withholdings and benefits	6,113,415	-	6,113,415	6,073,592
Unearned revenue	71,555	61,678	133,233	116,501
Other liabilities	2,400	-	2,400	2,400
Accrued interest payable	137,518	-	137,518	196,222
Total current liabilities	<u>9,960,110</u>	<u>62,268</u>	<u>10,022,378</u>	<u>10,073,488</u>
NONCURRENT LIABILITIES				
Due within one year	6,996,959	-	6,996,959	6,691,534
Due in more than one year	185,488,072	-	185,488,072	182,171,477
Total noncurrent liabilities	<u>192,485,031</u>	<u>-</u>	<u>192,485,031</u>	<u>188,863,011</u>
Total liabilities	<u>202,445,141</u>	<u>62,268</u>	<u>202,507,409</u>	<u>198,936,499</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	1,374,816	-	1,374,816	1,251,671
Deferred credits - pension	3,664,000	-	3,664,000	5,743,449
Total deferred inflows	<u>5,038,816</u>	<u>-</u>	<u>5,038,816</u>	<u>6,995,120</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	32,120,182	94,899	32,215,081	30,364,747
Restricted	6,076,692	-	6,076,692	6,419,837
Unrestricted	(102,166,831)	183,850	(101,982,981)	(101,862,006)
Total net position (deficit)	<u>\$ (63,969,957)</u>	<u>\$ 278,749</u>	<u>\$ (63,691,208)</u>	<u>\$ (65,077,422)</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2021	2020
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 53,533,806	\$ 549,151	\$ 8,506,297	\$ -	\$ (44,478,358)	\$ -	\$ (44,478,358)	\$ (41,652,723)
Instructional student support	8,193,438	-	840,852	-	(7,352,586)	-	(7,352,586)	(7,181,350)
Administrative and financial support services	9,314,401	67,335	871,326	-	(8,375,740)	-	(8,375,740)	(8,056,482)
Operation and maintenance of plant services	5,393,789	83,436	524,748	-	(4,785,605)	-	(4,785,605)	(5,132,840)
Pupil transportation	3,594,563	-	943,639	-	(2,650,924)	-	(2,650,924)	(2,923,353)
Student activities	1,529,382	-	143,361	-	(1,386,021)	-	(1,386,021)	(1,433,987)
Interest and amortization expense related to noncurrent liabilities	1,469,752	-	538,973	-	(930,779)	-	(930,779)	(1,388,362)
Total governmental activities	<u>83,029,131</u>	<u>699,922</u>	<u>12,369,196</u>	<u>-</u>	<u>(69,960,013)</u>	<u>-</u>	<u>(69,960,013)</u>	<u>(67,769,097)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	715,176	27,817	637,840	-	-	(49,519)	(49,519)	(64,670)
Total primary government	<u>\$ 83,744,307</u>	<u>\$ 727,739</u>	<u>\$ 13,007,036</u>	<u>\$ -</u>	<u>(69,960,013)</u>	<u>(49,519)</u>	<u>(70,009,532)</u>	<u>(67,833,767)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					64,890,514	-	64,890,514	62,785,613
Other taxes levied for general purposes					952,304	-	952,304	818,956
Grants and entitlements not restricted to specific programs					5,506,925	-	5,506,925	5,506,733
Investment earnings					45,987	16	46,003	726,453
Total general revenues					<u>71,395,730</u>	<u>16</u>	<u>71,395,746</u>	<u>69,837,755</u>
CHANGE IN NET POSITION (DEFICIT)					1,435,717	(49,503)	1,386,214	2,003,988
NET POSITION (DEFICIT)								
Beginning of year					(65,405,674)	328,252	(65,077,422)	(67,081,410)
End of year					<u>\$ (63,969,957)</u>	<u>\$ 278,749</u>	<u>\$ (63,691,208)</u>	<u>\$ (65,077,422)</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Totals	
			2021	2020
ASSETS				
Cash	\$ 7,327,640	\$ 6,094,061	\$ 13,421,701	\$ 17,298,788
Investments	3,719,646	-	3,719,646	1,680,000
Taxes receivable	1,207,330	-	1,207,330	1,277,726
Due from other funds	-	-	-	1,529,709
Due from other governments	5,142,935	-	5,142,935	4,737,102
Other receivables	634,572	-	634,572	747,688
Prepaid items	64,702	-	64,702	124,830
Total assets	\$ 18,096,825	\$ 6,094,061	\$ 24,190,886	\$ 27,395,843
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,617,853	\$ 17,369	\$ 3,635,222	\$ 3,637,675
Due to other funds	-	-	-	1,661,304
Accrued salaries, payroll withholdings and benefits	6,113,415	-	6,113,415	6,073,592
Unearned revenue	71,555	-	71,555	38,625
Other liabilities	2,400	-	2,400	2,400
Total liabilities	9,805,223	17,369	9,822,592	11,413,596
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	961,513	-	961,513	1,032,158
FUND BALANCES				
Nonspendable				
Prepaid items	64,702	-	64,702	124,830
Restricted for				
Capital projects	-	6,076,692	6,076,692	6,419,837
Committed to				
Employer retirement rate stabilization	1,000,000	-	1,000,000	1,000,000
Self-insurance rate stabilization	1,500,000	-	1,500,000	1,500,000
Balance 2020-2021 budget	-	-	-	3,043,719
Balance 2021-2022 budget	901,322	-	901,322	-
Unassigned	3,864,065	-	3,864,065	2,861,703
Total fund balances	7,330,089	6,076,692	13,406,781	14,950,089
Total liabilities, deferred inflows of resources and fund balances	\$ 18,096,825	\$ 6,094,061	\$ 24,190,886	\$ 27,395,843

