



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

Financial Statements
Year Ended June 30, 2023



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, as of and for the year ended June 30, 2023, 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.

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, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wallingford-Swarthmore School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited Wallingford-Swarthmore School District's 2022 financial statements, and our report dated February 15, 2023 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 14 and 50 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary 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 accompanying schedule of expenditures of federal awards and certain state grants, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of 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
March 29, 2024

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of three elementary schools, one middle school and one high school consisting of approximately 3,709 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 2022-2023, there were 496 full and part-time employees in the District consisting of 309 teachers and professional staff, 23 administrators, including general administration, principals and supervisors, and 164 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 2022-2023 fiscal year of \$41,600,096. During the 2022-2023 fiscal year, the District had an increase in total net position of \$12,649,453. The net position of governmental activities increased by \$12,468,816 and net position of business-type activities increased by \$180,637.
- The General Fund reported an increase in fund balance of \$2,713,061, bringing the cumulative balance to \$11,476,838 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes \$171,834 which is considered nonspendable, \$1,500,000 committed to self-insurance rate stabilization, \$1,000,000 committed to retirement rate stabilization, and unassigned amounts of \$8,805,004 or 9.20% of the \$95,687,124 2023-2024 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 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$1,231,912 due to the issuance of debt and transfers from the General Fund in excess of current year capital expenditures. The remaining fund balance of \$6,523,835 as of June 30, 2023 is restricted for future capital project expenditures.
- Total General Fund revenues were \$1,832,447 or 2.00% more than budgeted amounts and total General Fund expenditures and other financing uses were \$880,614 or 0.96% less than budgeted amounts resulting in a net positive variance of \$2,713,061.

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 15 and 16 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, 2023

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 17 through 20 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 21 through 23 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 24 and 25 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 26 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, 2023

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 2022-2023 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$41,600,096. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	\$ 40,218,236	\$ 33,955,460	\$903,333	\$781,930	\$ 41,121,569	\$ 34,737,390
Noncurrent assets	84,680,099	85,373,632	144,949	110,564	84,825,048	85,484,196
Total assets	<u>124,898,335</u>	<u>119,329,092</u>	<u>1,048,282</u>	<u>892,494</u>	<u>125,946,617</u>	<u>120,221,586</u>
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	406,718	659,547	-	-	406,718	659,547
Deferred charges – OPEB	1,495,195	1,780,566	-	-	1,495,195	1,780,566
Deferred charges – pensions	19,454,688	21,169,856	-	-	19,454,688	21,169,856
Total deferred outflows	<u>21,356,601</u>	<u>23,609,969</u>	<u>-</u>	<u>-</u>	<u>21,356,601</u>	<u>23,609,969</u>
LIABILITIES						
Current liabilities	12,254,463	10,524,466	171,006	195,855	12,425,469	10,720,321
Noncurrent liabilities	163,994,813	167,609,606	-	-	163,994,813	167,609,606
Total liabilities	<u>176,249,276</u>	<u>178,134,072</u>	<u>171,006</u>	<u>195,855</u>	<u>176,420,282</u>	<u>178,329,927</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	4,072,032	1,257,177	-	-	4,072,032	1,257,177
Deferred credits – pensions	8,411,000	18,494,000	-	-	8,411,000	18,494,000
Total deferred inflows	<u>12,483,032</u>	<u>19,751,177</u>	<u>-</u>	<u>-</u>	<u>12,483,032</u>	<u>19,751,177</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	37,272,133	35,479,616	144,949	110,564	37,417,082	35,590,180
Restricted	5,735,816	5,291,923	-	-	5,735,816	5,291,923
Unrestricted (deficit)	(85,485,321)	(95,717,727)	732,327	586,075	(84,752,994)	(95,131,652)
Total net position (deficit)	<u>\$(42,477,372)</u>	<u>\$(54,946,188)</u>	<u>\$877,276</u>	<u>\$696,639</u>	<u>\$(41,600,096)</u>	<u>\$(54,249,549)</u>

The District's total assets as of June 30, 2023 were \$125,946,617 of which \$24,247,670 or 19.25% consisted of cash and \$84,825,048 or 67.35% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2023 were \$176,420,282 of which \$106,923,226 or 60.61% consisted of the actuarially determined net pension liability and \$47,960,990 or 27.19% consisted of general obligation debt used to acquire and construct capital assets.

The District had a deficit in unrestricted net position of \$84,752,994 at June 30, 2023. The District's unrestricted net position increased by \$10,378,658 during 2022-2023 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 \$5,735,816 as of June 30, 2023. 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, 2023, the District's net investment in capital assets increased by \$1,826,902 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, 2023

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program revenues						
Charges for services	\$ 171,228	\$ 722,273	\$ 995,014	\$ 180,875	\$ 1,166,242	\$ 903,148
Operating grants and contributions	13,114,335	12,430,135	728,743	1,693,407	13,843,078	14,123,542
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	69,545,909	67,785,270	-	-	69,545,909	67,785,270
Other taxes levied for general purposes	1,076,026	1,257,575	-	-	1,076,026	1,257,575
Grants and entitlements not restricted to specific programs	6,552,672	5,610,288	-	-	6,552,672	5,610,288
Gain on sale of assets	-	4,600	-	-	-	4,600
Investment earnings	<u>2,016,737</u>	<u>58,009</u>	<u>24,882</u>	<u>479</u>	<u>2,041,619</u>	<u>58,488</u>
Total revenues	<u>92,476,907</u>	<u>87,868,150</u>	<u>1,748,639</u>	<u>1,874,761</u>	<u>94,225,546</u>	<u>89,742,911</u>
EXPENSES						
Instruction	49,386,571	51,342,898	-	-	49,386,571	51,342,898
Instructional student support services	8,706,993	8,270,115	-	-	8,706,993	8,270,115
Administrative and financial support services	8,775,063	8,459,385	-	-	8,775,063	8,459,385
Operation and maintenance of plant services	6,342,544	5,129,133	-	-	6,342,544	5,129,133
Pupil transportation	3,834,162	3,918,934	-	-	3,834,162	3,918,934
Student activities	1,545,086	1,283,655	-	-	1,545,086	1,283,655
Interest and amortization expense related to noncurrent liabilities	1,417,672	807,231	-	-	1,417,672	807,231
Food service	-	-	<u>1,568,002</u>	<u>1,456,871</u>	<u>1,568,002</u>	<u>1,456,871</u>
Total expenses	<u>80,008,091</u>	<u>79,211,351</u>	<u>1,568,002</u>	<u>1,456,871</u>	<u>81,576,093</u>	<u>80,668,222</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$12,468,816</u>	<u>\$ 8,656,799</u>	<u>\$ 180,637</u>	<u>\$ 417,890</u>	<u>\$12,649,453</u>	<u>\$ 9,074,689</u>

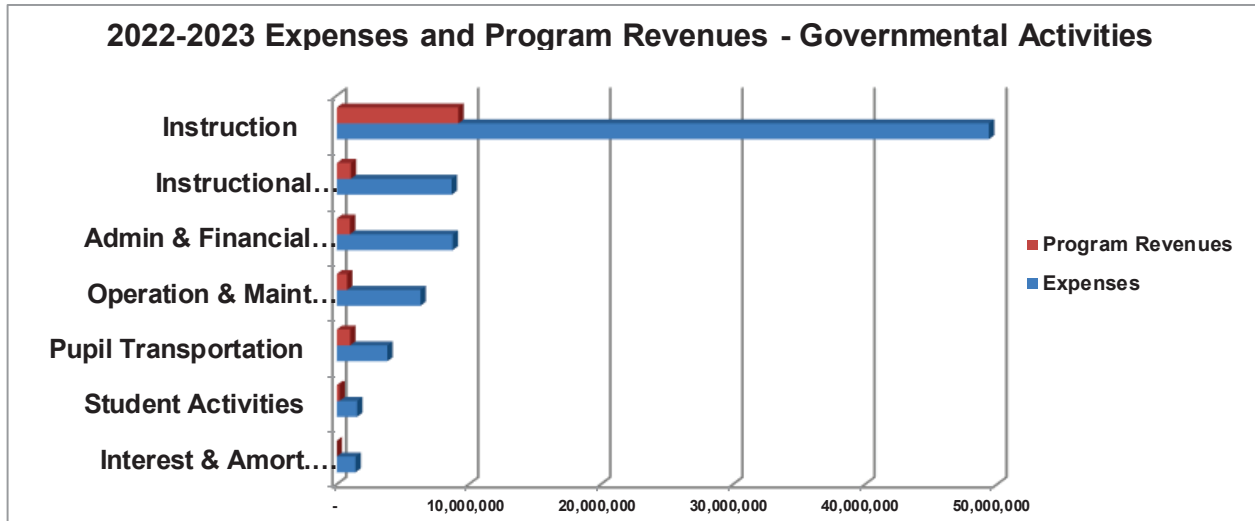
The District has been challenged with meeting its obligations without using its accumulated net position. Increased medical costs, pension contributions, state-mandated programs and negotiated contracts are all future aspects of this challenge. Management of the District continues to aggressively implement 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

