

**RIDLEY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**



RIDLEY SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of School Directors  
 Ridley School District  
 Folsom, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Ridley School District, Folsom, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Ridley School District, Folsom, Pennsylvania as of June 30, 2020, and the respective changes in its financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



CYNTHIA FELZER LEITZELL, CPA  
STELLA C. ECONOMIDIS, CPA

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### ***Change in Accounting Principle***

As described in the Notes to the Financial Statements, in the 2018-2019 year, the District adopted new accounting guidance, GASB No. 84, *Fiduciary Activities*. This change resulted in the Payroll fund and its related assets and liabilities being absorbed by the District's General Fund. As the assets and liabilities of the fund were equal, there was no impact to the fund balance or net position. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension plan information and other post-employment benefit information on pages 3 through 9 and 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of the Ridley School District, Folsom, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ridley School District's internal control over financial reporting and compliance.

*Leitzell & Economidis, PC*

LEITZELL & ECONOMIDIS, PC  
Certified Public Accountants

Media, Pennsylvania

November 4, 2020

**RIDLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

*Unaudited*

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Ridley School District for the year ended June 30, 2020. The School District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the School District's primary government. Component units or potential component units are not included in this discussion.

**FINANCIAL HIGHLIGHTS**

The Board of Directors and Management believe the School District's financial condition is secure. Expenditures exceeded budget estimates particularly in the area of regular and special programs directly as a result of increased enrollment, charter school and private school tuition and additional special education services.

- The School District's liabilities on the government-wide basis exceeded its assets (net assets) by \$153,844,813 representing a decrease in net position of \$8,730,076. Functional expenses increased by \$8,469,806, particularly with regard to regular instructional and special education programs, student transportation programs and pupil personnel services. Revenues did increase approximately 1% despite a decrease in charges for services. Revenue increased through increased grants and taxes. Property taxes alone increased approximately 3% as a result of tax increase and enhanced collection. In the Governmental Funds, the General Fund expenditures exceeded revenues by \$4,195,151 before operating transfers to Food Service (in the amount of \$36,852) and without regard for new debt and debt refunding activities. This included debt principal payments of \$3,307,344 and capital expenditures of \$97,036. During the year, the School District's governmental funds operating revenue increased to \$110,129,589, or 2.2%. Total governmental expenditures increased from the previous year by \$6,543,851. There were significant increases in instruction costs, which included the related pension and health insurance contributions—a factor of the state requirements (increasing from 33.43% to 34.29% of eligible payroll).
- Government-wide revenue reached \$110,027,722 without regard to food service operations, a 1.5% increase over prior year primarily the result of a slight increases in charges for services and intergovernmental grants and entitlements. As noted above there was an increase in tax collections. Operating expenses within the governmental activities (within the government wide statements) increased by \$8,744,321 (not including allocated and non-allocated depreciation and amortization \$3,894,849). Regular and special education program costs increased by about \$5.8 million or 8%. Actuarial determined pension costs and post-employment costs contributed to the increase along with debt issuance costs.

- Investment earnings reflecting the overall economic conditions decreased this period by \$172,778 about 35%.
- At the close of this fiscal year, the total fund balance for the General Fund was \$10,115,654 or 9% of total General Fund revenues or 9% of total General Fund expenditures (including transfers to other funds). Of that total fund balance, \$7,780,270 has been assigned by the Board for specific future expenditures, and \$643,679 is a non-spendable resource representing prepaid expenses. Unassigned fund balance remains at 1.4% and 1.34% of total General Fund revenues and expenditures, respectively.
- The General Fund activities resulted in a deficit this period in the amount of \$4,142,659, primarily the result (as noted above) of increased enrollment for charter and private school tuition and increasing costs of special education services and inclusive of \$97,036 of building and site improvements differential in new debt and that which was refunded this period. Capital projects funds this period increased significantly as a result of new debt issued toward the end of the fiscal year. Operating revenues within the General Fund were higher than anticipated revenues by \$500,835 primarily increased state and federal funding. State revenues increased only by \$268,670 (less than 1%). Federal revenues also increased just slightly inclusive of COVID-19 related grant reimbursements of \$140,907. Expenditures in the General Fund increased 4% overall—but as previously noted instruction costs increased significantly, about 3%. Capital outlay in the General Fund was limited to about \$97,000 whereas the Capital Fund this period expended \$2,455,078 with additional debt proceeds and previous transfers of General Fund proceeds. The changes in the original to final budget reflect expenditure trends within budgetary categories.
- The District approved the issuance of two bond issuances this period and a General Obligation Note. The 2019 General Obligation Bonds were issued in the Fall in the amount of \$9,450,000 with a premium of \$544,058. The bonds have a variable interest rate with maturity from 2020 through 2032. The District further refunded its 2012 and 2013 bonds in the amount of \$7,780,000 at a fixed rate of .851%, maturing in 2027-2028 school year. In addition, the 2020 General Obligation Fund was issued toward the end of the year in the amount of \$9,045,000 with a variable rate of .7 to 4%, maturing in 2033.
- The School District's business-type activity (its food service proprietary fund) decreased its net position during this period by \$810,195. Food Service revenue decreased this period by \$475,162, revenue particularly in daily sales and the milk/lunch program and government subsidies due to the COVID-19 impact on operations. Expenditures decreased approximately 10%, primarily reflected in food purchase costs and employee benefit charges.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other

supplementary information in addition to the basic financial statements themselves. This MD&A represents management's analysis of the School District's financial condition and performance. Summary financial statement data and other management tools were utilized for analysis.

### **Government-wide financial statements**

The School District's report includes two government-wide financial statements. These statements provide both long-term and short-term information about the School District's overall status. These statements are intended to provide the reader with a broad overview of the School District's finances, similar to the perspective found in the private sector with its basis in full accrual accounting and elimination or reclassification of interfund activities.

The *Statement of Net Position* includes all of the School District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District as a whole is improving or deteriorating.

The second statement, the *Statement of Activities* presents information on how the School District's net position has changed during the most recent fiscal year. All of the current year revenue and expenses are included regardless of when cash is received or paid. Revenues and expenses are reported in this statement for some items that will result in cash flows in subsequent fiscal periods, such as uncollected taxes. An important purpose of this statement is to show the financial reliance of the School District's distinct functions on revenues provided by various sources.

Both government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenue (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities reflect the District's basic service, including instruction, instructional support, administration and transportation. Property taxes, other local taxes and state subsidies finance the majority of these services. The business-type activity of the Ridley School District consists primarily of a food service operation.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's most significant *funds*—not the School District as a whole. The funds are an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations.

The School District has three types of funds - governmental funds, proprietary funds and fiduciary funds.

#### *Governmental Funds*

Almost all of the School District's basic services are included in the governmental funds, which are used to account for essentially the same functions reported as *governmental*

activities in the government-wide financial statements. However, the governmental fund statements focus on a detailed short-term view that helps determine whether there are sufficient financial resources that are available at the end of the fiscal year or that can be spent in the near future to finance the programs and commitments of the School District.

#### *Proprietary Fund*

The Ridley School District maintains one proprietary fund. This fund reports the same functions presented as business-type activities in the government-wide statements, the food service operation of the School District.

#### *Fiduciary Funds*

Fiduciary Funds are used to account for assets held by the School District as custodial in nature including such things as student activities and private purpose trusts that are not included in the government-wide statements since these assets are not available to fund the School District's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for the 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 government's near-term financing decisions. Additional information is provided subsequent to the governmental funds statement to reconcile the differences between the two statements.

The School District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, and the capital projects fund, considered to be major funds.

**Notes to Financial Statements** - The notes to the financial statements provide required disclosures and other information essential to a full understanding of the material data provided in the government wide and fund financial statements. The notes present information about the School District's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any.

#### **Budgetary Highlights**

The School District adopted an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for those funds with legally adopted budgets to demonstrate budgetary compliance.

#### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT**

The following comparative condensed financial data serve as indicators of the School District's financial health or financial position. Table 1 below shows a condensed version of the School District's Statements of Net Position on the government-wide basis. The component change in net position is shown below in Table 2 as a condensed *Summary of Changes in Net Position*, also on the government-wide basis. Table 3 provides a comparative of the components of the capital assets from June 30, 2018 to June 30, 2019. Table 4 shows changes in outstanding debt from the 2018 fiscal year through the 2019 fiscal year.