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 13,406,781
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	88,464,549
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	961,513
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(192,485,031)
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	1,518,978
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	16,607,396
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(137,518)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	<u>7,693,375</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (63,969,957)</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Totals	
			2021	2020
REVENUES				
Local sources	\$ 66,751,620	\$ 1,430	\$ 66,753,050	\$ 65,619,392
State sources	16,853,995	-	16,853,995	16,557,487
Federal sources	1,022,125	-	1,022,125	1,514,862
Total revenues	<u>84,627,740</u>	<u>1,430</u>	<u>84,629,170</u>	<u>83,691,741</u>
EXPENDITURES				
Current				
Instruction	51,837,802	724,047	52,561,849	51,452,513
Support services	25,062,474	144,499	25,206,973	24,782,857
Operation of noninstructional services	1,466,937	-	1,466,937	1,590,760
Facilities acquisition, construction and improvement services	-	344,575	344,575	810,616
Debt service	7,449,756	19,501	7,469,257	7,589,170
Total expenditures	<u>85,816,969</u>	<u>1,232,622</u>	<u>87,049,591</u>	<u>86,225,916</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,189,229)</u>	<u>(1,231,192)</u>	<u>(2,420,421)</u>	<u>(2,534,175)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt - refunding	-	10,119,000	10,119,000	10,165,000
Payment of debt - refunding	-	(9,955,000)	(9,955,000)	(10,000,000)
Proceeds from extended term financing	-	724,047	724,047	1,205,847
Refund of prior year receipts	(10,934)	-	(10,934)	(37,661)
Transfers out	-	-	-	(11,937)
Total other financing sources (uses)	<u>(10,934)</u>	<u>888,047</u>	<u>877,113</u>	<u>1,321,249</u>
NET CHANGE IN FUND BALANCES	<u>(1,200,163)</u>	<u>(343,145)</u>	<u>(1,543,308)</u>	<u>(1,212,926)</u>
FUND BALANCES				
Beginning of year	<u>8,530,252</u>	<u>6,419,837</u>	<u>14,950,089</u>	<u>16,163,015</u>
End of year	<u>\$ 7,330,089</u>	<u>\$ 6,076,692</u>	<u>\$ 13,406,781</u>	<u>\$ 14,950,089</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (1,543,308)
---	--	-----------------------

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 876,033	
Depreciation expense	<u>(4,660,206)</u>	(3,784,173)

Because some tax will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources June 30, 2020	(1,032,158)	
Deferred inflows of resources June 30, 2021	<u>961,513</u>	(70,645)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	16,048,000	
Proceeds from bonds and notes payable	(10,119,000)	
Proceeds from extended term financing	(724,047)	
Repayment of extended term financing	592,907	
Amortization of discounts, premiums and deferred amounts on refunding	<u>(152,199)</u>	5,645,661

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.

Change in net pension liability and related deferred inflows and outflows	(628,055)	
Current year change in accrued interest payable	58,704	
Current year change in compensated absences	(167,952)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(188,418)</u>	(925,721)

The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities.

2,113,903

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,435,717</u>
--	--	----------------------------

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 82,986	\$ -	\$ 82,986	\$ 106,319
Due from other funds	-	-	-	131,595
Due from other governments	88,412	-	88,412	34,539
Other receivables	73,900	-	73,900	-
Prepaid expenses	820	7,693,375	7,694,195	5,654,192
Total current assets	<u>246,118</u>	<u>7,693,375</u>	<u>7,939,493</u>	<u>5,926,645</u>
NONCURRENT ASSETS				
Capital assets, net	94,899	-	94,899	106,053
Total assets	<u>341,017</u>	<u>7,693,375</u>	<u>8,034,392</u>	<u>6,032,698</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	590	-	590	47,098
Unearned revenue	61,678	-	61,678	77,876
Total liabilities	<u>62,268</u>	<u>-</u>	<u>62,268</u>	<u>124,974</u>
NET POSITION				
Net investment in capital assets	94,899	-	94,899	106,053
Unrestricted	183,850	7,693,375	7,877,225	5,801,671
Total net position	<u>\$ 278,749</u>	<u>\$ 7,693,375</u>	<u>\$ 7,972,124</u>	<u>\$ 5,907,724</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 27,817	\$ 10,701,804	\$ 10,729,621	\$ 10,315,967
OPERATING EXPENSES				
Salaries	-	-	-	208
Employee benefits	-	7,876,169	7,876,169	7,216,362
Purchased professional and technical services	-	720,513	720,513	653,087
Purchased property services	14,078	-	14,078	8,005
Other purchased services	467,193	-	467,193	597,686
Supplies	222,751	-	222,751	435,919
Depreciation	11,154	-	11,154	11,395
Total operating expenses	<u>715,176</u>	<u>8,596,682</u>	<u>9,311,858</u>	<u>8,922,662</u>
Operating income (loss)	<u>(687,359)</u>	<u>2,105,122</u>	<u>1,417,763</u>	<u>1,393,305</u>
NONOPERATING REVENUES				
Earnings on investments	16	8,781	8,797	101,283
State sources	21,469	-	21,469	22,318
Federal sources	616,371	-	616,371	368,846
Total nonoperating revenues	<u>637,856</u>	<u>8,781</u>	<u>646,637</u>	<u>492,447</u>
Change in net position before transfers	(49,503)	2,113,903	2,064,400	1,885,752
Transfers	-	-	-	11,937
CHANGE IN NET POSITION	(49,503)	2,113,903	2,064,400	1,897,689
NET POSITION				
Beginning of year	<u>328,252</u>	<u>5,579,472</u>	<u>5,907,724</u>	<u>4,010,035</u>
End of year	<u>\$ 278,749</u>	<u>\$ 7,693,375</u>	<u>\$ 7,972,124</u>	<u>\$ 5,907,724</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 11,619	\$ -	\$ 11,619	\$ 628,988
Cash received for assessments made to other fund	-	10,701,804	10,701,804	9,718,572
Cash payments to suppliers for goods and services	(561,139)	-	(561,139)	(954,695)
Cash payments for insurance claims	-	(9,990,072)	(9,990,072)	(9,164,858)
Cash payments to employees for services	-	-	-	(224)
Cash payments for other operating expenses	-	(720,513)	(720,513)	(653,087)
Net cash used for operating activities	<u>(549,520)</u>	<u>(8,781)</u>	<u>(558,301)</u>	<u>(425,304)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	19,849	-	19,849	25,594
Federal sources	506,322	-	506,322	324,323
Transfers in	-	-	-	11,937
Net cash provided by noncapital financing activities	<u>526,171</u>	<u>-</u>	<u>526,171</u>	<u>361,854</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(28,420)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	16	8,781	8,797	101,283
Net increase (decrease) in cash	<u>(23,333)</u>	<u>-</u>	<u>(23,333)</u>	<u>9,413</u>
CASH				
Beginning of year	106,319	-	106,319	96,906
Ending of year	<u>\$ 82,986</u>	<u>\$ -</u>	<u>\$ 82,986</u>	<u>\$ 106,319</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (687,359)	\$ 2,105,122	\$ 1,417,763	\$ 1,393,305
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation	11,154	-	11,154	11,395
Donated commodities used	57,796	-	57,796	62,767
(Increase) decrease in				
Due from other funds	131,595	-	131,595	110,781
Other receivables	(73,900)	-	(73,900)	-
Prepaid expenses	73,900	(2,113,903)	(2,040,003)	(1,962,044)
Increase (decrease) in				
Accounts payable	(46,508)	-	(46,508)	(73,101)
Unearned revenue	(16,198)	-	(16,198)	31,593
Net cash used for operating activities	<u>\$ (549,520)</u>	<u>\$ (8,781)</u>	<u>\$ (558,301)</u>	<u>\$ (425,304)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 57,796	\$ -	\$ 57,796	\$ 62,767