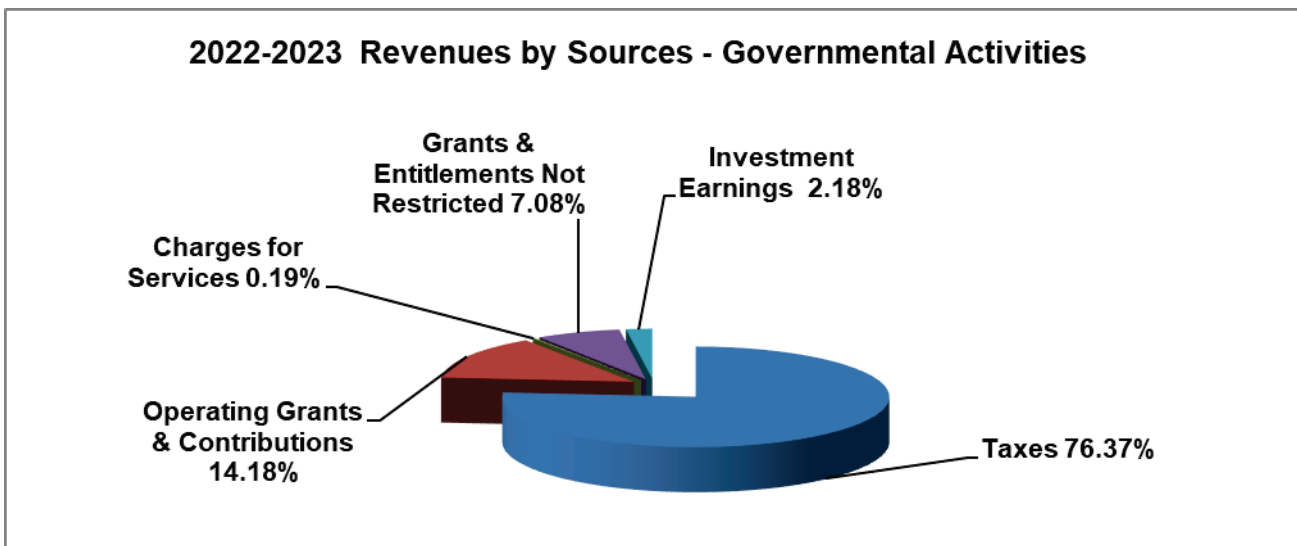
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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, 2023, the District's governmental funds reported a combined fund balance of \$18,000,673 which is an increase of \$3,944,973 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

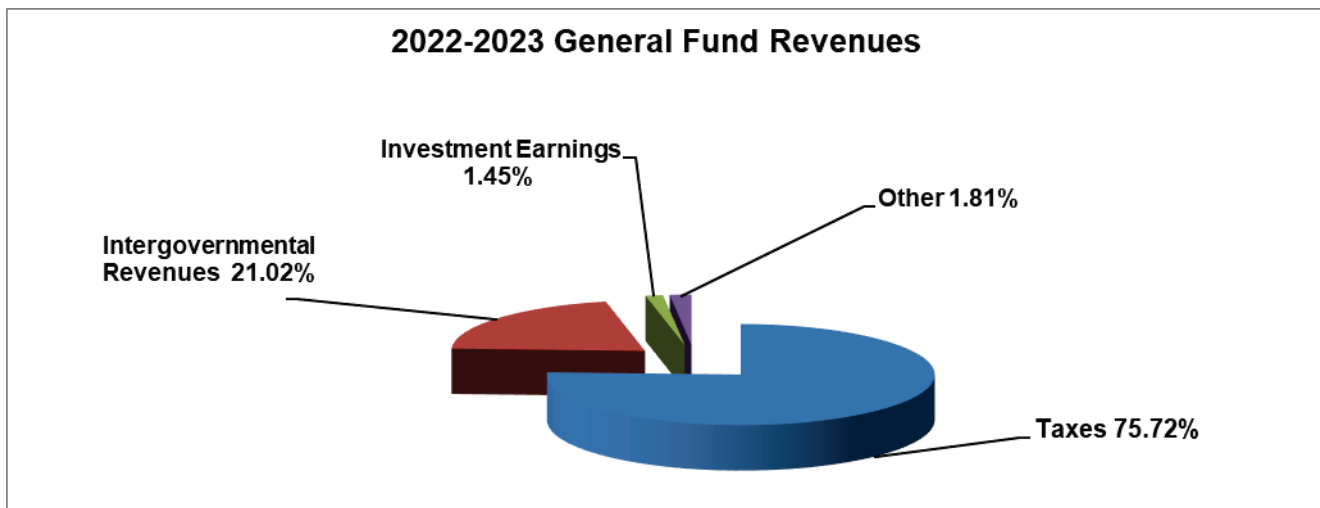
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$11,476,838	\$ 8,763,777	\$2,713,061
Capital Projects Fund	<u>6,523,835</u>	<u>5,291,923</u>	<u>1,231,912</u>
	<u>\$18,000,673</u>	<u>\$14,055,700</u>	<u>\$3,944,973</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$11,476,838 representing an increase of \$2,713,061 in relation to the prior year. The increase 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 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 75.72% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$70,850,453	\$69,038,278	\$1,812,175	2.62
Intergovernmental revenues	19,666,007	18,525,490	1,140,517	6.16
Investment earnings	1,358,096	34,605	1,323,491	3824.57
Other	<u>1,688,983</u>	<u>116,491</u>	<u>1,572,492</u>	<u>1349.88</u>
	<u>\$93,563,539</u>	<u>\$87,714,864</u>	<u>\$5,848,675</u>	<u>6.67</u>

Net tax revenues increased by \$1,812,175 or 2.62% due to several factors. A millage increase of 3.06% in 2022-2023 compared to 2021-2022 accounted for most of the change. The following table summarizes changes in the District's tax revenues for 2023 compared to 2022:

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

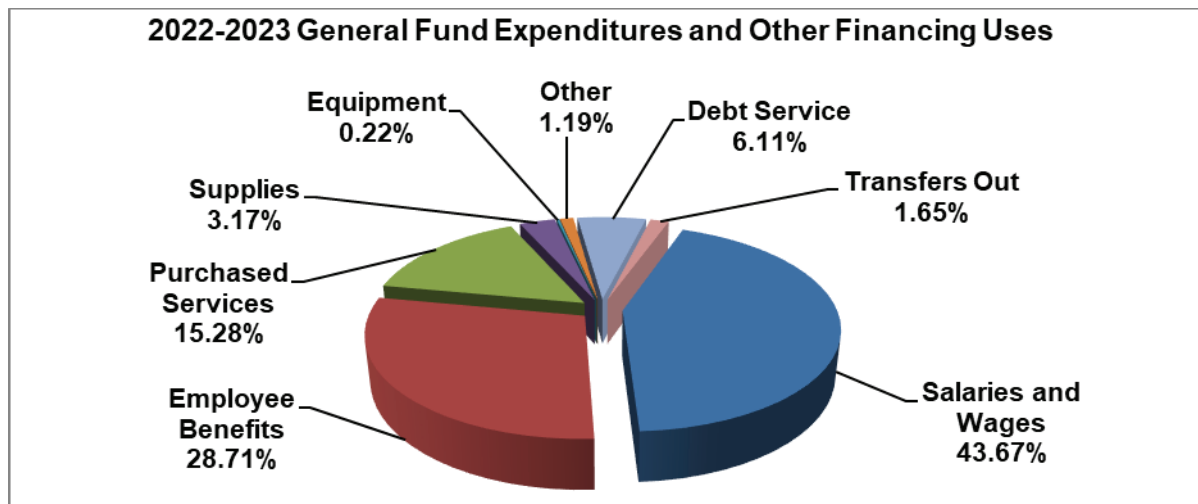
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$68,360,669	\$66,742,094	\$1,618,575	2.43
Interim real estate tax	11,090	33,712	(22,622)	(67.10)
PURTA tax	64,015	63,378	637	1.01
Per capita tax	144,152	126,226	17,926	14.20
Transfer tax	867,859	1,067,972	(200,113)	(18.74)
Delinquent real estate tax	<u>1,402,668</u>	<u>1,004,896</u>	<u>397,772</u>	<u>39.58</u>
	<u>\$70,850,453</u>	<u>\$69,038,278</u>	<u>\$1,812,175</u>	<u>2.62</u>

Investment earnings increased consistent with funds available for investing during 2022-2023 and an increase 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>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$39,670,321	\$37,828,508	\$ 1,841,813	4.87
Employee benefits	26,084,006	24,590,726	1,493,280	6.07
Purchased services	13,881,954	13,324,952	557,002	4.18
Supplies	2,877,688	2,497,559	380,129	15.22
Equipment	203,781	280,223	(76,442)	(27.28)
Other	1,083,909	716,174	367,735	51.35
Debt service	5,548,819	7,409,123	(1,860,304)	(25.11)
Transfers out	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>100.00</u>
	<u>\$90,850,478</u>	<u>\$86,647,265</u>	<u>\$ 4,203,213</u>	<u>4.85</u>

Salaries and wages increased \$1,841,813 or 4.87% primarily due to contractual employment obligations.

Employee benefits increased primarily due to costs associated with an increase in salaries and wages and increased health insurance rates.

Debt service decreased \$1,860,304 or 25.11% related to savings realized from the general obligation bond, Series of 2022 refunding transaction.

Transfers out represent revenues over expenditures to subsidize future one-time capital projects.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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 2022-2023, the Capital Projects Fund reported an increase in fund balance of \$1,231,912 due to the issuance of debt and transfers from the General Fund in excess of current year capital expenditures. The fund balance as of June 30, 2023 of \$6,523,835 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 \$1,832,447 or 2.00% more than budgeted amounts and actual expenditures and other financing uses were \$880,614 or 0.96% less than budgeted amounts resulting in a net positive variance of \$2,713,061. Major budgetary highlights for 2022-2023 were as follows:

- Actual local revenues received were \$2,612,116 more than budgeted amounts primarily due to increased collections of current and delinquent real estate taxes.
- Actual federal revenues received were \$983,431 less than budgeted amounts primarily due to decreased funding received through the CARES Act and American Rescue Plan funding related to COVID-19.
- Total actual expenditures and other financing uses were \$880,614 or 0.96% less than budgeted amounts. Within the expenditure categories, there were favorable variances for expenditures of instruction and operation of noninstructional services. In part, these favorable variances were offset by transfers out to capital reserve.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of business-type activities and Food Service Fund increased by \$180,637. As of June 30, 2023, the business-type activities and Food Service Fund had net position of \$877,276.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$84,825,048 net of accumulated depreciation and amortization. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment, and right-to-use lease equipment. The total net decrease in the District's investment in capital assets for the current fiscal year was \$659,148 or 0.77%, net of depreciation and amortization expense.

Current year capital additions were \$3,752,873 and depreciation and amortization expense was \$4,412,021.

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

- Construction in progress – GESA project \$2,156,001
- Construction in progress – synthetic turf replacement project \$ 514,627

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$47,960,990 consisting of \$20,120,000 in bonds payable, \$27,728,000 in notes payable, and unamortized bond premiums of \$112,990. 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 \$1,400,271 or 2.84% during the fiscal year.

On November 8, 2022, the District issued \$3,010,000 of general obligation notes, Series of 2022, the proceeds from which were to be used to pay the costs of certain energy saving projects in connection with the District's existing buildings and facilities, other capital projects, and to pay for the costs of issuance.

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 \$47,960,990 is within the current debt limitation of the District which was \$199,106,645 as of June 30, 2023.

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 \$106,923,226 as of June 30, 2023. The District's net pension liability increased by \$1,448,487 or 1.37% 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 \$7,191,069 as of June 30, 2023. The District's OPEB liability decreased by \$3,218,374 or 30.92% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for leases and compensated absences, which totaled \$1,919,528 as of June 30, 2023. These liabilities decreased by \$444,635 or 18.81% 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 2023-2024 budget totaling \$95,687,124 which used \$0 of General Fund balance as of June 30, 2023 and the real estate tax millage rate was increased by 4.10%.
- 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 19.83% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2022-2023. Local sources of revenue, primarily property taxes, now provide approximately 78.98% 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, 2023

- ◆ In the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (4.10% for Wallingford-Swarthmore School District for 2023-2024), 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 PSERS. The 2017 law took effect in 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 2024-2025 is projected at 34.73%. Currently, the employer contribution rate for 2023-2024 is 34.00%.

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, 2023 with summarized comparative totals for 2022

	Governmental Activities	Business-type Activities	Totals	
			2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 23,594,436	\$ 653,234	\$ 24,247,670	\$ 14,284,985
Investments	-	-	-	3,736,000
Taxes receivable	1,030,295	-	1,030,295	1,164,859
Due from other governments	5,836,407	158,127	5,994,534	6,267,044
Internal balances	(91,972)	91,972	-	-
Other receivables	286,262	-	286,262	495,311
Prepaid expenses	9,562,808	-	9,562,808	8,789,191
Total current assets	40,218,236	903,333	41,121,569	34,737,390
NONCURRENT ASSETS				
Capital assets, net	84,680,099	144,949	84,825,048	85,484,196
Total assets	124,898,335	1,048,282	125,946,617	120,221,586
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	406,718	-	406,718	659,547
Deferred charges - OPEB	1,495,195	-	1,495,195	1,780,566
Deferred charges - pension	19,454,688	-	19,454,688	21,169,856
Total deferred outflows	21,356,601	-	21,356,601	23,609,969
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	4,449,774	124,562	4,574,336	3,107,396
Accrued salaries, payroll withholdings and benefits	7,268,284	-	7,268,284	7,314,609
Unearned revenue	368,570	46,444	415,014	156,776
Other liabilities	2,400	-	2,400	2,400
Accrued interest payable	165,435	-	165,435	139,140
Total current liabilities	12,254,463	171,006	12,425,469	10,720,321
NONCURRENT LIABILITIES				
Due within one year	4,963,768	-	4,963,768	5,062,969
Due in more than one year	159,031,045	-	159,031,045	162,546,637
Total noncurrent liabilities	163,994,813	-	163,994,813	167,609,606
Total liabilities	176,249,276	171,006	176,420,282	178,329,927
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	4,072,032	-	4,072,032	1,257,177
Deferred credits - pension	8,411,000	-	8,411,000	18,494,000
Total deferred inflows	12,483,032	-	12,483,032	19,751,177
NET POSITION (DEFICIT)				
Net investment in capital assets	37,272,133	144,949	37,417,082	35,590,180
Restricted	5,735,816	-	5,735,816	5,291,923
Unrestricted	(85,485,321)	732,327	(84,752,994)	(95,131,652)
Total net position (deficit)	\$ (42,477,372)	\$ 877,276	\$ (41,600,096)	\$ (54,249,549)