TABLE 1  
STATEMENT OF NET POSITION  
JUNE 30,

	2020	2019
Current assets	\$ 53,554,920	\$ 39,567,806
Capital assets, net	49,431,761	51,044,730
	<u>102,986,681</u>	<u>90,612,536</u>
Deferred outflows of resources	34,543,725	31,741,732
Total assets and deferred outflows of resources	<u>137,530,406</u>	<u>122,354,268</u>
Current liabilities	15,221,667	14,445,455
Noncurrent liabilities	258,906,084	240,330,067
Total liabilities	<u>274,127,751</u>	<u>254,775,522</u>
Deferred inflow of resources	17,247,468	12,693,483
Total liabilities and deferred inflows of resources	<u>291,375,219</u>	<u>267,469,005</u>
Net position invested in capital assets	21,255,152	13,609,730
Unrestricted net position	<u>(175,099,965)</u>	<u>(158,724,467)</u>
Total net position	<u><u>\$(153,844,813)</u></u>	<u><u>\$(145,114,737)</u></u>

**TABLE 2**  
**SUMMARY OF CHANGES IN NET POSITION**  
For the years ended June 30,

	2020	2019
<b>Revenues</b>		
Property taxes	\$ 72,938,742	\$ 70,817,032
Specific purpose taxes	1,094,187	978,796
Operating grants	36,572,618	36,385,441
Investment income	324,943	497,721
Charges for services	949,410	1,158,241
Miscellaneous	75,192	1,007,821
Total revenues	<u>111,955,092</u>	<u>110,845,052</u>
<b>Operating expenses</b>		
Instruction	81,369,651	75,491,207
Community College payment	145,518	
Support services	29,911,006	27,546,405
Operation of noninstructional activities	1,250,600	1,387,657
Interest and fees on long-term debt and issuance cost	2,048,285	1,555,470
Amortization premiums/discounts and pension	(38,819)	(13,512)
Unallocated depreciation	3,894,849	3,903,893
Food service	2,104,078	2,344,242
Total operating expenses	<u>120,685,168</u>	<u>112,215,362</u>
Excess of total revenues over expenses	<u>(8,730,076)</u>	<u>(1,370,310)</u>
<b>Change in net position</b>	<u><b>\$ (8,730,076)</b></u>	<u><b>\$ (1,370,310)</b></u>

**TABLE 3**  
**CHANGES IN CAPITAL ASSETS INCLUDING CONSTRUCTION IN PROGRESS**  
**YEAR-TO-YEAR COMPARISON**  
June 30,

CAPITAL INVESTMENT	2019	2019	%Inc/Decr
Land	\$ 2,219,570	\$ 2,219,570	0.00%
Buildings	83,888,101	83,888,101	0.00%
Food service equipment	1,605,721	1,574,941	1.95%
Furniture, books, equipment and vehicles	9,029,751	8,865,036	1.86%
Building and building improvements	8,217,633	8,217,633	0.00%
Capital leases	12,581,946	12,581,946	0.00%
Construction in progress	2,117,803	-	100.00%
TOTALS	<u>\$ 119,660,525</u>	<u>\$ 117,347,227</u>	

**TABLE 4**

**CHANGES IN OUTSTANDING DEBT  
June 30,**

<u>DEBT</u>	<u>2020</u>	<u>2019</u>	<u>INC/DEC</u>
Bonds payable	\$44,180,000	\$36,005,000	\$ 8,175,000
Notes payable	8,532,000	1,430,000	7,102,000
Capital lease obligation	1,372,719	2,658,304	(1,285,585)
Total debt	<u>\$54,084,719</u>	<u>\$40,093,304</u>	<u>\$13,991,415</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

During the current fiscal year, the District ended the year with a fund balance within the general fund of \$10,115,654, within Government Finance Officers Association recommendations, thus indicating the strength of the District's financial position. The Ridley School District continues to maintain a fiscally conservative approach to our financial operations including budget management and budget development operations. During the past, the District has posted increases to the overall fund balance, much of which has been designated to cover future anticipated expenses in Capital Projects or increased costs of employee benefits. The use of any assigned or unassigned fund balances will be limited to one-time expenditure items and will not be applied to recurring expenses.

Future budget years will be impacted by potential changes in the Act 1 Index rules, the Delaware County reassessment, ongoing pandemic expenses, and continued increases in the employer contribution rate for Public School Employees Retirement System (PSERS). In addition, management is continually reviewing and developing a prioritized list of potential cost and staffing reductions that can be considered by the Ridley Board of School Directors Finance Committee. These reductions in expenses will allow the budget to be balanced within the legal Act 1 limits, since it is our belief that opting for a public budget referendum to increase the tax rate beyond the Act 1 limit would be futile given the current economic climate.

**TO CONTACT SCHOOL DISTRICT MANAGEMENT AND REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for its funds. If you have questions regarding this report or would like additional information, contact the Ridley School District, Business Office, 901 Morton Avenue, Suite 100, Folsom, PA 19033. Separate financial statements are available for the Component Unit, Ridley School District Authority, at the Ridley School District Business Office.

**RIDLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 40,811,194	\$ 1,335,256	\$ 42,146,450
Taxes receivable, net	2,244,478	-	2,244,478
Due from other governments	4,384,779	192,713	4,577,492
Other receivables	3,668,973	35,921	3,704,894
Internal balances	(5,000)	5,000	-
Inventories	140,755	97,172	237,927
Prepaid expenses	643,679	-	643,679
Nondepreciable capital assets	4,337,373	-	4,337,373
Depreciable capital assets, net	44,938,172	156,216	45,094,388
Total assets	<u>101,164,403</u>	<u>1,822,278</u>	<u>102,986,681</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Public School Employees' Retirement System	27,579,500	380,252	27,959,752
Interest rate swap mark to market	5,528,748	-	5,528,748
Other Post Employment Benefits	1,035,218	19,298	1,054,516
Discount on general obligation bonds	709	-	709
	<u>34,144,175</u>	<u>399,550</u>	<u>34,543,725</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>135,308,578</u>	<u>2,221,828</u>	<u>137,530,406</u>
<b>LIABILITIES</b>			
Accounts payable	6,197,411	112,858	6,310,269
Accrued interest	139,259	-	139,259
Accrued salaries and benefits	8,398,846	118,074	8,516,920
Accrued vacation payable	229,594	-	229,594
Unearned revenue	25,625	-	25,625
Long-term liabilities:			
Public School Employees Retirement System	178,216,834	2,457,166	180,674,000
Portion due or payable within one year			
Bonds payable	1,875,000	-	1,875,000
Notes payable	1,185,000	-	1,185,000
Capital leases payable	1,269,245	-	1,269,245
Portion due or payable after one year			
Bonds payable in future years	43,057,000	-	43,057,000
Notes payable in future years	6,595,000	-	6,595,000
Capital leases payable in future years	103,474	-	103,474
Compensated absences and other post employment benefits	23,766,960	380,405	24,147,365
Total liabilities	<u>271,059,248</u>	<u>3,068,503</u>	<u>274,127,751</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Public School Employees' Retirement System	9,433,930	130,070	9,564,000
Other Post Employment Benefits	544,922	10,158	555,080
Bond premium	1,599,640	-	1,599,640
Interest rate swap mark to market	5,528,748	-	5,528,748
	<u>17,107,240</u>	<u>140,228</u>	<u>17,247,468</u>
Total liabilities and deferred inflows of resources	<u>288,166,488</u>	<u>3,208,731</u>	<u>291,375,219</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	21,098,936	156,216	21,255,152
Restricted	-	-	-
Unrestricted	(173,956,846)	(1,143,119)	(175,099,965)
Total net position	<u>\$ (152,857,910)</u>	<u>\$ (986,903)</u>	<u>\$ (153,844,813)</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

RIDLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
Instruction:							
Regular programs	\$ 57,748,367	\$ 393,598	\$ 937,953	\$ -	\$ (56,416,816)	\$ -	\$ (56,416,816)
Special programs	20,491,566	-	3,650,786	-	(16,840,780)	-	(16,840,780)
Vocational education programs	1,139,100	-	-	-	(1,139,100)	-	(1,139,100)
Other instructional programs	1,425,066	-	14,611,379	-	13,186,313	-	13,186,313
Community/junior college programs	565,552	-	-	-	(565,552)	-	(565,552)
Support services:							
Pupil personnel services	4,777,376	-	-	-	(4,777,376)	-	(4,777,376)
Instructional staff services	1,590,719	-	-	-	(1,590,719)	-	(1,590,719)
Administration services	5,704,903	-	-	-	(5,704,903)	-	(5,704,903)
Pupil health	1,773,665	-	-	-	(1,773,665)	-	(1,773,665)
Business services	1,276,963	-	-	-	(1,276,963)	-	(1,276,963)
Operation and maintenance of plant services	7,823,415	-	-	-	(7,823,415)	-	(7,823,415)
Student transportation services	3,781,757	-	861,780	-	(2,919,977)	-	(2,919,977)
Central services and other support services	3,182,208	-	-	-	(3,182,208)	-	(3,182,208)
Operation of noninstructional services:							
Student activities	1,087,286	-	-	-	(1,087,286)	-	(1,087,286)
Community services	126,462	-	-	-	(126,462)	-	(126,462)
Transfer for Food Service	36,852	-	-	-	(36,852)	-	(36,852)
Interest and fees on long-term debt	1,693,952	-	-	-	(1,693,952)	-	(1,693,952)
Issuance costs	354,333	-	-	-	(354,333)	-	(354,333)
Community College payments	145,518	-	-	-	(145,518)	-	(145,518)
Amortization premiums/discounts and deferrals	(38,819)	-	-	-	38,819	-	38,819
Depreciation unallocated	3,894,849	-	-	-	(3,894,849)	-	(3,894,849)
Total governmental activities	118,581,090	393,598	20,061,898	-	(98,125,594)	-	(98,125,594)
<b>Business Type Activities</b>							
Food service	2,104,078	555,812	1,352,303	-	-	(195,963)	(195,963)
Total primary government	\$ 120,685,168	\$ 949,410	\$ 21,414,201	\$ -	(98,125,594)	(195,963)	(98,321,557)