See accompanying notes

WALLINGFORD SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust	Custodial Funds	Totals	
			<u>2021</u>	<u>2020</u>
ASSETS				
Cash	\$ 140,753	\$ 173,100	\$ 313,853	\$ 310,052
Other receivables	<u>22,434</u>	<u>-</u>	<u>22,434</u>	<u>11,934</u>
Total assets	<u>163,187</u>	<u>173,100</u>	<u>336,287</u>	<u>321,986</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for student activities	-	173,100	173,100	169,314
Net position held in trust for scholarships	<u>163,187</u>	<u>-</u>	<u>163,187</u>	<u>152,672</u>
Total net position	<u>\$ 163,187</u>	<u>\$ 173,100</u>	<u>\$ 336,287</u>	<u>\$ 321,986</u>

See accompanying notes

WALLINGFORD SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Private- Purpose Trust	Custodial Funds	Totals	
			2021	2020
ADDITIONS				
Receipts from student groups	\$ -	\$ 76,312	\$ 76,312	\$ 165,805
Local contributions	<u>25,015</u>	<u>-</u>	<u>25,015</u>	<u>12,190</u>
Total additions	<u>25,015</u>	<u>76,312</u>	<u>101,327</u>	<u>177,995</u>
DEDUCTIONS				
Student activity disbursements	-	72,526	72,526	161,408
Scholarships awarded and fees paid	<u>14,500</u>	<u>-</u>	<u>14,500</u>	<u>10,364</u>
Total deductions	<u>14,500</u>	<u>72,526</u>	<u>87,026</u>	<u>171,772</u>
CHANGE IN NET POSITION	10,515	3,786	14,301	6,223
NET POSITION				
Beginning of year	<u>152,672</u>	<u>169,314</u>	<u>321,986</u>	<u>315,763</u>
End of year	<u>\$ 163,187</u>	<u>\$ 173,100</u>	<u>\$ 336,287</u>	<u>\$ 321,986</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wallingford-Swarthmore School District (the "**District**") operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the Boroughs of Swarthmore, Rutledge and Rose Valley and the Township of Nether Providence. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Proprietary Fund are charges for services. Operating expenses for the District's Proprietary Fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District's own programs. The District has one custodial fund consisting of funds held on behalf of the students.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Interfund Receivables and Payables

Funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Property Taxes

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

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

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2020-2021 was 48.3654 mills (\$48.37 for \$1,000 of assessed valuation) for Rose Valley Borough and Nether Providence Township and 48.8121 mills (\$48.81 for \$1,000 of assessed valuation) for the Boroughs of Swarthmore and Rutledge (includes additional levy for the sponsorship of the Delaware County Community College). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 10-40 years, and furniture and equipment – 5-20 years.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized for the year ended June 30, 2021.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2020, the District adopted the provisions of GASB Statement No. 84 "*Fiduciary Activities*"; GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*"; GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund for the year ended June 30, 2021.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "Accounting and Financial Reporting for Derivative Instruments". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, "Leases" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPPs**"). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

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

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

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

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$13,818,540 and the bank balance was \$14,069,574. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$6,524 was covered by federal depository insurance, and the remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2021, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Investments

At June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$1,721,000	\$1,721,000	\$ -	\$ -	\$ -
U.S. Treasury bills	1,998,646	1,998,646	-	-	-
	<u>\$3,719,646</u>	<u>\$3,719,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