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

Net (Expense) Revenue and Changes in Net Position (Deficit)	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
							2023
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 49,386,571	\$ 6,542	\$ 9,200,960	\$ -	\$ (40,179,069)	\$ -	\$ (42,161,304)
Instructional student support	8,706,993	-	1,065,117	-	(7,641,876)	-	(7,422,046)
Administrative and financial support services	8,775,063	27,116	975,332	-	(7,772,615)	-	(7,618,410)
Operation and maintenance of plant services	6,342,544	104,494	680,651	-	(5,557,399)	-	(4,510,932)
Pupil transportation	3,834,162	-	1,018,462	-	(2,815,700)	-	(2,973,863)
Student activities	1,545,086	33,076	173,813	-	(1,338,197)	-	(1,107,347)
Interest and amortization expense related to noncurrent liabilities	1,417,672	-	-	-	(1,417,672)	-	(265,041)
Total governmental activities	80,008,091	171,228	13,114,335	-	(66,722,528)	-	(66,058,943)
BUSINESS-TYPE ACTIVITIES							
Food service	1,568,002	995,014	728,743	-	-	155,755	417,411
Total primary government	\$ 81,576,093	\$ 1,166,242	\$ 13,843,078	\$ -	(66,722,528)	155,755	(65,641,532)
GENERAL REVENUES							
Property taxes levied for general purposes					69,545,909	-	67,785,270
Other taxes levied for general purposes					1,076,026	-	1,257,575
Grants and entitlements not restricted to specific programs					6,552,672	-	5,610,288
Investment earnings					2,016,737	24,882	58,488
Gain on sale of assets					-	-	4,600
Total general revenues					79,191,344	24,882	74,716,221
CHANGE IN NET POSITION (DEFICIT)					12,468,816	180,637	9,074,689
NET POSITION (DEFICIT)							
Beginning of year					(54,946,188)	696,639	(63,324,238)
End of year					\$ (42,477,372)	\$ 877,276	\$ (41,600,096)

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	General Fund	Capital Projects Fund	Totals	
			2023	2022
ASSETS				
Cash	\$ 16,093,521	\$ 7,500,915	\$ 23,594,436	\$ 13,848,466
Investments	-	-	-	3,736,000
Taxes receivable	1,030,295	-	1,030,295	1,164,859
Due from other funds	-	170,003	170,003	88,069
Due from other governments	5,836,407	-	5,836,407	5,991,082
Other receivables	286,262	-	286,262	495,311
Prepaid items	171,834	-	171,834	171,388
Total assets	\$ 23,418,319	\$ 7,670,918	\$ 31,089,237	\$ 25,495,175
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,302,691	\$ 1,147,083	\$ 4,449,774	\$ 2,969,164
Due to other funds	261,975	-	261,975	88,069
Accrued salaries, payroll withholdings and benefits	7,268,284	-	7,268,284	7,314,609
Unearned revenue	368,570	-	368,570	99,153
Other liabilities	2,400	-	2,400	2,400
Total liabilities	11,203,920	1,147,083	12,351,003	10,473,395
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	737,561	-	737,561	966,080
FUND BALANCES				
Nonspendable				
Prepaid items	171,834	-	171,834	171,388
Restricted for				
Capital projects	-	6,523,835	6,523,835	5,291,923
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
Unassigned	8,805,004	-	8,805,004	6,092,389
Total fund balances	11,476,838	6,523,835	18,000,673	14,055,700
Total liabilities, deferred inflows of resources and fund balances	\$ 23,418,319	\$ 7,670,918	\$ 31,089,237	\$ 25,495,175

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, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 18,000,673
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.	84,680,099
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.	737,561
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(163,994,813)
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).	406,718
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.	8,466,851
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.	(165,435)
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>9,390,974</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (42,477,372)</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	General Fund	Capital Projects Fund	Totals	
			2023	2022
REVENUES				
Local sources	\$ 73,897,532	\$ 275,256	\$ 74,172,788	\$ 69,706,612
State sources	18,554,438	-	18,554,438	16,847,689
Federal sources	1,111,569	-	1,111,569	1,168,335
Total revenues	<u>93,563,539</u>	<u>275,256</u>	<u>93,838,795</u>	<u>87,722,636</u>
EXPENDITURES				
Current				
Instruction	53,376,853	139,431	53,516,284	52,926,320
Support services	28,691,171	65,980	28,757,151	25,684,475
Operation of noninstructional services	1,623,842	-	1,623,842	1,290,157
Facilities acquisition, construction and improvement services	97,344	3,487,364	3,584,708	792,541
Debt service	5,548,819	-	5,548,819	7,454,221
Total expenditures	<u>89,338,029</u>	<u>3,692,775</u>	<u>93,030,804</u>	<u>88,147,714</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,225,510</u>	<u>(3,417,519)</u>	<u>807,991</u>	<u>(425,078)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt - refunding	-	-	-	14,075,000
Payment of debt - refunding	-	-	-	(13,880,000)
Issuance of debt	-	3,010,000	3,010,000	-
Proceeds from extended term financing	-	139,431	139,431	512,908
Refund of prior year receipts	(12,449)	-	(12,449)	-
Transfers in (out)	(1,500,000)	1,500,000	-	-
Total other financing sources (uses)	<u>(1,512,449)</u>	<u>4,649,431</u>	<u>3,136,982</u>	<u>707,908</u>
NET CHANGE IN FUND BALANCES	2,713,061	1,231,912	3,944,973	282,830
FUND BALANCES				
Beginning of year	<u>8,763,777</u>	<u>5,291,923</u>	<u>14,055,700</u>	<u>13,772,870</u>
End of year	<u>\$ 11,476,838</u>	<u>\$ 6,523,835</u>	<u>\$ 18,000,673</u>	<u>\$ 14,055,700</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,944,973

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 and amortization expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 3,708,592	
Depreciation and amortization expense	<u>(4,402,125)</u>	(693,533)

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, 2022	(966,080)	
Deferred inflows of resources June 30, 2023	<u>737,561</u>	(228,519)

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	4,400,000	
Proceeds from bonds and notes payable	(3,010,000)	
Proceeds from extended term financing	(139,431)	
Repayment of leases payable	690,020	
Amortization of premiums and deferred amounts on refunding	<u>(242,558)</u>	1,698,031

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	6,919,345	
Current year change in accrued interest payable	(26,295)	
Current year change in compensated absences	(105,954)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>118,148</u>	6,905,244

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.