**GENERAL REVENUES**

Property taxes levied for general purposes, net	72,938,742	-	72,938,742
Taxes levied for specific purposes	1,094,187	-	1,094,187
Grants/entitlements not limited to specific programs	15,158,417	-	15,158,417
Investment earnings	305,688	19,255	324,943
Miscellaneous	75,192	-	75,192
Total general revenues	89,572,226	19,255	89,591,481
Changes in net position	(8,553,368)	(176,708)	(8,730,076)
Net position - beginning of year	(144,304,542)	(810,195)	(145,114,737)
Net position - end of year	\$ (152,857,910)	\$ (986,903)	\$ (153,844,813)

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2020**

	General Fund	Capital Project Funds	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,275,803	\$ 24,535,391	\$ 40,811,194
Due from other governments	4,384,779	-	4,384,779
Taxes receivable, net	2,244,478	-	2,244,478
Other receivables	3,668,973	-	3,668,973
Prepaid expenses	643,679	-	643,679
Total assets	27,217,712	24,535,391	51,753,103
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Total assets and deferred outflows of resources	\$ 27,217,712	\$ 24,535,391	\$ 51,753,103
<b>LIABILITIES</b>			
Accounts payable	\$ 6,197,411	\$ -	\$ 6,197,411
Accrued wages payable	8,398,846	-	8,398,846
Due to Food Service	5,000	-	5,000
Accrued interest payable	1,103	-	1,103
Accrued vacation payable	229,594	-	229,594
Unearned revenue	25,625	-	25,625
Total liabilities	14,857,579	-	14,857,579
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable taxes	2,244,479	-	2,244,479
Total liabilities and deferred inflows of resources	17,102,058	-	17,102,058
<b>FUND BALANCES</b>			
Nonspendable	643,679	-	643,679
Restricted	-	-	-
Committed	-	17,654,131	17,654,131
Assigned to:			
Other purposes (see Note 1)	7,780,270	-	7,780,270
Unassigned	1,691,705	6,881,260	8,572,965
Total fund balances	10,115,654	24,535,391	34,651,045
Total liabilities, deferred inflows of resources and fund balances	\$ 27,217,712	\$ 24,535,391	\$ 51,753,103

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2020**

TOTAL GOVERNMENT FUND BALANCES	\$ 34,651,045
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Inventories	140,755
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	49,275,545
Some of the school district's revenues will be collected after the year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds:	
Deferred inflow adjustment	2,244,479
Pension plan payments made subsequent to plan measurement date	17,783,358
Changes in other deferred outflows/inflows only reflected on government wide statements	10,286,438
Certain bond issue discounts and premiums are expensed in governmental funds but amortized over a period in the government wide financial statements (as shown as net)	(1,598,931)
Mark to market SWAP deferred charge	5,528,748
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(138,156)
Net pension liability	(178,216,834)
Pension plan deferred inflow	(9,433,930)
Bonds payable	(44,932,000)
Notes payable	(7,780,000)
Capital leases payable	(1,372,719)
Mark to market SWAP liability	(5,528,748)
Post employment benefits and compensated absences	(23,766,960)
Net position of governmental activities	<u>\$ (152,857,910)</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues</b>			
Local sources	\$ 74,990,157	\$ 95,837	\$ 75,085,994
State sources	32,662,073	-	32,662,073
Federal sources	2,381,522	-	2,381,522
Total revenues	<u>110,033,752</u>	<u>95,837</u>	<u>110,129,589</u>
<b>Expenditures</b>			
Instruction	77,830,300	-	77,830,300
Support services	30,012,037	-	30,012,037
Noninstructional services	1,167,111	4,607	1,171,718
Debt service:			
Principal	3,307,344	-	3,307,344
Community College	145,518	-	145,518
Line of credit fees and interest	110,929	-	110,929
Interest	1,469,284	-	1,469,284
Issuance costs	89,344	264,989	354,333
Capital outlay:			
Building and site improvements	97,036	2,185,482	2,282,518
Total expenditures	<u>114,228,903</u>	<u>2,455,078</u>	<u>116,683,981</u>
Excess (deficiency) of revenues under expenditures	<u>(4,195,151)</u>	<u>(2,359,241)</u>	<u>(6,554,392)</u>
<b>Other financing sources (uses)</b>			
Proceeds of debt	7,780,000	18,495,000	26,275,000
Refunding of debt	(7,690,656)	-	(7,690,656)
Premium	-	1,493,564	1,493,564
Operating transfers out	(36,852)	-	(36,852)
Total other financing sources (uses)	<u>52,492</u>	<u>19,988,564</u>	<u>20,041,056</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,142,659)</u>	<u>17,629,323</u>	<u>13,486,664</u>
Fund balances - beginning of year	<u>14,258,313</u>	<u>6,906,068</u>	<u>21,164,381</u>
Fund balances - end of year	<u>\$ 10,115,654</u>	<u>\$ 24,535,391</u>	<u>\$ 34,651,045</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2020**

Net changes in fund balances - total governmental funds	\$ 13,486,664
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	(101,866)
Consumable inventories are expended in the governmental funds as a current financial use, but are not reported as expenditures on the Statement of Activities, but rather capitalized on the Statement of Net Position - Current year	140,755
Prior year	(114,320)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and amortization exceeded capital outlays	
Depreciation and amortization	(3,894,849)
Capital outlay	2,282,518
Lease payments	1,285,585
	(326,746)
Pension plan contributions are not expenses on the government wide financial statements but are either a reduction of net pension liability or a deferred outflow if made subsequent to the Plan measurement date	17,783,358
School District incurs a proportionate share of pension plan expenses for the period as reported by the Public School Employees Retirement System	(20,885,215)
Repayment of principal on bonds, notes (including refunding) and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets including SWAP payments	(15,277,000)
Bond discounts and premiums are amortized over the lives of the bonds in the government wide financial statements, but had previously been recorded as expenditures or revenue in the governmental funds;	(1,454,745)
Compensated absences and early retirement incentive payments as well as accruals of post employment benefits do not require the use of current financial resources and consequently are not reported as expenditures in governmental funds	(1,690,514)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt in the statement of activities	(113,739)
Change in net position of governmental activities	\$ (8,553,368)

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
STATEMENT OF NET POSITION**

**PROPRIETARY FUND  
(FOOD SERVICE)**

**JUNE 30, 2020**

<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,335,256
Accounts receivable	35,921
Due from General Fund	5,000
Subsidy receivable	192,713
Inventories	97,172
Total current assets	<u>1,666,062</u>
Property and equipment	
Depreciable capital assets	1,605,722
Accumulated depreciation	<u>(1,449,506)</u>
Total property and equipment, net	<u>156,216</u>
<b>Deferred Outflows of Resources</b>	
Public School Employees' Retirement System	380,252
Other Post Employment Benefits	19,298
Total deferred outflows of resources	<u>399,550</u>
Total assets and deferred outflows of resources	<u>\$ 2,221,828</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 112,858
Payroll payable	118,074
Total current liabilities	<u>230,932</u>
Non-current liabilities	
Pension plan payable	2,457,166
Accrued compensated absences and other post employment benefits	380,405
Total non-current liabilities	<u>2,837,571</u>
Total liabilities	<u>3,068,503</u>
<b>Deferred Inflows of Resources</b>	
Public School Employees' Retirement System	130,070
Other Post Employment Benefits	10,158
Total liabilities and deferred inflows of resources	<u>3,208,731</u>
<b>Net position</b>	
Invested in capital assets, net of related debt	156,216
Unrestricted	<u>(1,143,119)</u>
Total net position	<u>(986,903)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,221,828</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**PROPRIETARY FUND  
(FOOD SERVICE)**

**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Operating revenue</b>	
Food service revenue	\$ 518,960
State sources	55,613
Federal sources	<u>1,296,690</u>
Total operating revenue	<u>1,871,263</u>
 <b>Operating expenses</b>	
Salaries and wages	735,617
Employee benefits	382,138
Food purchases	622,621
Donated commodities	149,346
Professional services	3,656
Depreciation	31,420
Travel	11,728
Repairs and maintenance	25,157
General supplies	69,060
Administrative and small equipment purchases	<u>73,335</u>
Total operating expenses	<u>2,104,078</u>
Operating loss	<u>(232,815)</u>
 <b>Nonoperating revenues</b>	
Transfer from General Fund	36,852
Interest earnings	<u>19,255</u>
Total nonoperating revenues	<u>56,107</u>
Change in net assets	(176,708)
Net position - beginning of year	(810,195)
Net position - end of year	<u>\$ (986,903)</u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND  
(FOOD SERVICE)**

**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,710,556
Payments to suppliers	(670,961)
Payments to and on behalf of employees	<u>(1,148,536)</u>
Net cash flows used by operating activities	<u>(108,941)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers	36,852
Interfund loan	<u>(5,000)</u>
Net cash flows provided by noncapital financing activities	<u>31,852</u>
<b>Cash flows from capital financing activities</b>	
Purchase of capital assets	<u>(30,781)</u>
Net cash flows used by capital financing activities	<u>(30,781)</u>
<b>Cash flows from investing activities</b>	
Interest earnings	<u>19,255</u>
Net cash flows provided by investing activities	<u>19,255</u>
Net decrease in cash and cash equivalents	(88,615)
Cash and cash equivalents - beginning of year	<u>1,423,871</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,335,256</u></u>
<b>Reconciliation of operating loss to net cash flows from operating activities</b>	
Operating loss	\$ (232,815)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	31,420
(Increase) decrease in assets:	
Subsidy receivable	(6,100)
Other receivables	(5,261)
Inventories	(43,459)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	57,796
Differentials in pension and OPEB liabilities and deferrals	<u>89,478</u>
Net cash flows used by operating activities	<u><u>\$ (108,941)</u></u>
<b>Noncash transactions</b>	
Donated commodities	<u><u>\$ 149,346</u></u>

The accompanying notes to the basic financial statements are an integral part of this financial statement.