U.S. Treasury bills were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2021.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 128,010	\$ -	\$ -	\$ 128,010
Capital assets being depreciated				
Buildings and improvements	135,568,510	-	-	135,568,510
Furniture and equipment	17,933,912	876,033	-	18,809,945
Total capital assets being depreciated	<u>153,502,422</u>	<u>876,033</u>	<u>-</u>	<u>154,378,455</u>
Less accumulated depreciation for				
Buildings and improvements	(46,029,435)	(3,387,191)	-	(49,416,626)
Furniture and equipment	(15,352,275)	(1,273,015)	-	(16,625,290)
Total accumulated depreciation	<u>(61,381,710)</u>	<u>(4,660,206)</u>	<u>-</u>	<u>(66,041,916)</u>
Total capital assets being depreciated, net	<u>92,120,712</u>	<u>(3,784,173)</u>	<u>-</u>	<u>88,336,539</u>
Governmental activities, net	<u>\$ 92,248,722</u>	<u>\$ (3,784,173)</u>	<u>\$ -</u>	<u>\$ 88,464,549</u>
Business-type activities				
Machinery and equipment	\$ 598,729	\$ -	\$ -	\$ 598,729
Less accumulated depreciation	(492,676)	(11,154)	-	(503,830)
Business-type activities, net	<u>\$ 106,053</u>	<u>\$ (11,154)</u>	<u>\$ -</u>	<u>\$ 94,899</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Governmental activities	
Instruction	\$3,060,455
Instructional student support	464,135
Administrative and financial support services	527,318
Operation and maintenance of plant services	317,572
Pupil transportation	203,965
Student activities	<u>86,761</u>
Total depreciation expense – governmental activities	<u>\$4,660,206</u>
Business-type activities	
Food service	<u>\$ 11,154</u>

(5) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 8,885,000	\$ -	\$ 1,150,000	\$ 7,735,000	\$1,205,000
Notes payable	52,375,000	10,119,000	14,898,000	47,596,000	5,083,000
Bond premiums	1,659,002	-	220,203	1,438,799	220,203
Bond discounts	<u>(113,967)</u>	<u>-</u>	<u>(18,472)</u>	<u>(95,495)</u>	<u>(17,501)</u>
Total general obligation debt	<u>62,805,035</u>	<u>10,119,000</u>	<u>16,249,731</u>	<u>56,674,304</u>	<u>6,490,702</u>
Other noncurrent liabilities					
Capital leases payable	1,057,901	724,047	592,907	1,189,041	506,257
Compensated absences	1,118,106	167,952	-	1,286,058	-
OPEB liability	3,711,450	802,669	427,162	4,086,957	-
Net OPEB liability – PSERS	5,225,651	186,895	-	5,412,546	-
Net pension liability – PSERS	<u>114,944,868</u>	<u>8,891,257</u>	<u>-</u>	<u>123,836,125</u>	<u>-</u>
Total other noncurrent liabilities	<u>126,057,976</u>	<u>10,772,820</u>	<u>1,020,069</u>	<u>135,810,727</u>	<u>506,257</u>
Total noncurrent liabilities	<u>\$188,863,011</u>	<u>\$20,891,820</u>	<u>\$17,269,800</u>	<u>\$192,485,031</u>	<u>\$6,996,959</u>

Noncurrent liabilities are generally liquidated by the General Fund.

(6) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
GOB Series of 2012C	0.50% - 3.00%	\$ 8,960,000	05/15/2022	\$ 750,000
GOB Series of 2019	2.00% - 4.00%	\$ 7,860,000	05/01/2034	<u>6,985,000</u>
Total general obligation bonds				<u>7,735,000</u>
General obligation notes				
GON Series of 2017	2.117%	\$19,845,000	05/01/2025	9,955,000
GON Series of 2017A	2.100%	\$17,140,000	05/01/2029	11,335,000
GON Series of 2017B	2.340%	\$ 8,505,000	05/01/2031	6,190,000
GON Series of 2020	0.887%	\$10,165,000	04/25/2027	10,115,000
GON Series of 2020A	0.887%	\$10,119,000	04/25/2028	<u>10,001,000</u>
Total general obligation notes				<u>47,596,000</u>
Total general obligation debt				<u>\$55,331,000</u>

General obligation notes that bear interest at a variable rate are adjusted weekly based upon the Securities Industry and Financial Markets.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 6,288,000	\$ 994,270	\$ 7,282,270
2023	6,445,000	855,442	7,300,442
2024	6,602,000	712,973	7,314,973
2025	6,728,000	576,827	7,304,827
2026	6,832,000	472,255	7,304,255
2027-2031	20,516,000	1,137,088	21,653,088
2032-2034	<u>1,920,000</u>	<u>116,400</u>	<u>2,036,400</u>
	<u>\$55,331,000</u>	<u>\$4,865,255</u>	<u>\$60,196,255</u>

Series of 2020A General Obligation Notes

On October 29, 2020, the District issued \$10,119,000 of general obligation notes, Series A of 2020, the proceeds from which were used to currently refund all of the District's outstanding general obligation notes, Series of 2016 and to pay for the costs of issuance. The District currently refunded the general obligation notes to reduce future debt service payments by \$783,861.

Interest Rate Management Plan

The General Obligation Notes, Series of 2020 and 2020A, of the District have been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreements relative to the General Obligation Notes, Series of 2020 and Series of 2020A, at June 30, 2021 was an asset of \$3,069,011. The value of the swap agreements relative to the District's General Obligation Notes, Series of 2020 and Series of 2020A, are not reflected on the District's statement of net position (deficit).