842,620

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 12,468,816**

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS				
CURRENT ASSETS				
Cash	653,234	-	653,234	436,519
Due from other funds	91,972	-	91,972	-
Due from other governments	158,127	-	158,127	275,962
Prepaid expenses	-	9,390,974	9,390,974	8,617,803
Total current assets	<u>903,333</u>	<u>9,390,974</u>	<u>10,294,307</u>	<u>9,330,284</u>
NONCURRENT ASSETS				
Capital assets, net	144,949	-	144,949	110,564
Total assets	<u>1,048,282</u>	<u>9,390,974</u>	<u>10,439,256</u>	<u>9,440,848</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	124,562	-	124,562	138,232
Unearned revenue	46,444	-	46,444	57,623
Total liabilities	<u>171,006</u>	<u>-</u>	<u>171,006</u>	<u>195,855</u>
NET POSITION				
Net investment in capital assets	144,949	-	144,949	110,564
Unrestricted	732,327	9,390,974	10,123,301	9,134,429
Total net position	<u>\$ 877,276</u>	<u>\$ 9,390,974</u>	<u>\$ 10,268,250</u>	<u>\$ 9,244,993</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 995,014	\$ 9,382,166	\$ 10,377,180	\$ 10,170,978
OPERATING EXPENSES				
Employee benefits	-	8,245,636	8,245,636	8,324,080
Purchased professional and technical services	-	677,296	677,296	826,676
Purchased property services	9,070	-	9,070	7,504
Other purchased services	862,188	-	862,188	953,396
Supplies	686,848	-	686,848	488,746
Depreciation	9,896	-	9,896	7,225
Total operating expenses	<u>1,568,002</u>	<u>8,922,932</u>	<u>10,490,934</u>	<u>10,607,627</u>
Operating income (loss)	<u>(572,988)</u>	<u>459,234</u>	<u>(113,754)</u>	<u>(436,649)</u>
NONOPERATING REVENUES				
Earnings on investments	24,882	383,386	408,268	16,111
State sources	82,643	-	82,643	41,484
Federal sources	646,100	-	646,100	1,651,923
Total nonoperating revenues	<u>753,625</u>	<u>383,386</u>	<u>1,137,011</u>	<u>1,709,518</u>
CHANGE IN NET POSITION	180,637	842,620	1,023,257	1,272,869
NET POSITION				
Beginning of year	<u>696,639</u>	<u>8,548,354</u>	<u>9,244,993</u>	<u>7,972,124</u>
End of year	<u>\$ 877,276</u>	<u>\$ 9,390,974</u>	<u>\$ 10,268,250</u>	<u>\$ 9,244,993</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 983,835	\$ -	\$ 983,835	\$ 176,820
Cash received for assessments made to other fund		9,382,166	9,382,166	9,990,103
Cash payments to suppliers for goods and services	(1,516,324)	-	(1,516,324)	(1,218,308)
Cash payments for insurance claims	-	(9,088,256)	(9,088,256)	(9,179,059)
Cash payments for other operating expenses	-	(677,296)	(677,296)	(826,676)
Net cash used for operating activities	<u>(532,489)</u>	<u>(383,386)</u>	<u>(915,875)</u>	<u>(1,057,120)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	63,068	-	63,068	37,292
Federal sources	705,535	-	705,535	1,380,140
Net cash provided by noncapital financing activities	<u>768,603</u>	<u>-</u>	<u>768,603</u>	<u>1,417,432</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(44,281)	-	(44,281)	(22,890)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	24,882	383,386	408,268	16,111
Net increase (decrease) in cash	216,715	-	216,715	353,533
CASH				
Beginning of year	436,519	-	436,519	82,986
Ending of year	<u>\$ 653,234</u>	<u>\$ -</u>	<u>\$ 653,234</u>	<u>\$ 436,519</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (572,988)	\$ 459,234	\$ (113,754)	\$ (436,649)
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation	9,896	-	9,896	7,225
Donated commodities used	77,975	-	77,975	88,425
(Increase) decrease in				
Due from other funds	(91,972)	-	(91,972)	-
Other receivables	-	-	-	73,900
Prepaid expenses	69,449	(842,620)	(773,171)	(923,608)
Increase (decrease) in				
Accounts payable	(13,670)	-	(13,670)	137,642
Unearned revenue	(11,179)	-	(11,179)	(4,055)
Net cash used for operating activities	<u>\$ (532,489)</u>	<u>\$ (383,386)</u>	<u>\$ (915,875)</u>	<u>\$ (1,057,120)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 77,975	\$ -	\$ 77,975	\$ 88,425

See accompanying notes

WALLINGFORD SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Funds	Totals	
			2023	2022
ASSETS				
Cash	\$ 179,762	\$ 120,578	\$ 300,340	\$ 308,541
Other receivables	-	62,225	62,225	19,450
Total assets	<u>179,762</u>	<u>182,803</u>	<u>362,565</u>	<u>327,991</u>
LIABILITIES				
Accounts payable	6,951	-	6,951	-
NET POSITION				
Restricted for student activities	-	182,803	182,803	161,020
Net position held in trust for scholarships	172,811	-	172,811	166,971
Total net position	<u>\$ 172,811</u>	<u>\$ 182,803</u>	<u>\$ 355,614</u>	<u>\$ 327,991</u>

WALLINGFORD SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Funds	Totals	
			2023	2022
ADDITIONS				
Receipts from student groups	\$ -	\$ 269,713	\$ 269,713	\$ 143,083
Local contributions	5,942	-	5,942	16,691
Total additions	<u>5,942</u>	<u>269,713</u>	<u>275,655</u>	<u>159,774</u>
DEDUCTIONS				
Student activity disbursements	-	247,930	247,930	155,163
Scholarships awarded and fees paid	102	-	102	12,907
Total deductions	<u>102</u>	<u>247,930</u>	<u>248,032</u>	<u>168,070</u>
CHANGE IN NET POSITION	5,840	21,783	27,623	(8,296)
NET POSITION				
Beginning of year	<u>166,971</u>	<u>161,020</u>	<u>327,991</u>	<u>336,287</u>
End of year	<u>\$ 172,811</u>	<u>\$ 182,803</u>	<u>\$ 355,614</u>	<u>\$ 327,991</u>

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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, 2023

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, 2023

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, 2023

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 2022-2023 was 27.9010 mills (\$27.90 for \$1,000 of assessed valuation) for Rose Valley Borough and Nether Providence Township and 28.1539 mills (\$28.15 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, furniture and equipment – 5-20 years, and right-to-use lease equipment – 4 years.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

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, 2023

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, 2022, 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, 2022, the District adopted the provisions of GASB Statement No. 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" and GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*".

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**s"). 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. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) 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. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

New Accounting Pronouncements

GASB Statement No. 100, "*Accounting Changes and Error Corrections*" will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, "*Compensated Absences*" will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

(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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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, 2023, the carrying amount of the District's deposits was \$24,548,010 and the bank balance was \$25,062,331. 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, \$10,264 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, 2023, PSDLAF was rated as AAAM by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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
Construction in progress	<u>-</u>	<u>3,073,283</u>	<u>-</u>	<u>3,073,283</u>
Total capital assets not being depreciated	<u>128,010</u>	<u>3,073,283</u>	<u>-</u>	<u>3,201,293</u>
Capital assets being depreciated				
Buildings and improvements	136,246,819	495,878	-	136,742,697
Furniture and equipment	19,364,421	139,431	-	19,503,852
Right-to-use lease equipment	<u>198,680</u>	<u>-</u>	<u>-</u>	<u>198,680</u>
Total capital assets being depreciated	<u>155,809,920</u>	<u>635,309</u>	<u>-</u>	<u>156,445,229</u>
Less accumulated depreciation for				
Buildings and improvements	(52,811,263)	(3,436,785)	-	(56,248,048)
Furniture and equipment	(17,691,366)	(915,670)	-	(18,607,036)
Right-to-use leased equipment	<u>(61,669)</u>	<u>(49,670)</u>	<u>-</u>	<u>(111,339)</u>
Total accumulated depreciation	<u>(70,564,298)</u>	<u>(4,402,125)</u>	<u>-</u>	<u>(74,966,423)</u>
Total capital assets being depreciated, net	<u>85,245,622</u>	<u>(3,766,816)</u>	<u>-</u>	<u>81,478,806</u>
Governmental activities, net	<u>\$ 85,373,632</u>	<u>\$ (693,533)</u>	<u>\$ -</u>	<u>\$ 84,680,099</u>
Business-type activities				
Machinery and equipment	\$ 621,619	\$ 44,281	\$ -	\$ 665,900
Less accumulated depreciation	<u>(511,055)</u>	<u>(9,896)</u>	<u>-</u>	<u>(520,951)</u>
Business-type activities, net	<u>\$ 110,564</u>	<u>\$ 34,385</u>	<u>\$ -</u>	<u>\$ 144,949</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Governmental activities	
Instruction	\$2,778,940
Instructional student support	495,830
Administrative and financial support services	486,844
Operation and maintenance of plant services	339,752
Pupil transportation	213,999
Student activities	<u>86,760</u>
Total depreciation expense – governmental activities	<u>\$4,402,125</u>
Business-type activities	
Food service	<u>\$ 9,896</u>