**RIDLEY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND**

**JUNE 30, 2020**

	<u>Student Activity Fund</u>	<u>Scholarship Fund</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 679,737	\$ 191,172	\$ 870,909
Total assets	<u>\$ 679,737</u>	<u>\$ 191,172</u>	<u>\$ 870,909</u>
<b>Liabilities</b>			
Student activities	\$ 679,737	\$ -	\$ 679,737
Escrow liability	-	191,172	191,172
Total liabilities	<u>679,737</u>	<u>191,172</u>	<u>870,909</u>
<b>Net position</b>			
Net position	-	-	-
Total liabilities and net position	<u>\$ 679,737</u>	<u>\$ 191,172</u>	<u>\$ 870,909</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ridley School District (the "School District") operates seven elementary schools, one middle school, and one high school in Ridley Township and the Boroughs of Ridley Park and Eddystone, Pennsylvania. The School District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The School District operates under a locally elected nine-member Board form of government.

The Board has the power and responsibility to establish, equip, furnish and maintain the schools necessary to educate eligible students. In order to establish, equip, furnish, operate and maintain any schools, or to pay any school indebtedness that the district is required to pay, the Board is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the Pennsylvania legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949, as amended.

The basic financial statements of the School District have been prepared in accordance with U.S. 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.

Other of the more significant of the School District's accounting policies are as follows:

**Reporting Entity** – In evaluating the School District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and, as such, be includable within the District's financial statements. In accordance with the Statements of the Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burden on the District. Additionally, the primary government (The School District) is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of the above criteria, the District has determined that it has no reportable component units.

Previously, the District reported the Ridley School District Authority as a component unit. The assets and/or liabilities of this entity are no longer material to these financial statements.

The following authority and joint venture/tax collectors are not component units of the School District and are not included in the School District's reporting entity.

Ridley School District Authority (the "Authority") – is a municipal authority affiliated with the School District. The Authority was created pursuant to the resolution of the Board of School Directors of Ridley School District adopted on August 26, 2002 and incorporated under the Pennsylvania Municipal Authority Act on September 13, 2002. The purpose of the Authority is to acquire real property from the School District and fund the cost of constructing capital improvements to various

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

School District buildings by the School District. The Authority, at the request of the School District, undertakes projects. Financing is accomplished through the issuance of school revenue bonds under the provision of trust indentures, which are secured by leases with the School District.

*Delaware County Vocational-Technical School Authority ("DCVTSA")* – is a separate legal entity. The School District is also a member of DCVTSA. On April 1, 1967, DCVTSA entered into a lease agreement with the member school districts and the DCVTSA Board to provide for the acquisition, holding, constructing, improving, maintaining, operating and leasing public area vocational-technical school buildings and other school projects acquired, constructed or improved for public school purposes, and for such other purposes, as may be authorized by law.

*Tax Collectors* – are elected officers who collect taxes on behalf of the municipalities in the School District and for the School District in the county. The School District regards the tax collectors' offices as separate legal entities.

**Fund Accounting** – The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

**Government-wide and Fund Financial Statements**

*Government-Wide Financial Statements* – The statement of net position and statement of activities report information on all of the nonfiduciary activities of the School District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

*Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the Proprietary Fund and the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net positions (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased the net assets. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Governmental Funds' financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

The emphasis is placed on major funds within the governmental categories. A fund for the purposes of these financial statements is considered major if it is the primary operating fund (General Fund) or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of the fund are at least ten percent of the total for all funds of that category or type; and
2. Total assets, liabilities, revenues or expenditures of the fund are at least five percent of the total for all funds combined.
3. Other funds not necessarily meeting the above criteria are shown in these financial statements as major per the District's discretion.

The District reports the following major governmental funds:

*Governmental Funds* – include the following:

*General Fund* – The principal operating fund of the School District used to account for all financial resources except those required to be in another fund.

*Capital Projects Fund* – To account for the financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond and note agreements.

The School District does not have any non-major governmental funds.

*Proprietary Fund* – This is the fund that accounts for the operations of the School District that is financed and operated in a manner similar to those often found in the private sector. The fund included in this category is:

*Food Service* – Used to account for the operation of the cafeterias. This fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenue of the School

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

District's Proprietary Fund is food service charges and federal and state subsidy revenue. Operating expenses for the School District's Proprietary Fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Fiduciary Funds* – These are the funds that account for the assets held by the School District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the School District's own programs. The funds included in this category include the Student Activity Fund and the Scholarship Fund. These funds are held by the School District as custodial in nature and do not present results of operations or have a measurement focus.

**Budgets and Budgetary Accounting** – An operating 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.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School 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 ten days prior to when the Board takes final action on adoption.

Legal budgetary control is maintained at the subfunction/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the subfunction/sub object level without Board approval. 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.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the programs. These budgets are approved on a program-by-program basis by the federal and state funding agencies.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following presents those areas which incurred an excess of expenditures over appropriations for the year ended June 30, 2020 as follows:

General Fund	Excess Expenditure over Legally Adopted Budget
Regular Programs	\$ 347,367
Special Programs	\$ 2,374,026
Other Instructional Programs	\$ 241,767
Community College Programs	\$ 141,388
Other Support Services	\$ 101,639

The General Fund had sufficient revenue and/or fund balance to allow these additional expenditures. The significant overages in regular programs and special education programs were the result of increases in enrollment, charter school and private school tuition and special education services.

**Fund Balance** –In the fund financial statements, governmental fund balance is presented in five possible categories:

*Nonspendable* - resources which cannot be spent because they are either a) not in spendable form) or; b) legally or contractually required to be maintained intact.

*Restricted* - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

*Assigned* - resources neither restricted nor committed for which a government has a stated intended use as established by the Board or an official to which the Board has delegated the authority to assign amounts for specific purposes.

*Unassigned* - resources which cannot be properly classified in one of the other four categories. The General fund and Capital Project Funds are the only funds that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In the general fund, the School District has assigned fund balance shown on these financial statements as other purposes as follows:

Reserve for debt service	\$ 1,000,000
Future payments for unused sick leave and vacation for administrators	125,000
Reserve for increase in pension costs	200,000
Utilization of fund balance for 2020-2021	4,955,270
Bus buyback	1,500,000
Assigned fund balance	<u>\$ 7,780,270</u>

**Net Position** – Net position represents the difference between assets and the deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment of capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. Unrestricted net position is the portion of net position which is not restricted as to use.

**Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories** – In the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2020. The inventory consisted of both supplies purchased and government-donated commodities that were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

**Prepaid Expenses** – In both the government-wide and fund financial statements, prepaid expenses are reported as assets in the specific Funds in which future benefits will be derived.

**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. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful live in excess of one year.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and building improvements	30-40
Site improvements	15-30
Furniture, equipment and books	5-20
Vehicles	5

**Cash and Cash Equivalents** – For purposes of the statement of cash flows for the Proprietary Fund, the School District considers all cash on hand and deposits with maturities of three months or less to be cash equivalents.

**Deferred Inflows and Outflows of Resources**

Deferred outflows of resources include such items as:

- Grants paid in advance to a grantee
- Deferred amounts from refunding of debt
- Decrease in value of derivative instruments
- Payments made to a pension fund after the actuarial year but before the end of the fiscal year

Deferred inflows of resources include such items as:

- Grants received in advance when time requirements are the only eligibility requirement that has not been met
- Resources received in advance that are related to an imposed nonexchange transaction such as prepaid taxes
- Assets recorded in governmental fund financial statements for which revenue is not available such as taxes receivable, previously reported as "deferred" revenue in the fund financial statements
- Current and advance refunding related items
- Increase in fair value of derivative instruments
- Service concession arrangements for up-front payments.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Long-Term Obligations** – In the government-wide financial statements, and Proprietary Fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Proprietary Fund type statement of net position. Bond premiums and discounts are deferred and amortized on a straight-line basis over the life of the bonds.

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 and bond premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates** – The preparation of financial statements in conformity with U.S. 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.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Investments** – Investments, if any, would be valued at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing seller and a willing buyer.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices.

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Cash and cash equivalents and investments consist of demand and time deposits at various financial institutions, money market mutual fund investments in Pennsylvania Local Government Investment Trust ("PLGIT"), the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and cash on hand of \$4,717. The market value of deposits is equal to the cost of the deposits. Investments are stated at cost, including accrued interest, which approximates market value.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

Checking, savings and money market accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 of 1971.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

- a. The counterparty, or
- b. The counterparty's trust department or agent but not in the government's name.

Depository accounts, money market accounts and external investment pool accounts of all funds in the District, including Governmental, Proprietary and Fiduciary funds are as follows:

	Carrying Amount		Total
	Primary Government	Fiduciary	
Demand deposits	\$ 40,227,351	\$ 727,362	\$ 40,954,713
PLGIT	1,691,508	388	1,691,896
PSDLAF	222,724	143,159	365,883
Petty cash	4,867	-	4,867
	<u>\$ 42,146,450</u>	<u>\$ 870,909</u>	<u>\$ 43,017,359</u>

Custodial risk is the risk that in the event of a failure, the government's deposits may not be returned to it. However, as noted above, deposits that are not FDIC insured are collateralized pursuant to Act 72.