(7) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 506,257	\$56,262	\$ 562,519
2023	480,788	32,163	512,951
2024	<u>201,996</u>	<u>9,220</u>	<u>211,216</u>
	<u>\$1,189,041</u>	<u>\$97,645</u>	<u>\$1,286,686</u>

(8) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. 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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

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 T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$12,252,539 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$123,836,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2515 percent, which was an increase of 0.0058 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of 12,715,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 324,000	\$2,968,000
Net difference between projected and actual investment earnings	5,442,000	-
Changes in proportions	2,332,000	696,000
Contributions subsequent to the measurement date	<u>12,252,539</u>	<u>-</u>
	<u>\$20,350,539</u>	<u>\$3,664,000</u>

\$12,252,539 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, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Measurement Date
Year ended June 30,**

2021	\$ (80,000)
2022	594,000
2023	2,303,000
2024	<u>1,617,000</u>
	<u>\$4,434,000</u>

Actuarial Assumptions

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

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

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

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0 %	5.2%
Private equity	15.0 %	7.2%
Fixed income	36.0 %	1.1%
Commodities	8.0 %	1.8%
Absolute return	10.0 %	2.5%
Infrastructure/MLPs	6.0 %	5.7%
Real estate	10.0 %	5.5%
Risk parity	8.0 %	3.3%
Cash	6.0 %	(1.0)%
Financing (LIBOR)	(14.0)%	(0.7)%
	<u>100.0 %</u>	

The above was the 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, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$153,211,454</u>	<u>\$123,836,125</u>	<u>\$98,951,118</u>

Pension Plan Fiduciary Net Position

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

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active participants	495
Vested former participants	-
Retired participants	<u>109</u>
Total	<u>604</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$4,086,957, all of which is unfunded.

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

Balances as of July 1, 2020	<u>\$3,711,450</u>
Changes for the year:	
Service cost	243,353
Interest on total OPEB liability	131,503
Differences between expected actual experience	(351,420)
Changes in assumptions	427,813
Benefit payments	<u>(75,742)</u>
Net changes	<u>375,507</u>
Balances as of June 30, 2021	<u>\$4,086,957</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$261,591. At June 30, 2021, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 995,741
Changes in assumptions	540,714	213,075
Contributions subsequent to the measurement date	<u>64,737</u>	<u>-</u>
	<u>\$605,451</u>	<u>\$1,208,816</u>

\$64,737 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Year ended June 30,

2022	\$(113,265)
2023	(113,265)
2024	(113,265)
2025	(113,265)
2026	(113,265)
Thereafter	<u>(101,777)</u>
	<u>\$(668,102)</u>

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

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$3,647,653</u>	<u>\$4,086,957</u>	<u>\$4,601,614</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$4,375,567</u>	<u>\$4,086,957</u>	<u>\$3,810,181</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 1.86% - Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 3.36% to 1.86%.
- Salary growth - effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023, rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Plan Description

PSERS provides health insurance 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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program.

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$298,222 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$5,412,546 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2505 percent, which was an increase of 0.0048 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$289,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 50,000	\$ -
Changes in assumptions	221,000	119,000
Net difference between projected and actual investment earnings	9,000	-
Changes in proportions	112,000	47,000
Contributions subsequent to the measurement date	<u>298,222</u>	<u>-</u>
	<u>\$690,222</u>	<u>\$166,000</u>

\$298,222 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021 (measurement date). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Measurement Date
Year ended June 30,**

2021	\$ 32,000
2022	31,000
2023	30,000
2024	60,000
2025	42,000
Thereafter	<u>31,000</u>
	<u>\$226,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.66% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0)%
US Core Fixed Income	46.5%	(0.1)%
Non-US Developed Fixed	<u>3.2%</u>	(0.1)%
	<u>100.00%</u>	

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

Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance 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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$5,411,852</u>	<u>\$5,412,546</u>	<u>\$5,413,100</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$6,171,138</u>	<u>\$5,412,546</u>	<u>\$4,784,367</u>

OPEB Plan Fiduciary Net Position

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

(10) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative School Board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint Board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$308,703.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint Board comprised of representative School Board members of the participating school districts in the DCVTS. During 2020-2021, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). Only residents of the Boroughs of Swarthmore and Rutledge participate in this joint venture within the District. The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2020-2021 was \$183,285.

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

The District's future annual lease payments to the DCCC are as follows:

Year ending June 30,

2022	\$ 35,486
2023	34,231
2024	31,643
2025	31,611
2026	31,615
2026-2030	158,062
2031-2035	<u>79,337</u>
	<u>\$401,985</u>

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "**DCIU**"). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services; and state and federal liaison services.

(11) OPERATING LEASES

The District leases office and computer equipment and school buses under non-cancelable operating leases expiring at various dates through July 2024. Rent expense for the office and computer equipment and school buses including additional operating costs, was \$509,952 for 2020-2021.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2022	\$320,864
2023	316,276
2024	<u>316,276</u>
	<u>\$953,416</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

(13) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District participates in a consortium with other participating school districts and educational agencies from Delaware County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. Since the District has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The District accounts for its participation in the consortium in the Internal Service Fund in the accompanying financial statements. The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance claims surplus (liability) – beginning of year	\$ 5,579,472	\$ 3,630,960
Current year insurance claims and changes in estimates	(8,596,682)	(7,869,433)
Insurance claims paid	<u>10,710,585</u>	<u>9,817,945</u>
Insurance claims surplus (liability) – end of year	<u>\$ 7,693,375</u>	<u>\$ 5,579,472</u>

Because estimates are used in the process of computing self-insurance claims (liabilities), it is reasonably possible that there may be claims incurred but not yet recorded and related receivables for stop loss insurance. This would affect the District's net position in its Internal Service Fund. Adjustments resulting from these claim settlements are recorded in the year in which they become known.