As of June 30, 2023, the District had outstanding construction projects not yet placed in service. Construction commitments and the amounts completed as of June 30, 2023 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2023</u>	<u>Remaining Commitments</u>
Capital projects	<u>\$4,700,953</u>	<u>\$3,073,283</u>	<u>\$1,627,670</u>

(5) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Notes payable	\$ 28,633,000	\$3,010,000	\$3,915,000	\$ 27,728,000	\$4,027,000
Bonds payable	20,605,000	-	485,000	20,120,000	520,000
Bond premiums	<u>123,261</u>	<u>-</u>	<u>10,271</u>	<u>112,990</u>	<u>10,272</u>
Total general obligation debt	<u>49,361,261</u>	<u>3,010,000</u>	<u>4,410,271</u>	<u>47,960,990</u>	<u>4,557,272</u>
Other noncurrent liabilities					
Leases payable	1,192,302	139,431	690,020	641,713	406,496
Compensated absences	1,171,861	105,954	-	1,277,815	-
OPEB liability	4,330,180	456,129	2,009,409	2,776,900	-
Net OPEB liability – PSERS	6,079,263	-	1,665,094	4,414,169	-
Net pension liability – PSERS	<u>105,474,739</u>	<u>1,448,487</u>	<u>-</u>	<u>106,923,226</u>	<u>-</u>
Total other noncurrent liabilities	<u>118,248,345</u>	<u>2,150,001</u>	<u>4,364,523</u>	<u>116,033,823</u>	<u>406,496</u>
Total noncurrent liabilities	<u>\$167,609,606</u>	<u>\$5,160,001</u>	<u>\$8,774,794</u>	<u>\$163,994,813</u>	<u>\$4,963,768</u>

Noncurrent liabilities are generally liquidated by the General Fund.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(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.

General obligation debt outstanding as of June 30, 2023 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 2019	2.00% - 4.00%	\$ 7,860,000	05/01/2034	\$ 6,050,000
GOB Series of 2022	3.330%	\$14,075,000	05/01/2036	<u>14,070,000</u>
Total general obligation bonds				<u>20,120,000</u>
General obligation notes				
GON Series of 2017	2.573%	\$19,845,000	05/01/2025	4,000,000
GON Series of 2017A	2.550%	\$17,140,000	05/01/2029	3,030,000
GON Series of 2017B	2.840%	\$ 8,505,000	05/01/2031	1,640,000
GON Series of 2020	0.887%	\$10,165,000	04/25/2027	6,795,000
GON Series of 2020A	0.887%	\$10,119,000	04/25/2028	9,253,000
GON Series of 2022	3.980%	\$ 3,010,000	05/01/2036	<u>3,010,000</u>
Total general obligation notes				<u>27,728,000</u>
Total general obligation debt				<u>\$47,848,000</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>
2024	\$ 4,547,000	\$1,125,842	\$ 5,672,842
2025	4,653,000	1,011,569	5,664,569
2026	4,722,000	944,250	5,666,250
2027	4,778,000	887,175	5,665,175
2028	4,828,000	838,146	5,666,146
2029-2033	15,655,000	2,949,631	18,604,631
2034-2036	<u>8,665,000</u>	<u>584,633</u>	<u>9,249,633</u>
	<u>\$47,848,000</u>	<u>\$8,341,246</u>	<u>\$56,189,246</u>

Series of 2022 General Obligation Notes

On November 8, 2022, the District issued \$3,010,000 of general obligation notes, Series of 2022, the proceeds from which were to be used to pay the costs of certain energy saving projects in connection with the District's existing buildings and facilities, other capital projects, and to pay for the costs of issuance.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

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, 2023 was an asset of \$2,122,143. 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) LEASES PAYABLE

The District has entered into long-term lease agreements for computer and copier equipment. Initial lease liabilities were recorded in the amount of \$2,964,741. As of June 30, 2023, the value of the lease liabilities is \$641,713. The leases have interest rates ranging from 3.57% to 5.56%. The estimated useful lives of the equipment were 4 to 5 years as of their contract commencements. The value of the capital assets as of June 30, 2023 is \$652,837, net of accumulated depreciation and amortization of \$2,311,904, and is included with noncurrent assets on the statement of net position. Future minimum lease payments under these leases are as follows:

Year ending June 30,

2024	\$436,351
2025	211,986
2026	37,323
Less: amount representing interest	<u>(43,947)</u>
Present value of minimum lease payments	<u>\$641,713</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 multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public 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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

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

Benefits are generally equal to 1.00% 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.

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

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 \$14,221,688 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$106,923,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.2405 percent, which was a decrease of 0.0164 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of \$106,923,226 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized negative net pension expense of \$6,919,345. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 48,000	\$ 925,000
Changes in assumptions	3,193,000	-
Net difference between projected and actual investment earnings	-	1,814,000
Changes in proportions	1,992,000	5,672,000
Contributions subsequent to the measurement date	<u>14,221,688</u>	<u>-</u>
	<u>\$19,454,688</u>	<u>\$8,411,000</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

\$14,221,688 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2024	\$ (173,000)
2025	(860,000)
2026	(4,676,000)
2027	<u>2,531,000</u>
	<u><u>\$(3,178,000)</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS' total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

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

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0 %	5.3%
Private equity	12.0 %	8.0%
Fixed income	33.0 %	2.3%
Commodities	9.0 %	2.3%
Infrastructure/MLPs	9.0 %	5.4%
Real estate	11.0 %	4.6%
Absolute return	6.0 %	3.5%
Cash	3.0 %	0.5%
Leverage	(11.0)%	0.5%
	<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, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$138,297,880</u>	<u>\$106,923,226</u>	<u>\$80,470,595</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, 2023

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2022:

Active participants	525
Vested former participants	-
Retired participants	<u>99</u>
Total	<u>624</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, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 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 \$2,776,900, all of which is unfunded.

The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

Balances as of July 1, 2022	<u>\$ 4,330,180</u>
Changes for the year:	
Service cost	350,621
Interest on total OPEB liability	105,508
Difference between expected and actual experience	(647,288)
Changes in assumptions	(1,263,777)
Benefit payments	<u>(98,344)</u>
Net changes	<u>(1,553,280)</u>
Balances as of June 30, 2023	<u>\$ 2,776,900</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$72,788. At June 30, 2023, 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	\$ -	\$1,287,413
Changes in assumptions	403,258	1,394,619
Contributions subsequent to the measurement date	<u>83,859</u>	<u>-</u>
	<u>\$487,117</u>	<u>\$2,682,032</u>

\$83,859 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, 2024. 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, 2023

Year ended June 30,

2024	\$ (299,482)
2025	(299,482)
2026	(299,482)
2027	(299,481)
2028	(190,011)
Thereafter	<u>(890,836)</u>
	<u>\$ (2,278,774)</u>

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

The following presents the OPEB liability for June 30, 2023, 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>\$2,494,557</u>	<u>\$2,776,900</u>	<u>\$3,102,484</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 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.06%</u>	<u>4.06%</u>	<u>5.06%</u>
OPEB Liability	<u>\$2,996,482</u>	<u>\$2,776,900</u>	<u>\$2,569,068</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth - effective average of 6.75%, comprised of inflation of 2.50%, 1.50% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023, and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for administrators and all other employees. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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, 2023, 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

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

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$309,078 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$4,414,169 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.2398 percent, which was a decrease of 0.0167 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the OPEB liability of \$4,414,169 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

For the year ended June 30, 2023, the District recognized negative net OPEB expense of \$190,936. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 41,000	\$ 24,000
Changes in assumptions	490,000	1,043,000
Net difference between projected and actual investment earnings	12,000	-
Changes in proportions	156,000	323,000
Contributions subsequent to the measurement date	<u>309,078</u>	<u>-</u>
	<u>\$1,008,078</u>	<u>\$1,390,000</u>

\$309,078 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2024	\$(140,000)
2025	(111,000)
2026	(129,000)
2027	(140,000)
2028	<u>(171,000)</u>
	<u>\$(691,000)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.09% – Standard & Poors 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: the actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short-term assets designed to protect the principal of the 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	<u>100.00%</u>	0.50%

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

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2022, 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, 2022, 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, 2023

The following presents the net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what net OPEB liability would be if 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>\$4,413,720</u>	<u>\$4,414,169</u>	<u>\$4,414,529</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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	<u>\$4,991,895</u>	<u>\$4,414,169</u>	<u>\$3,930,734</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the 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 2022-2023 was \$327,537.