The School District invests in the PLGIT and the PSDLAF, as authorized by the Board. PLGIT ensures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds \$100,000, unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

The School District entered into a forward starting interest rate swap agreement with the intention of locking in a fixed rate upon the refunding of the 1999 General Obligation bonds in a notional amount of \$40,845,000 (the fixed payer swap). The intention was to lock in a fixed rate with the refunding of the outstanding Series 1999 bonds. The School District did not receive any payments this period in payments which have been past years considered to be a reduction in interest expense. The effective date of the Swap was May 15, 2009 corresponding to the call date and the current refunding on the 1999 bonds. The bonds and the related swap agreement mature on November 1, 2029. Based on the swap agreement, the District will owe interest calculated at a fixed rate of 4.43% to the counterparty of the swap. In return, the counterparty would owe the District a floating rate interest based on 67% of the one-month London Inter-Bank Offered Rate (LIBOR).

In July 2006, an additional interest rate agreement (a constant maturity swap-CMS) was entered into representing a mirror image of the existing agreement designed to balance the risk assessment

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

of the arrangement. This constant maturity swap was also based on a forward effective date of May 15, 2009. In this transaction, the School District would pay to the counterparty 67% of the LIBOR, receiving in return 60.07% of the ten-year swap rate. The initial notional amount of the CMS was \$40,320,000. The fixed payer Swap had a fair value at June 30, 2020 of \$(6,036,576). The CMS swap value at year end was \$ 507,828 The fair values of both instruments were provided by an independent advisory firm. The net value of the two swap's are shown on these financial statements on the Statement of Net Position as both a deferred outflow and deferred inflow of resources pursuant to government accounting standards.

The District was not exposed to credit risk because, at June 30, 2020, the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap becomes positive, the District would be exposed to credit risk in the amount of the respective swap agreement's fair value. The Royal Bank of Canada, with whom both swaps are executed, is rated AA- by Standard & Poor's and Aa2 by Moody's Investor Service as of the most recent rating analysis. The School District would be exposed to basis risk when circumstances change when the overall synthetic rate on the bonds change from the intended synthetic fixed rate of 4.43%. If a change occurs that results in the rates moving adversely then the expected cost savings in the transaction may not be realized. The School District or counterparty may terminate the swap if the other party fails to perform under the terms of the contract or by the District if the counterparty's credit rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's Investors Service. If the swap once effective pursuant to the contract (May 15, 2009) is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of such termination the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap fair value.

**NOTE 3. REAL ESTATE TAXES AND DEFERRED INFLOWS**

The School District has three independently elected tax collectors who bill and collect the School District's property taxes based upon assessments provided by the County of Delaware. The School District's tax rate for the year ended June 30, 2020 was 41.3 mills (\$41.30 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

July 1	-Levy date
July 1 - August 31	-2% discount period
September 1 - October 31	-Face payment period
November 1 - December 30	-10% penalty period
December 31	-Lien date

All taxes, net of uncollectible amounts (as determined by the administration) are recognized in the period for which levied in the government-wide financial statements, regardless of when collected. In the governmental fund financial statements, a portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred. Current tax collections for the District were approximately 98.36% of the total tax levy.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3. REAL ESTATE TAXES AND DEFERRED INFLOWS (continued)**

The balances as of June 30, 2020, are as follows:

Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible
\$2,290,284	\$45,806	\$2,244,478

**NOTE 4. DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the School District. As of June 30, 2020, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Totals
Federal	\$ 863,460	\$ 184,900	\$ 1,048,360
State	3,117,866	7,813	3,125,679
Local	403,453	-	403,453
	\$ 4,384,779	\$ 192,713	\$ 4,577,492

**NOTE 5. DUE FROM/TO OTHER FUNDS AND TRANSFERS**

Interfund receivables and payables arise from interfund transactions. Principally, these amounts result from operating subsidies or loans. Interfund receivables and payables are eliminated within the government-wide financial statements but are shown on the governmental fund statements. These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and payments between the funds are made.

At year end, there remained an interfund receivable and payable between General Fund and Food Service fund in the amount of \$5,000.

	Due from other funds	Due to other funds
General fund	\$ -	\$ 5,000
Food Service	5,000	-
	\$ 5,000	\$ 5,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts as debt service from the funds collecting the receipts as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds pursuant to authorizations.

RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 5. DUE FROM/TO OTHER FUNDS AND TRANSFERS (continued)

*Interfund transfers:*

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
General fund	\$ 36,852	\$ -
Proprietary fund (Food Service)	-	36,852
	<u>\$ 36,852</u>	<u>\$ 36,852</u>

NOTE 6. OTHER RECEIVABLES

Other governmental receivables include the following:

<b><i>Governmental Activities</i></b>	
Bus and caravan buy back	\$ 3,374,488
Food Service share of charges	57,382
Delaware County Healthcare Trust	191,623
E-Rate committed funds	38,784
Other reimbursements and fees	6,696
	<u>\$ 3,668,973</u>
<b><i>Business-Type Activities</i></b>	
Meal support grant	\$ 10,000
Food Service equipment grant	25,524
General Fund reimbursement	397
	<u>\$ 35,921</u>

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance 07/01/19	Additions	Deletions	Balance 06/30/20
<i><u>Governmental Activities</u></i>				
Capital assets not being depreciated				
Construction-in-progress	\$ -	\$ 2,117,803	\$ -	\$ 2,117,803
Land	2,219,570	-	-	2,219,570
Total capital assets not being depreciated	2,219,570	2,117,803	-	4,337,373
Capital assets being depreciated				
Site improvements	8,217,633	-	-	8,217,633
Building and building improvements	83,888,101	-	-	83,888,101
Furniture, equipment and books	8,612,677	164,715	-	8,777,392
Vehicles	252,359	-	-	252,359
Capital leases	12,581,946	-	-	12,581,946
Total capital assets being depreciated	113,552,716	164,715	-	113,717,431
Total capital assets	115,772,286	2,282,518	-	118,054,804
Accumulated depreciation	(64,884,410)	(3,894,849)	-	(68,779,259)
Capital assets, net of depreciation	\$ 50,887,876	\$ (1,612,331)	\$ -	\$ 49,275,545
<i><u>Business Type Activities</u></i>				
Capital assets being depreciated				
Equipment	\$ 1,574,940	\$ 30,781	\$ -	\$ 1,605,721
Total capital assets being depreciated	1,574,940	30,781	-	1,605,721
Accumulated depreciation	(1,418,085)	(31,420)	-	(1,449,505)
Capital assets, net of depreciation	\$ 156,855	\$ (639)	\$ -	\$ 156,216
<i><u>Governmental and Business Type Activities</u></i>				
Total capital assets	\$ 117,347,226	\$ 2,313,299	\$ -	\$ 119,660,525
Accumulated depreciation	(66,302,495)	(3,926,269)	-	(70,228,764)
Total capital assets, net of depreciation	\$ 51,044,731	\$ (1,612,970)	\$ -	\$ 49,431,761

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7. CHANGES IN CAPITAL ASSETS (continued)**

Depreciation and amortization expense were charged to function/programs of the primary government as follows:

**Governmental activities**

General government	
Total amortization expense - governmental activities	\$ 1,285,585
Total depreciation expense - governmental activities	<u>2,609,264</u>
	<u>\$ 3,894,849</u>

**Business-type activities**

Food service	\$ 31,420
Total depreciation expense - business-type activities	<u>\$ 31,420</u>

**NOTE 8. LONG-TERM LIABILITIES**

During the fiscal year ended June 30, 2020, the School District's long-term liabilities changed as follows:

	Balance			Balance	Amounts Due
	July 1, 2019	Additions	Reductions	June 30, 2020	Within One Year
General obligation bonds	\$ 36,005,000	\$ 18,495,000	\$ 10,320,000	\$ 44,180,000	\$ 1,875,000
General obligation notes	1,430,000	7,780,000	678,000	8,532,000	1,185,000
Capital lease obligations	2,658,304	-	1,285,585	1,372,719	1,269,245
	<u>\$ 40,093,304</u>	<u>\$ 26,275,000</u>	<u>\$ 12,283,585</u>	<u>\$ 54,084,719</u>	<u>\$ 4,329,245</u>
Other Post Employment Benefits	\$ 19,250,627	\$ 649,959	\$ -	\$ 19,900,586	\$ -
Compensated absences	3,328,138	494,491	-	3,822,629	-
Early retirement incentive plan	520,000	-	95,850	424,150	-
	<u>\$ 23,098,765</u>	<u>\$ 1,144,450</u>	<u>\$ 95,850</u>	<u>\$ 24,147,365</u>	<u>\$ -</u>

**General Obligation Bonds**

General Obligation Bonds, Series of 2009, resulted from a refunding of a Series 1999 bonds in the amount of \$41,145,000, the refunding requiring School District funds of \$991,250 applied to the redemption of the prior bonds. The Series 1999 bonds were originally in the aggregate principal amount of \$44,530,000. The proceeds of the 1999 issue were used to pay a portion of the cost of constructing a new comprehensive high school, to pay the cost of constructing a twelve classroom addition to the middle school, to pay the cost of demolishing a building on the property on which the new high school was constructed, to pay the cost of capitalizing a portion of interest on the Bonds, and to pay the cost of issuing and insuring the Bonds. This refunding, as reported above in Note 2 was part of an interest rate SWAP agreement for which the District will owe interest calculated at a fixed rate of 4.43% to the counterparty of the SWAP. The bonds maturity dates run through the school district fiscal year ending June 30, 2030.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8. LONG-TERM LIABILITIES (continued)**

In 2012, the District issued \$9,210,000 in general obligation bonds with the intent of refunding the Series 2007 general obligation bonds remaining in the amount of \$8,945,060 and to fund the cost of the new issuance as well as the cost and expenses of the refunding and insurance related to the 2012 bonds. The General Obligation Bonds, Series of 2012, had varying interest rates ranging from .27% to 2.75% with maturity dates from 2013 to 2028.