(14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "Fiduciary Activities", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2019 was an increase in Custodial Fund net position of \$164,917. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 10, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 66,555,515	\$ 66,555,515	\$ 66,751,620	\$ 196,105
State sources	16,768,238	16,768,238	16,853,995	85,757
Federal sources	859,519	859,519	1,022,125	162,606
Total revenues	<u>84,183,272</u>	<u>84,183,272</u>	<u>84,627,740</u>	<u>444,468</u>
EXPENDITURES				
Instruction				
Regular programs	35,682,386	35,689,305	36,355,985	(666,680)
Special programs	15,760,051	15,790,727	14,782,435	1,008,292
Vocational programs	303,671	303,671	425,253	(121,582)
Other instructional programs	22,686	22,686	90,968	(68,282)
Nonpublic school programs	2,040	2,040	(124)	2,164
Adult education programs	183,285	183,285	183,285	-
Total instruction	<u>51,954,119</u>	<u>51,991,714</u>	<u>51,837,802</u>	<u>153,912</u>
Support services				
Pupil support services	3,448,354	3,447,108	3,394,539	52,569
Instructional staff services	3,118,365	3,079,388	3,267,524	(188,136)
Administrative services	5,632,614	5,637,963	5,849,862	(211,899)
Pupil health	1,467,297	1,467,309	1,185,476	281,833
Business services	993,632	993,632	897,207	96,425
Operation and maintenance of plant services	5,203,514	5,203,514	4,995,000	208,514
Student transportation services	3,875,531	3,875,531	3,448,606	426,925
Support services - central	1,852,480	1,852,495	1,975,570	(123,075)
Other support services	49,479	49,479	48,690	789
Total support services	<u>25,641,266</u>	<u>25,606,419</u>	<u>25,062,474</u>	<u>543,945</u>
Operation of noninstructional services				
Student activities	1,712,603	1,709,855	1,466,937	242,918
Community services	350	350	-	350
Total operation of noninstructional services	<u>1,712,953</u>	<u>1,710,205</u>	<u>1,466,937</u>	<u>243,268</u>
Debt service				
	<u>7,518,653</u>	<u>7,518,653</u>	<u>7,449,756</u>	<u>68,897</u>
Total expenditures	<u>86,826,991</u>	<u>86,826,991</u>	<u>85,816,969</u>	<u>1,010,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,643,719)</u>	<u>(2,643,719)</u>	<u>(1,189,229)</u>	<u>1,454,490</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(10,934)	(10,934)
Budgetary reserve	(400,000)	(400,000)	-	400,000
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(10,934)</u>	<u>389,066</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,043,719)</u>	<u>\$ (3,043,719)</u>	<u>(1,200,163)</u>	<u>\$ 1,843,556</u>
FUND BALANCE				
Beginning of year			<u>8,530,252</u>	
End of year			<u>\$ 7,330,089</u>	

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2515%	0.2457%	0.2484%	0.2489%	0.2461%	0.2522%	0.2475%
District's proportionate share of the net pension liability	\$ 123,836,125	\$ 114,944,868	\$ 119,244,333	\$ 122,928,000	\$ 121,959,000	\$ 109,241,000	\$ 87,962,000
District's covered-employee payroll	\$ 35,155,814	\$ 33,883,596	\$ 33,447,621	\$ 33,133,436	\$ 31,875,110	\$ 32,444,136	\$ 31,581,726
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	352.25%	339.23%	356.51%	371.01%	382.62%	336.70%	278.52%
Plan fiduciary net position as a percentage of the total net pension liability	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