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 2022-2023, 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, 2023

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 2022-2023 was \$184,700.

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,

2024	\$ 48,113
2025	56,998
2026	56,987
2027	56,934
2028	56,944
2029-2033	278,517
2034-2038	148,759
2039-2043	126,614
2044-2048	74,173
2049	<u>11,673</u>
	<u>\$915,712</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) 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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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.

(12) 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 2022-2023 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims surplus (liability) – beginning of year	\$ 8,548,354	\$ 7,693,375
Current year insurance claims and changes in estimates	(8,922,932)	(9,150,756)
Insurance claims paid	<u>9,765,552</u>	<u>10,005,735</u>
Insurance claims surplus (liability) – end of year	<u>\$ 9,390,974</u>	<u>\$ 8,548,354</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.

(13) INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	\$ 91,972	General Fund	\$ 91,972
Capital Projects Fund	<u>170,003</u>	General Fund	<u>170,003</u>
	<u>\$ 261,975</u>		<u>\$ 261,975</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$1,500,000</u>	General Fund	<u>\$1,500,000</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Transfers from the General Fund to the Capital Projects Fund represent transfers to subsidize costs associated with the acquisition of capital assets.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 71,285,416	\$ 71,285,416	\$ 73,897,532	\$ 2,612,116
State sources	18,350,676	18,350,676	18,554,438	203,762
Federal sources	2,095,000	2,095,000	1,111,569	(983,431)
Total revenues	<u>91,731,092</u>	<u>91,731,092</u>	<u>93,563,539</u>	<u>1,832,447</u>
EXPENDITURES				
Instruction				
Regular programs	38,785,319	38,785,319	38,074,237	711,082
Special programs	15,384,036	15,384,036	14,551,759	832,277
Vocational programs	295,000	295,000	421,939	(126,939)
Other instructional programs	117,971	117,971	144,218	(26,247)
Adult education programs	189,909	189,909	184,700	5,209
Total instruction	<u>54,772,235</u>	<u>54,772,235</u>	<u>53,376,853</u>	<u>1,395,382</u>
Support services				
Pupil support services	4,354,181	4,354,181	4,083,672	270,509
Instructional staff services	3,987,613	3,987,613	3,829,601	158,012
Administrative services	6,128,042	6,128,042	6,392,938	(264,896)
Pupil health	1,493,362	1,493,362	1,366,924	126,438
Business services	879,573	879,573	894,395	(14,822)
Operation and maintenance of plant services	5,528,809	5,528,809	6,358,960	(830,151)
Student transportation services	4,189,408	4,189,408	4,005,315	184,093
Support services - central	2,019,746	2,019,746	1,711,546	308,200
Other support services	51,000	51,000	47,820	3,180
Total support services	<u>28,631,734</u>	<u>28,631,734</u>	<u>28,691,171</u>	<u>(59,437)</u>
Operation of noninstructional services				
Student activities	2,027,946	2,027,946	1,623,842	404,104
Community services	700	700	-	700
Total operation of noninstructional services	<u>2,028,646</u>	<u>2,028,646</u>	<u>1,623,842</u>	<u>404,804</u>
Facilities acquisition, construction and improvement services				
	-	-	97,344	(97,344)
Debt service				
	5,573,477	5,573,477	5,548,819	24,658
Total expenditures	<u>91,006,092</u>	<u>91,006,092</u>	<u>89,338,029</u>	<u>1,668,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>725,000</u>	<u>725,000</u>	<u>4,225,510</u>	<u>3,500,510</u>
OTHER FINANCING USES				
Refund of prior year receipts	-	-	(12,449)	(12,449)
Transfers out	(325,000)	(325,000)	(1,500,000)	(1,175,000)
Budgetary reserve	(400,000)	(400,000)	-	400,000
Total other financing uses	<u>(725,000)</u>	<u>(725,000)</u>	<u>(1,512,449)</u>	<u>(787,449)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>2,713,061</u>	<u>\$ 2,713,061</u>
FUND BALANCE				
Beginning of year			8,763,777	
End of year			<u>\$ 11,476,838</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>2022</u>	<u>2021</u>	<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	0.2405%	0.25669%	0.2515%	0.2457%	0.2484%	0.2489%	0.2461%	0.2522%	0.2475%	
District's proportionate share of the net pension liability	\$ 106,923,226	\$ 105,474,739	\$ 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	\$ 35,256,782	\$ 36,365,201	\$ 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	303.27%	290.04%	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	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%	

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 THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 11,987,663	\$ 12,210,202	\$ 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	\$ 11,987,663	\$ 12,210,202	\$ 11,749,645	\$ 11,048,538	\$ 10,606,548	\$ 9,674,020	\$ 7,969,108	\$ 6,649,224	\$ 5,053,119	
Contribution deficiency (excess)	-	-	-	(45,512)	(66,121)	(154,020)	(139,108)	(137,224)	(123,119)	
District's covered-employee payroll	\$ 35,256,782	\$ 36,365,201	\$ 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	34.00%	33.58%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 350,621	\$ 350,906	\$ 243,353	\$ 242,640	\$ 294,472	\$ 275,684
Interest on total OPEB liability	105,508	81,892	131,503	110,845	144,556	100,862
Differences between expected and actual experience	(647,288)	-	(351,420)	-	(1,019,195)	-
Changes of assumptions	(1,263,777)	(124,838)	427,813	(102,929)	(199,530)	259,470
Benefit payments	(98,344)	(64,737)	(75,742)	(35,123)	(105,211)	(65,624)
Net change in total OPEB liability	(1,553,280)	243,223	375,507	215,433	(884,908)	570,392
Total OPEB liability, beginning	<u>4,330,180</u>	<u>4,086,957</u>	<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>\$ 2,776,900</u>	<u>\$ 4,330,180</u>	<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%	0.00%	0.00%
Covered payroll	\$ 39,343,784	\$ 34,074,992	\$ 34,074,992	\$ 30,887,904	\$ 30,887,904	\$ 30,295,952
Net OPEB liability as a % of covered payroll	7.06%	12.71%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.2398%	0.2565%	0.2505%	0.2457%	0.2484%
District's proportionate share of the net OPEB liability	\$ 4,414,169	\$ 6,079,263	\$ 5,412,546	\$ 5,225,651	\$ 5,179,013
District's covered-employee payroll	\$ 35,256,782	\$ 36,365,201	\$ 35,155,814	\$ 33,883,596	\$ 33,133,436
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.00%	15.00%	15.00%
Plan fiduciary net position as a percentage of the total net OPEB liability	6.86%	5.30%	5.69%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 280,022	\$ 298,476	\$ 294,896	\$ 281,501	\$ 277,522	\$ 275,000
Contributions in relation to the contractually required contribution	<u>280,022</u>	<u>298,476</u>	<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	\$ 35,256,782	\$ 36,365,201	\$ 35,155,814	\$ 33,883,596	\$ 33,447,621	\$ 33,133,436
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	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, 2023