During the year ended June 30, 2013, the District issued \$4,425,000 in general obligation bonds with the intent of refunding the 2008 general obligation bonds remaining in the amount of \$4,335,000 and to fund the cost of the new issuance as well as the cost and expenses of the refunding and insurance related to the 2013 bonds. The General Obligation Bonds, Series of 2013, had varying interest rates ranging from .4% to 2.5% with maturity dates from 2013 to 2028.

During the year ended June 30, 2020, the District refunded the 2012 and 2013 bonds with general obligation notes in the amount of \$7,780,000 as noted below.

Also, during the year ended June 30, 2020, the District issued a variable rate bond in the amount of \$9,450,000 to fund various capital projects as well as the cost of issuance. The bond carried a variable rate of 1.35 to 4.0 percent, with maturity date of 2032.

In addition, the District further issued variable bonds in the amount of \$9,045,000 to fund various capital projects and the costs of issuance. The bonds carry a variable rate of .7 to 4 percent, maturing in 2033.

**General Obligation Notes**

In 2005, the District authorized non-electoral debt in the amount of \$5,250,000 for the purpose of providing funds for and toward capital projects through the purchase of its General Obligation Note, Series 2005 from Emmaus General Authority which matured during this year.

The District in 2007 authorized non-electoral debt in the amount of \$3,060,000 for the purpose of providing funds for and toward capital projects through the purchase of its General Obligation Note, Series of 2007 by Dauphin County General Authority at varying interest rate with maturity dates from 2008 through 2023. In 2009, the District issued a general obligation note in the amount of \$2,945,000 to refinance the existing and remaining debt of the 2007 General Obligation Note of the Dauphin County General Authority. This general obligation note carried a fixed rate of interest of 3.9% for two years, expiring December 1, 2012. The District refunded that Note in the remaining balance of \$2,702,000 with a General Obligation Note of 2012 in the amount of \$2,758,000. The term of the original note is not extended beyond the original term which went through May 25, 2023. Interest rates are variable from .96% through 2.883%.

As noted above, the District refunded the 2012 and 2013 bond issuances through a note in the amount of \$7,780,000. These general obligation notes were variable rate notes with a fixed rate conversion of .851 percent, maturing in 2033. Present value and gross saving of the refunding totaled \$370,977 and \$371,004, respectively.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8. LONG-TERM LIABILITIES (continued)**

The following schedule presents a summary of the School District's indebtedness at fiscal year-end:

	<u>Principal Remaining</u>	<u>Maturity</u>
General Obligation Note Series 2020	\$ 7,780,000	10/25/33
	<u>7,780,000</u>	
General Obligation Bond Series 2009	25,685,000	11/01/29
General Obligation Bond Series 2011	752,000	05/25/23
General Obligation Bond Series 2019	9,450,000	09/15/32
General Obligation Bond Series 2020	9,045,000	10/25/33
	<u>44,932,000</u>	
Total General Obligation Notes and Bonds	<u>\$52,712,000</u>	

The following schedule represents the required debt service payments for the School District's general obligation bonds and notes through the year ending June 30, 2034. Interest payments shown are fixed. Interest costs for variable indebtedness are estimated within the information presented below:

<u>Years Ending June 30,</u>	<u>General Obligation Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,060,000	\$ 1,653,226	\$ 4,713,226
2022	3,272,000	1,629,980	4,901,980
2023	3,391,000	1,614,942	5,005,942
2024	3,528,000	1,596,647	5,124,647
2025	3,657,000	1,576,309	5,233,309
2026-2030	20,754,000	7,564,072	28,318,072
2031-2034	15,050,000	1,017,650	16,067,650
	<u>\$ 52,712,000</u>	<u>\$ 16,652,826</u>	<u>\$ 69,364,826</u>

**Letter of Credit**

The District maintains a Letter of Credit with TD Bank in connection with its 2009 bond issuance in the amount of \$29,130,000. This irrevocable line of credit expires June 1, 2021 for renewal with a final maturity of November 1, 2029. It is secured by the full faith, credit and taxing power of the District and carries a current annual fee of .4%.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 8. LONG-TERM LIABILITIES (continued)**

**Capital Lease Obligations** – The School District has entered into several capital leases. The remaining leases have a total initial obligation of \$4,643,689 and are as follows:

Apple Financial Services for IPADS, Air Cases and AppleCare with an historical cost of \$2,017,709 on June 30, 2017, for a period of 48 months beginning in July 2017 with an annual payment of \$503,735.

Apple Financial Services for IPADS, Air Cases and AppleCare with an historical cost of \$2,131,185 on July 15, 2018, for a period of 36 months beginning in July 2018 with an annual payment of \$710,395.

Ricoh for copier equipment on December 12, 2016 in the amount of \$422,000 for a period of 60 months with an annual loan payment of \$89,973.

Ford Credit for a Maintenance Truck with an historical cost of \$36,946 on October 25, 2017 for a period of 60 months with an annual payment of \$6,492.

Ford Credit for a Maintenance Truck with an historical cost of \$35,849 on July 1, 2017 for a period of 48 months with an annual payment of \$6,275 and a final year payment of \$5,755.

The amortization expense on all capital leases, which is included as part of the depreciation, was \$1,285,585 for the year ended June 30, 2020.

Annual minimum future lease payments under the capital leases as of June 30, 2020, for each of the remaining years and in the aggregate are:

<b>Years ending June 30,</b>	
2021	\$ 1,316,870
2022	97,889
Total minimum lease payments	<u>1,414,759</u>
Less: Amount representing interest	(42,040)
Present value of minimum lease payments	<u><u>\$ 1,372,719</u></u>

**Authority Lease Obligations** – Remaining scheduled rental payments to be paid to DCVTSA under terms of executed lease agreements were satisfied in a prior school year. This amount was equivalent to the remainder of outstanding bond principal on the District's share of the debt of the authority, which was issued to finance the leased projects. There were no Authority lease obligations pending at June 30, 2020.

The lease agreements generally provide that in the event the individual authorities either retire all of their outstanding obligations that were issued to finance school facilities' construction or acquisition, or accumulate sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, no subsequently scheduled rental payments need be made.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 8. LONG-TERM LIABILITIES (continued)**

**Accumulated Compensated Absences** – School District policies applicable to vacation and sick pay for employees are as follows:

Sick pay – Sick leave is granted as appropriate (medical evidence required) with budgetary provision being made annually for the estimated cost of substitute personnel. Contractual provisions with teachers require payment at the rate of \$100 per day not to exceed \$20,500 for accumulated unused sick leave days on retirement. Paraprofessional staff accumulates unused sick pay at a rate of \$30 per day; with five years of service (100 day maximum), \$40 per day with ten years of service (100 day maximum), \$50 per day with fifteen years of service (100 day maximum) and \$60 per day with twenty years of service (100 day maximum), not to exceed a total of \$5,500. Other support personnel may accumulate 155 days not to exceed \$10,152 at the following rates: \$35.50 per day with five years of service; \$45.50 per day with ten years of service; \$55.50 per day with fifteen years of service; and \$65.50 per day with twenty years of service. Administrators accumulate sick pay at a rate of \$125 per day. The accrued cost of sick pay as of June 30, 2020, was \$3,813,442 for the governmental funds and \$9,187 for the business-type activity, for a total of \$3,822,629. Such amounts are included in accumulated compensated absences.

**Early Retirement Incentive Plan** – The School District has an Early Retirement Incentive Plan for health care benefits. For those participating in the plan, the estimated health care cost liability, which will be payable for retirees in fiscal years after 2020 was \$424,150 and was accrued as a liability as of June 30, 2020.

**NOTE 9. VACATION PAY**

Vacation pay – The accrued cost for vacation pay for both the governmental and business type activity (food service) as of June 30, 2020 was \$229,594. This is considered a short-term liability and is reflected as such in these financial statements.

**NOTE 10. OPERATING LEASES**

The School District has entered into certain operating leases for varying pieces of equipment for periods ending from July 2017 through April 28, 2025. Future operating lease payments as of June 30, 2020 are as follows:

	2021	\$	105,826
	2022		80,611
	2023		43,903
	2024		22,698
	2025		3,911
Total		\$	<u>256,949</u>

Operating lease expense for the current period was \$ 119,360.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11. PENSION PLAN**

**Plan Description** – School districts in the Commonwealth of Pennsylvania (Commonwealth) participate in the Public School Employees' Retirement System ("PSERS"), a governmental cost sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth. Members eligible to participate in the system include all full-time public school employees, hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the PSERS Board of Trustees, consisting of 15 members including the Secretary of Education, The Secretary of Banking and Securities, the State Treasurer, Executive Director of the Pennsylvania School Boards Association, one member appointed by the Governor, six elected members (three from the System's certified members, one from among the System's certified members, one from among the System's noncertified members, one from among the System's annuitants, and one from among school board members in Pennsylvania), two members from the Senate and two members from the House of Representatives. The chairman of the Board is elected by the Board members. Each ex-officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

Authority is established by the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA. C.S. 8101- 8535). The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125 or going to PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

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 PSERS and additions and/or deductions from PSERS 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. Pension expense as reported by PSERS is included in the applicable functional expense pursuant to the proportion in which the contributions are charged accordingly. Investments are reported at fair value.