-51-

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,749,645	\$ 11,003,026	\$ 10,540,427	\$ 9,520,000	\$ 7,830,000	\$ 6,512,000	\$ 4,930,000
Contributions in relation to the contractually required contribution	<u>\$ 11,749,645</u>	<u>\$ 11,048,538</u>	<u>\$ 10,606,548</u>	<u>\$ 9,674,020</u>	<u>\$ 7,969,108</u>	<u>\$ 6,649,224</u>	<u>\$ 5,053,119</u>
Contribution deficiency (excess)	-	(45,512)	(66,121)	(154,020)	(139,108)	(137,224)	(123,119)
District's covered-employee payroll	\$ 35,155,814	\$ 33,883,596	\$ 33,447,621	\$ 33,133,436	\$ 31,875,110	\$ 32,444,136	\$ 31,581,726
Contributions as a percentage of covered-employee payroll	33.42%	32.61%	31.71%	29.20%	25.00%	20.49%	16.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 243,353	\$ 242,640	\$ 294,472	\$ 275,684
Interest on total OPEB liability	131,503	110,845	144,556	100,862
Differences between expected and actual experience	(351,420)	-	(1,019,195)	-
Changes of assumptions	427,813	(102,929)	(199,530)	259,470
Benefit payments	<u>(75,742)</u>	<u>(35,123)</u>	<u>(105,211)</u>	<u>(65,624)</u>
Net change in total OPEB liability	375,507	215,433	(884,908)	570,392
Total OPEB liability, beginning	<u>3,711,450</u>	<u>3,496,017</u>	<u>4,380,925</u>	<u>3,810,533</u>
Total OPEB liability, ending	<u>\$ 4,086,957</u>	<u>\$ 3,711,450</u>	<u>\$ 3,496,017</u>	<u>\$ 4,380,925</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 34,074,992	\$ 30,887,904	\$ 30,887,904	\$ 30,295,952
Net OPEB liability as a % of covered payroll	11.99%	12.02%	11.32%	14.46%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.2505%	0.2457%	0.2484%	0.2489%
District's proportionate share of the net OPEB liability	\$ 5,412,546	\$ 5,225,651	\$ 5,179,013	\$ 5,071,000
District's covered-employee payroll	\$ 35,155,814	\$ 33,883,596	\$ 33,447,621	\$ 33,133,436
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.00%	15.00%	15.00%	15.00%
Plan fiduciary net position as a percentage of the total net OPEB liability	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 294,896	\$ 281,501	\$ 277,522	\$ 275,000
Contributions in relation to the contractually required contribution	<u>294,896</u>	<u>281,297</u>	<u>277,361</u>	<u>274,981</u>
Contribution deficiency (excess)	-	204	161	19
District's covered-employee payroll	\$ 35,155,814	\$ 33,883,596	\$ 33,447,621	\$ 33,133,436
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-210458	07/01/20 - 09/30/21	\$ 194,532	\$ -	\$ -	\$ 194,532	\$ 194,532	\$ 194,532	\$ -
Title II - Improving Teacher Quality	I	84.367	020-200458	07/01/19 - 09/30/20	53,763	-	(569)	569	569	-	-
Title II - Improving Teacher Quality	I	84.367	020-210458	07/01/20 - 09/30/21	50,691	-	-	45,977	45,977	45,977	-
Total CFDA #84.367						-	(569)	46,546	46,546	45,977	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200458	07/01/19 - 09/30/20	20,110	1,436	11,491	-	-	10,055	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210458	07/01/20 - 09/30/21	17,300	-	-	7,245	7,245	7,245	-
Total CFDA #84.424						1,436	11,491	7,245	7,245	17,300	-
COVID-19 Education Stabilization Fund	I	84.425	200-200458	03/13/20 - 09/30/21	187,363	187,363	187,363	-	-	-	-
COVID-19 SECIM	I	84.425	252-200458	03/13/20 - 09/30/21	42,263	42,263	-	42,263	42,263	-	-
Passed-Through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 Education Stabilization Fund	I	84.425	2020-ES-01-35091	03/13/20 - 09/30/22	110,260	109,326	-	109,326	109,326	-	-
Total CFDA #84.425						338,952	187,363	151,589	151,589	-	-
Passed-Through Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-200013	07/01/19 - 06/30/20	554,735	550,735	550,735	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 06/30/21	538,312	-	-	538,312	538,312	538,312	-
Total CFDA #84.027						550,735	550,735	538,312	538,312	538,312	-
I.D.E.A. - Part B, Section 619	I	84.173	131-200013	07/01/19 - 06/30/20	1,592	1,592	1,592	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/20 - 06/30/21	1,638	-	-	1,638	1,638	1,638	-
Total CFDA #84.173						1,592	1,592	1,638	1,638	1,638	-
Total U.S. Department of Education						892,715	750,612	939,862	939,862	797,759	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Treasury</u>											
<u>Passed-Through the Pennsylvania Commission on Crime and Delinquency</u>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-34260	03/01/20 - 10/30/20	255,556	<u>255,556</u>	<u>255,556</u>	-	-	-	-
<u>Passed-Through Delaware County I.U.</u>											
COVID-19 Relief Fund	I	21.019	N/A	03/01/21 - 12/30/21	283,321	<u>283,321</u>	<u>201,058</u>	<u>82,263</u>	<u>82,263</u>	-	-
Total CFDA #21.019						<u>538,877</u>	<u>456,614</u>	<u>82,263</u>	<u>82,263</u>	-	-
Total U.S. Department of Treasury						<u>538,877</u>	<u>456,614</u>	<u>82,263</u>	<u>82,263</u>	-	-
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	11,430	11,430	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	<u>124,224</u>	-	<u>138,097</u>	<u>138,097</u>	<u>13,873</u>	-
Total CFDA #10.553						<u>135,654</u>	<u>11,430</u>	<u>138,097</u>	<u>138,097</u>	<u>13,873</u>	-
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	1,491	1,491	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	<u>18,358</u>	-	<u>21,469</u>	<u>21,469</u>	<u>3,111</u>	-
Total State Matching Share						<u>19,849</u>	<u>1,491</u>	<u>21,469</u>	<u>21,469</u>	<u>3,111</u>	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	21,618	21,618	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	<u>349,050</u>	-	<u>420,478</u>	<u>420,478</u>	<u>71,428</u>	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	<u>57,796</u>	-	<u>57,796</u>	<u>57,796</u>	-	-
Total CFDA #10.555						<u>428,464</u>	<u>21,618</u>	<u>478,274</u>	<u>478,274</u>	<u>71,428</u>	-
Total U.S. Department of Agriculture						<u>583,967</u>	<u>34,539</u>	<u>637,840</u>	<u>637,840</u>	<u>88,412</u>	-
Total Federal Awards and Certain State Grants						<u>\$2,015,559</u>	<u>\$1,241,765</u>	<u>\$1,659,965</u>	<u>\$1,659,965</u>	<u>\$886,171</u>	<u>\$-</u>
Total Federal Awards						\$1,995,710	\$1,240,274	\$1,638,496	\$1,638,496	\$883,060	\$-
Total State Awards						19,849	1,491	21,469	21,469	3,111	-
Total Federal Awards and Certain State Grants						<u>\$2,015,559</u>	<u>\$1,241,765</u>	<u>\$1,659,965</u>	<u>\$1,659,965</u>	<u>\$886,171</u>	<u>\$-</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$552,327</u>	<u>\$552,327</u>	<u>\$539,950</u>	<u>\$539,950</u>	<u>\$539,950</u>	<u>\$-</u>
Child Nutrition Cluster (CFDA's #10.553, #10.555 and #10.556)						<u>\$564,118</u>	<u>\$33,048</u>	<u>\$616,371</u>	<u>\$616,371</u>	<u>\$85,301</u>	<u>\$-</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Share

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2021

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$0.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2021.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



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

**Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Wallingford-Swarthmore School District's basic financial statements, and have issued our report thereon dated February 10, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
February 10, 2022**



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

**Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Wallingford-Swarthmore School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wallingford-Swarthmore School District's major federal programs for the year ended June 30, 2021. Wallingford-Swarthmore School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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.