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
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	\$ 165,842	\$ 168,595	\$ (2,753)	\$ (2,753)	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-220458	07/01/21 - 09/30/22	165,448	16,545	99,269	-	-	82,724	-
Title I - Improving Basic Programs	I	84.010	013-230458	09/30/22 - 09/30/23	140,092	-	-	140,092	140,092	140,092	-
Total ALN 84.010						182,387	267,864	137,339	137,339	222,816	-
Title II - Improving Teacher Quality	I	84.367	020-210458	07/01/20 - 09/30/21	50,691	40,656	39,218	1,438	1,438	-	-
Title II - Improving Teacher Quality	I	84.367	020-220458	07/01/21 - 09/30/22	54,025	5,375	2,560	29,965	29,965	27,150	-
Title II - Improving Teacher Quality	I	84.367	020-230458	09/30/22 - 09/30/23	48,680	-	-	48,680	48,680	48,680	-
Total ALN 84.367						46,031	41,778	80,083	80,083	75,830	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200458	07/01/19 - 09/30/20	20,110	7,182	-	-	-	(7,182)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210458	07/01/20 - 09/30/21	17,300	13,857	2,065	-	-	(11,792)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220458	07/01/21 - 09/30/22	14,582	1,457	(5,829)	-	-	(7,286)	-
Total ALN 84.424						22,496	(3,764)	-	-	(26,260)	-
COVID-19 Education Stabilization Fund	I	84.425D	200-210458	03/13/20 - 09/30/23	716,089	649,404	649,404	-	-	-	-
COVID-19 ARP ESSER	I	84.425U	223-210458	03/13/20 - 09/30/24	1,448,278	105,329	(105,329)	-	-	(210,658)	-
COVID-19 ARP ESSER 7%	I	84.425U	225-210458	03/13/20 - 09/30/24	112,564	-	(6,140)	-	-	(6,140)	-
COVID-19 ARP ESSER - Homeless Children and Youth	I	84.425W	181-212463	03/13/20 - 09/30/24	11,049	850	(567)	-	-	(1,417)	-
Total ALN 84.425						755,583	537,368	-	-	(218,215)	-
Passed-Through Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 09/30/22	638,303	95,991	-	95,991	95,991	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21 - 09/30/22	637,194	637,194	637,194	-	-	-	-
COVID-19 - ARP I.D.E.A. - Part B, Section 611	I	84.027X	062-220013	07/01/21 - 09/30/23	139,796	-	-	139,796	139,796	139,796	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230013	07/01/22 - 09/30/23	657,484	4,000	-	657,484	657,484	653,484	-
Total ALN 84.027						737,185	637,194	893,271	893,271	793,280	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/21 - 08/30/22	1,688	1,688	1,688	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-220013	07/01/22 - 08/30/23	876	-	-	876	876	876	-
Total ALN 84.173						1,688	1,688	876	876	876	-
Total U.S. Department of Education						1,745,370	1,482,128	1,111,569	1,111,569	848,327	-

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	19,574	19,574	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	32,737	-	48,721	48,721	15,984	-
Total ALN 10.553						52,311	19,574	48,721	48,721	15,984	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-	-
Special Milk	I	10.556	N/A	07/01/22 - 06/30/23	N/A	1,677	-	2,385	2,385	708	-
State Matching Share	S	N/A	N/A	07/01/21 - 06/30/22	N/A	7,303	7,303	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/22 - 06/30/23	N/A	55,765	-	82,643	82,643	26,878	-
Total State Matching Share						63,068	7,303	82,643	82,643	26,878	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	101,530	-	101,530	101,530	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	249,085	249,085	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	300,304	-	414,861	414,861	114,557	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	77,975	-	77,975	77,975	-	-
Total ALN 10.555						728,894	249,085	594,366	594,366	114,557	-
Total U.S. Department of Agriculture											
Total Federal Awards and Certain State Grants											
Total Federal Awards						\$ 2,591,948	\$ 1,758,090	\$ 1,840,312	\$ 1,840,312	\$ 1,006,454	\$ -
Total State Awards						\$ 2,528,880	\$ 1,750,787	\$ 1,757,669	\$ 1,757,669	\$ 979,576	\$ -
Total Federal Awards and Certain State Grants						\$ 63,068	7,303	82,643	82,643	26,878	-
Special Education Cluster (IDEA) (ALN's 84.027 and 84.173)						\$ 2,591,948	\$ 1,758,090	\$ 1,840,312	\$ 1,840,312	\$ 1,006,454	\$ -
Child Nutrition Cluster (ALN's 10.553, 10.555 and 10.556)						\$ 738,873	\$ 638,882	\$ 894,147	\$ 894,147	\$ 794,156	\$ -
						\$ 782,882	\$ 268,659	\$ 645,472	\$ 645,472	\$ 131,249	\$ -

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, 2023

(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 ALN 10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2022-2023 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, 2023 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, 2023.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2023

There were no audit findings for the year ended June 30, 2022.



**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, 2023, 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 March 29, 2024.

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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2023-01 and 2023-02 that we consider to be material weaknesses.

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*.

Wallingford-Swarthmore School District’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Wallingford-Swarthmore School District’s responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Wallingford-Swarthmore School District’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
March 29, 2024



**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

Opinion on Each Major Federal Program

We have audited Wallingford-Swarthmore School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Wallingford-Swarthmore School District's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs to be material weaknesses (***See Findings SA 2023-01 and SA 2023-02***).

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

Government Auditing Standards requires the auditor to perform limited procedures on Wallingford-Swarthmore School District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Wallingford-Swarthmore School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
March 29, 2024

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

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. Two 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. Two 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. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
 - Special Education Cluster:
 - Special Education – Grants to States (IDEA, Part B) – Assistance Listing #84.027
 - Special Education – Preschool Grants (IDEA Preschool) – Assistance Listing #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

Finding 2023-01

Payroll Procedures

Material Weakness in Internal Control

Condition: During our audit procedures we noted that the Business Office failed to adequately review payroll reports and communicate with the Human Resources department regarding new hires, terminations, supplemental payments, and salary placement during 2022-2023.

Criteria: A proper system of internal control is essential in order to prevent, detect and correct misstatements, as well as demonstrating accountability and stewardship.

Cause: The District did not properly follow its policies and procedures of comparing bi-weekly payroll summary packets and final payroll reports for significant variances, nor employee elections across departments.

Effect: Errors and/or fraud can occur and not be detected and corrected on a timely basis. Errors within payroll processing were identified and corrected by management, but no instances of fraud were detected.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

Recommendation: Implement safeguards to ensure responsible business office and human resources employees are held accountable for following procedures and increased communication to ensure timely and accurate payroll processing.

Management's Response: Management will implement policies to improve communication between the business office and human resources department and implement safeguards to ensure responsible business office employees are held accountable for following procedures to ensure timely and accurate payroll processing.

Finding 2023-02

Monthly and Annual Financial Reconciliation and Year End Closing Procedures Material Weakness in Internal Control

Condition: During our audit procedures we noted that timely and complete monthly and annual financial account reconciliations did not take place during 2022-2023. This resulted in a backlog of transactions and journal entries that were not posted to the District's accounting software. As a result, timely and complete financial information was not available for management and the Board of Directors to make well informed business decisions.

Criteria: Statement on auditing Standards No. 115 "*Communicating Internal Control Related Matters Identified in an Audit*" ("**SAS 115**") focuses on how the auditor communicates matters related to internal controls to the client. One area SAS 115 emphasizes is internal control over financial reporting.

Cause: The District did not properly follow its procedures of reconciling and closing its financial records on a monthly and annual basis.

Effect: Errors and/or fraud can occur and not be detected and corrected on a timely basis. Errors were identified during the year end close and as part of our audit that were corrected by management, but no instances of fraud were detected.

Recommendation: Implement safeguards to ensure responsible business office employees are held accountable for following procedures to ensure timely and complete monthly and annual financial reporting.

Management's Response: Management will implement safeguards to ensure responsible business office employees are held accountable for following procedures to ensure timely and complete monthly and annual financial reporting.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

Findings SA 2023-01 and SA 2023-02

Federal Agencies: U.S. Department of Education

Pass-through Entity: Delaware County Intermediate Unit

Special Education – Grants to States (IDEA, Part B) – Assistance Listing #84.027

Special Education – Preschool Grants (IDEA Preschool) – Assistance Listing #84.173

Material Weakness in Internal Control

See Findings 2023-01 and 2023-02.