**Benefits provided**—PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching a) age 62 with at least one year of credited service; b) age 60 with 30 or more years of credited service; or c) 35 or more years of service regardless of age. Act 120 of 2010 preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E and Membership Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11. PENSION PLAN (continued)**

benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending on the membership class, of the member's final average salary (as defined by 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** – The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined PSERS prior to July 22, 1983, contribute 5.25% (Membership Class T-C) or 6.50% (Membership Class T-D) of the member's qualifying compensation. For members joining PSERS on or after July 22, 1983 and before June 30, 2001, the contribution rate is 6.25% (Membership Class T-C) or 7.50% (Membership Class T-D) of qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% of qualifying compensation. All new hires after June 30, 2011 who elect T-F membership contribute at 10.3% of qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%. During this period PSERS adopted a defined contribution component (Act 5) which allowed certain membership classes the option to elect into the prospectively into one of the new Act 5 membership classes that have a lower defined benefit but adds a defined contribution. Public school employees who became PSERS members before July 1, 2019 are not required to elect into one of the Act 5 membership classes.

Contributions required of employers are based upon an actuarial valuation. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by PSERS members during the year, with an additional amount to finance a portion of any unfunded accrued liability. The School District's contractually required contribution for fiscal year ended June 30, 2020 was 33.36% of covered payroll for pension, .84% for healthcare insurance premium assistance, and .09% for Defined Contribution. Contributions to the pension plan from the District were \$18,924,456 for the year ended June 30, 2020 which represented 100% of the required contribution. For the fiscal year ended June 30, 2019, the rate of employer's contribution was 34.43% of covered payroll. The 34.43% is comprised of a pension contribution rate of 32.6% for pension benefits and .83% for healthcare insurance premium assistance. School District contributions to the plan inclusive of pension benefits for the two preceding years were \$17,716,649 and \$16,158,711 for the years ended June 30, 2019 and June 30, 2018, respectively. Covered payroll for the measurement period was \$52,264,542.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11. PENSION PLAN (continued)**

**Pension liabilities, pension expense and deferred outflows and deferred inflows of resources related to pensions** - At June 30, 2020, the School District reported a liability of \$180,674,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019 (measurement date). 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, 2019, the District's proportion was .3690% which was an increase from its proportion of .3862% measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense in the government wide funds of \$20,885,214. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 995,000	\$ 5,988,000
Changes in assumptions	1,727,000	-
Net difference between projected and actual investment earnings		518,000
Changes in proportions	6,743,000	3,058,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to measurement date	18,494,752	-
	<u>\$ 27,959,752</u>	<u>\$ 9,564,000</u>

The \$18,494,752 reported within deferred outflows of resources related to pensions results from School District contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 20,239,752
2021	\$ (2,378,000)
2022	\$ 215,000
2023	\$ 319,000

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 11. PENSION PLAN (continued)**

**Actuarial assumptions**—The total pension liability as of June 30, 2019 was determined by rolling forward PSERS total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019. Assumptions and changes in assumptions used in measurement of the total pension liability are as follows:

- Actuarial cost method—Entry age normal—level % of pay
- Investment return— 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and merit or seniority increases
- Mortality rates - Based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	20.00%	5.60%
Real estate	10.00%	4.10%
Fixed income	36.00%	1.90%
Alternative investments	15.00%	7.40%
Cash	3.00%	0.40%
Absolute return	10.00%	3.40%
Risk parity	10.00%	4.10%
MLPs/Infrastructure	8.00%	5.50%
Commodities	8.00%	2.70%
Financing (LIBOR)	-20.00%	0.70%
	100.00%	

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, 2019

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 11. PENSION PLAN (continued)**

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

*Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate*

The following presents the net pension liability (at the measurement date of June 30, 2019), calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease-- 6.25%	Discount Rate - 7.25%	1% Increase-- 8.25%
Ridley School District's proportionate share of the net pension liability	\$ 225,050,000	\$ 180,674,000	\$ 143,099,000

**Pension 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 the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE 12. SELF-INSURANCE**

The School District self-insures a prescription drug plan. Eligible participants of the plan are those employees who qualify for the School District's health plan. The prescription drug plan is administered by PCS Health Systems. The School District pays the cost of the plan based on bi-weekly invoices received from PCS Health Systems. Participants of the plan are required to pay coinsurance of \$15 for generic, \$30 for preferred brand, and \$45 for non-preferred brand.

The School District self-insures a dental plan. Eligible participants of the plan are those employees who qualify for the School District's health plan. The dental plan is administered by United Concordia Companies, Inc. ("UCCI"). The School District pays the cost of the plan based on invoices received from UCCI.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13. RELATED PARTY TRANSACTION**

The School District entered into a lease agreement with Tony's Catering, Inc., whose owner is also a member of the Board of School Directors of Ridley School District, to lease a portion of the premises of the former Ridley High School containing 4,032 square feet of kitchen space and the kitchen equipment located and contained therein. A lease was established April 3, 2012 for one year for \$3,700 per month and was extended for a subsequent year at the same rate and is maintained on a month to month basis. Lease payments for the 2019-2020 year were \$36,300 (reduced from \$44,400 for time the buildings were closed as a result of the COVID-19 pandemic).

**NOTE 14. CONTINGENT LIABILITIES**

Intergovernmental grants received by the School District are subject to audit and adjustment by the funding agencies or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the School District may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of June 30, 2020.

**NOTE 15. RISK MANAGEMENT**

The nature of the public school education industry is such that, from time to time, claims will be presented against the School District on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing public education. In addition, some of these claims may be covered by insurance. The School District's management does not expect that the resolution of any outstanding claims and litigation will have a material adverse effect on the financial statements of the School District.

**NOTE 16. POST EMPLOYMENT BENEFITS**

The School District pays certain post-employment health care benefits for certain retired administrators as well as retired individuals participating in the Early Retirement Incentive Plan (ERIP). In addition, the District participates in the Pennsylvania Public School Employees' Retirement System (PSERS) health insurance premium assistance program. The cost of these benefits and the District's individual program is recognized as expenditures as the claims are incurred. For the 2019-2020 year, these costs were actuarially estimated at \$424,158 for the District's activity. The PSERS program contribution at .83% of covered payroll totaled \$469,856 for the year ended June 30, 2019 (measurement date).

The PSERS plan is a governmental cost-sharing multiple employer other post-employment benefit program for all eligible retirees who qualify and elect to participate. Employer contribution rates, as noted above, are established to provide reserves in a health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either through Ridley School District or the PSERS Health Option Program. Total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. Measurement date is June 30, 2019. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value and consist primarily of short-term assets designed to protect the principal of the Plan assets. The expected

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16. POST EMPLOYMENT BENEFITS (continued)**

rate of return on OPEB Plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The PSERS OPEB Plan's policy in regard to the allocation of invested plan assets is established and may be amended by its Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Investments consist primarily of short term assets designed to protect the principal of the plan assets.

<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.20%	0.20%
Fixed Income	86.80%	1.00%

*Eligibility criteria for Premium Assistance and actuarial assumptions of PSERS Plan*

Retirees can participate if they meet the following criteria:

- Have 24 1/2 or more years of service. or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the Health Options Program or employer-sponsored health insurance program

Actuarial assumptions in creating the OPEB liability for the Premium Assistance program were as follows:

- Valuation date - June 30, 2019
- Actuarial cost method - Entry age normal - level % of pay
- Investment return - 2.79% - S&P 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Premium Assistance - Capped at \$1,200 per year.
- Mortality rates - Based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate - Eligible retirees can participate pre-age 65 at 50% and post age 65 at 70%

Determining the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost method - Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method - market value
- Participation rate - 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates - Based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and dependent beneficiaries.

**RIDLEY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 16. POST EMPLOYMENT BENEFITS (continued)**

- For disabled annuitants, the RP 2000 Combined Disabled Tables with an age set back 7 years for males and 3 years for females for disabled annuitants

The net OPEB obligation liability of the school district for the District's portion of the PSERS plan totaled \$8,214,000 at June 30, 2019. Detailed information about PSERS' fiduciary net position relative to the OPEB plan is available in PSERS Comprehensive Annual Financial Report at [www.psers.pa.gov](http://www.psers.pa.gov).

*The District's Plan*

The District's Plan is unfunded and no financial report is prepared. The Plan is authorized and under the control, maintenance and operation of the School Board. The required contribution of the District is based on a pay-as-you-go financing requirement. The School District has the authority within contractual limitations to amend the plan including changing the obligation of plan members and the District to contribute to the Plan. Total OPEB liability as of June 30, 2020 are based on an actuarial valuation date of July 1, 2018 rolled forward to June 30, 2020.

Plan provisions are broken into two groups: administrators and all other employees covered under Act 110/43.