BBD, LLP

**Philadelphia, Pennsylvania
February 10, 2022**

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Wallingford-Swarthmore School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Wallingford-Swarthmore School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Wallingford-Swarthmore School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Wallingford-Swarthmore School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Wallingford-Swarthmore School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUPPLEMENTAL DATA

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

REAL ESTATE TAX LEVIES AND COLLECTIONS - UNAUDITED

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Assessed Value</u>	<u>Base Millage</u>	<u>Gross Tax Levy</u>	<u>Act 1 Property Tax Reduction Allocation</u>	<u>Gross Adjusted Tax Levy</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as a Percentage of Adjusted Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections Amount (1)</u>	<u>Total Collections as a Percent</u>
2011-2012	\$ 1,387,750,702	38.153	\$ 52,992,852	\$ 1,838,078	\$ 51,154,774	\$ 49,265,110	96.31%	\$ 1,889,184	\$ 51,154,294	100.00%
2012-2013	\$ 1,383,176,787	38.915	\$ 53,996,083	\$ 1,837,890	\$ 52,158,193	\$ 50,212,023	96.27%	\$ 1,945,925	\$ 52,157,948	100.00%
2013-2014	\$ 1,386,055,199	39.693	\$ 55,186,485	\$ 1,838,174	\$ 53,348,311	\$ 51,483,294	96.50%	\$ 1,864,767	\$ 53,348,061	100.00%
2014-2015	\$ 1,388,564,237	40.527	\$ 56,437,046	\$ 1,838,192	\$ 54,598,854	\$ 53,674,404	98.31%	\$ 924,345	\$ 54,598,749	100.00%
2015-2016	\$ 1,391,635,862	41.564	\$ 57,841,953	\$ 1,838,055	\$ 56,003,898	\$ 55,168,454	98.51%	\$ 832,694	\$ 56,001,148	100.00%
2016-2017	\$ 1,391,178,461	42.977	\$ 59,788,946	\$ 1,838,269	\$ 57,950,677	\$ 57,247,950	98.79%	\$ 696,583	\$ 57,944,533	99.99%
2017-2018	\$ 1,403,766,944	44.241	\$ 62,103,632	\$ 1,838,072	\$ 60,265,560	\$ 59,492,713	98.72%	\$ 768,628	\$ 60,261,341	99.99%
2018-2019	\$ 1,398,028,561	45.302	\$ 63,334,189	\$ 1,838,249	\$ 61,495,940	\$ 60,659,788	98.64%	\$ 814,775	\$ 61,474,563	99.97%
2019-2020	\$ 1,396,154,259	46.759	\$ 65,282,777	\$ 1,837,975	\$ 63,444,802	\$ 62,503,023	98.52%	\$ 759,911	\$ 63,262,934	99.71%
2020-2021	\$ 1,396,050,621	48.365	\$ 67,519,988	\$ 1,838,298	\$ 65,681,690	\$ 64,781,702	98.63%	\$ 303,388	\$ 65,085,090	99.09%

-65-

(1) Includes delinquent real estate collection

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

TAX RATES - UNAUDITED

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Base Millage</u>	<u>Real Estate Transfer</u>	<u>Wage & Income Tax</u>	<u>Local Services Tax</u>	<u>Per Capita Tax</u>
2011-2012	38.153	0.5%	-	-	10
2012-2013	38.915	0.5%	-	-	10
2013-2014	39.693	0.5%	-	-	10
2014-2015	40.527	0.5%	-	-	10
2015-2016	41.564	0.5%	-	-	10
2016-2017	42.977	0.5%	-	-	10
2017-2018	44.241	0.5%	-	-	10
2018-2019	45.302	0.5%	-	-	10
2019-2020	46.759	0.5%	-	-	10
2020-2021	48.365	0.5%	-	-	15

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

PRINCIPAL TAXPAYERS - UNAUDITED

Year ending June 30, 2021

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Senior Living, N P LLC	\$ 15,014,400
Swarthmore College	8,107,575
Echo Media, LLC	5,563,150
HCRA Properties, LLC	4,215,900
Springhaven Country Club	2,644,200
Individual - Residence	1,986,970
Dartmouth Associates	1,810,000
Greylock Apts Associates	1,800,000
Henderson Hampton Associates, LLC	1,755,000
Swarthmore Apartments Association LP	<u>1,400,000</u>
	<u>\$ 44,297,195</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

PROPERTY ASSESSMENT DATA - UNAUDITED

Last ten fiscal years ending June 30

<u>Calendar Year</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Ratio</u>
2011-2012	\$ 1,387,750,702	\$ 1,875,338,786	74.00%
2012-2013	\$ 1,383,176,787	\$ 2,041,226,904	67.76%
2013-2014	\$ 1,386,055,199	\$ 2,044,329,202	67.80%
2014-2015	\$ 1,388,564,237	\$ 2,041,189,428	68.03%
2015-2016	\$ 1,391,635,862	\$ 2,045,704,717	68.03%
2016-2017	\$ 1,391,178,461	\$ 2,142,414,830	64.94%
2017-2018	\$ 1,403,766,944	\$ 2,302,177,788	60.98%
2018-2019	\$ 1,398,028,561	\$ 2,404,609,125	58.14%
2019-2020	\$ 1,396,154,259	\$ 2,470,676,721	56.51%
2020-2021	\$ 1,396,050,621	\$ 2,791,749,402	50.01%

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

ENROLLMENT DATA - UNAUDITED

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2011-2012	1,449	2,065	3,514
2012-2013	1,510	2,059	3,569
2013-2014	1,558	1,973	3,531
2014-2015	1,550	2,000	3,550
2015-2016	1,547	2,006	3,553
2016-2017	1,582	2,051	3,633
2017-2018	1,644	2,074	3,718
2018-2019	1,629	2,047	3,676
2019-2020	1,716	2,055	3,771
2020-2021	1,645	2,111	3,756