- Administrators are eligible upon retirement from the district. Coverage includes medical, prescription drug, dental, vision, and life for retiree and spouse for the cost of the base plan and life insurance equal to two times final salary until age 75. Medical coverage ends at retiree Medicare eligibility. Spouse coverage ends at the later of retiree Medicare eligibility and spouse Medicare eligibility.
- Other employees are eligible with 15 years of District service or the Act 110/43 eligibility: 30 years PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with one year service, or 35 years of service regardless of age). Coverage includes medical, prescription drug, dental, and vision for retiree and spouse. Life insurance is covered for non-professional retirees. Retired employees are allowed to continue coverage for themselves and dependents in the employer's group health plan until the retired employee reaches Medicare age. Spouse coverage ends at the earlier of spouse Medicare eligibility and retiree death.

Membership in the plan as of the most recent actuarial report is as follows:

Active participants	578
Retired participants	<u>77</u>
	<u>655</u>

Financial determinations as presented by the Actuary are reflected as of the measurement date (June 30, 2019) and are rolled forward to that date from the Actuarial valuation as of July 1, 2018. The net OPEB obligation liability of the school district for the District's plan totaled \$11,686,586 at June 30, 2020.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16. POST EMPLOYMENT BENEFITS (continued)**

Actuarial assumptions in determining OPEB liabilities were as follows:

- Discount rate – 3.36% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
- Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Withdrawal - Rates of withdrawal vary by age, gender and years of service. Rates for new employees start at 22.9% for both men and women and decrease with age and service.
- Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Disability – No disability was assumed.
- Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
- Percent of eligible retirees electing coverage in plan - 100% of Administrators, 60% of Teachers and 5% of the all other employees are assumed to elect medical coverage. 100% of employees eligible for a life insurance benefit are assumed to elect coverage.
- Percent married at retirement - 50% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
- Spouse age - Wives are assumed to be two years younger than their husbands.
- Per capita claims cost - Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Retiree contributions – Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.
- Health care cost trend rate - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Life insurance - It is assumed that the annual cost to provide life insurance varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.
- Actuarial value of assets – Equal to the Market Value of Assets.
- Actuarial cost method – entry age normal. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.
- Participant data - Based on census information as of October 2018. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2018-2019 school year.

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16. POST EMPLOYMENT BENEFITS (continued)**

*OPEB Liabilities, OPEB expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

The annual OPEB cost for the year ended June 30, 2020 as reported in the government-wide statements was \$2,041,734 net of amortization and changes in actuarial assumption.

At June 30, 2019, the District reported a combined OPEB liability (the District's and its proportionate share of the total PSERS net OPEB liability) of \$19,900,586. As noted above, for the PSERS portion, the OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability of June 30, 2018 to June 30, 2019. The District's proportion of the PSERS reported net OPEB liability was calculated utilizing the District's one-year reported covered payroll as it related to the total PSERS system one-year reported covered payroll. At June 30, 2019, the District's proportion was .3862%, an increase of .0172%.

At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Ridley School District Portion		PSERS Portion		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Difference between expected and actual experience	\$ 226,282	\$ -	\$ 46,000		\$ 272,282	\$ -
Changes in assumptions	72,076	311,080	272,000	244,000	344,076	555,080
Net difference between projected and actual investment earnings	-	-	14,000		14,000	
Contributions subsequent to measurement date	424,158	-	-		424,158	-
	<u>\$ 722,516</u>	<u>\$ 311,080</u>	<u>\$ 332,000</u>	<u>\$ 244,000</u>	<u>\$ 1,054,516</u>	<u>\$ 555,080</u>

The amounts reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in expense as follows:

**RIDLEY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16. POST EMPLOYMENT BENEFITS (continued)**

Year ending June 30	Ridley School District	PSERS
2020	\$ 426,236	\$ 1,912
2021	\$ 2,078	\$ 1,912
2022	\$ 2,078	\$ (169)
2023	\$ 2,078	\$ (2,023)
2024	\$ 2,078	\$ 57,976
Thereafter	\$ (23,112)	\$ 28,392

*Sensitivity of the District's OPEB Liability to changes in the Discount Rate*

The following presents the net OPEB liability, calculated using the discount rate of 2.79% and 3.36% for the District Plan, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79% and 2.36%) or 1-percentage point higher (3.79% and 4.36%) than the current rate.

	Decrease	Rate	Increase
	1.79% PSERS	2.79%	3.79%
	2.36% RSD	3.36% RSD	4.36% RSD
Net RSD OPEB liability	\$ 12,595,964	\$ 11,686,586	\$ 10,831,545
RSD portion PSERS OPEB liability	9,357,000	8,214,000	7,266,000
	<u>\$ 21,952,964</u>	<u>\$ 19,900,586</u>	<u>\$ 18,097,545</u>

**NOTE 17. SUBSEQUENT EVENTS**

An ongoing worldwide pandemic of coronavirus disease 2019 ("COVID-19"), which is a new infectious disease, was first confirmed to have a spread to the United States of America in January 2020. COVID-19 spread rapidly throughout the U.S. and in March 2020 many of the large metropolitan areas of United States imposed strict limits on social gathering. This forced the School District to temporarily close and/or allow employees to work from home. However, management maintained reduced administrative operations and had not stopped its operations as a result of COVID-19. No adjustments have been made to these financial statements as a result of this uncertainty. However, the District did incur expenses that were otherwise unplanned in its response to Covid-19 including, but not limited to campus cleaning and disinfecting, shifting to a distance learning platform, training and screening of campus visitors. Subsequent to year end, the District was informed that certain of its Covid-19 related expenditures would be eligible for reimbursement from several federal programs. Certain expenditures occurring during the year ended June 30, 2020 will be reimbursed and are shown as revenue and receivable on these financial statements in the amount of \$140,907. The District received three COVID-19 related grants for reimbursement of allowable costs from March 2020 through December 2020.

Management of the School District has evaluated subsequent events through November 4, 2020, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

REQUIRED SUPPLEMENTAL INFORMATION

RIDLEY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	(Unaudited) Budgeted Amounts - Original	(Unaudited) Budgeted Amounts - Final	(Audited) Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Local sources	\$ 76,687,752	\$ 76,687,752	\$ 74,990,157	\$ (1,697,595)
State sources	31,741,771	31,741,771	32,662,073	920,302
Federal sources	1,103,394	1,103,394	2,381,522	1,278,128
Total revenues	<u>109,532,917</u>	<u>109,532,917</u>	<u>110,033,752</u>	<u>500,835</u>
Other financing sources:				
Proceeds of debt	-	-	7,780,000	7,780,000
Operating transfers	1,557,931	1,557,931	-	(1,557,931)
Total other financing sources	<u>1,557,931</u>	<u>1,557,931</u>	<u>7,780,000</u>	<u>(1,557,931)</u>
Total revenues and other financing sources	<u>111,090,848</u>	<u>111,090,848</u>	<u>117,813,752</u>	<u>6,722,904</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Instruction:				
Regular programs	53,844,562	54,597,175	54,944,542	(347,367)
Special programs	17,613,229	17,467,507	19,841,533	(2,374,026)
Vocational programs	1,139,100	1,139,100	1,139,100	-
Other instructional programs	1,031,494	1,097,806	1,339,573	(241,767)
Community college programs	560,000	424,164	565,552	(141,388)
Total instruction	<u>74,188,385</u>	<u>74,725,752</u>	<u>77,830,300</u>	<u>(3,104,548)</u>
Support services:				
Pupil personnel services	4,696,059	4,594,500	4,559,583	34,917
Instructional staff services	1,253,456	1,534,565	1,534,361	204
Administrative services	7,028,884	6,787,888	6,714,913	72,975
Pupil health	1,699,677	1,731,397	1,731,158	239
Business services	1,189,171	1,224,973	1,224,903	70
Operation and maintenance of plant services	8,072,169	7,584,170	7,584,130	40
Student transportation services	3,691,449	3,641,495	3,632,742	8,753
Central and other support services	3,077,859	2,965,651	2,965,644	7
Other support services	60,000	60,000	161,639	(101,639)
Total support services	<u>30,768,724</u>	<u>30,124,639</u>	<u>30,109,073</u>	<u>15,566</u>
Noninstructional services:				
Student activities	1,075,721	1,040,654	1,040,649	5
Community services	103,317	126,467	126,462	5
Total noninstructional services	<u>1,179,038</u>	<u>1,167,121</u>	<u>1,167,111</u>	<u>10</u>
Debt service	4,934,701	5,053,336	5,033,075	20,261
Total expenditures	<u>111,070,848</u>	<u>111,070,848</u>	<u>114,139,559</u>	<u>(3,068,711)</u>
Other financing uses:				
Operating transfers out	20,000	20,000	36,852	(16,852)
Issuance costs	-	-	89,344	89,344
Refunding of debt	-	-	7,690,656	7,690,656
Total other financing uses	<u>20,000</u>	<u>20,000</u>	<u>7,816,852</u>	<u>(7,796,852)</u>
Total expenditures and other financing uses	<u>111,090,848</u>	<u>111,090,848</u>	<u>121,956,411</u>	<u>(10,865,563)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(4,142,659)	(4,142,659)
Fund balances - beginning of year	14,258,313	14,258,313	14,258,313	-
Fund balances - end of year	<u>\$ 14,258,313</u>	<u>\$ 14,258,313</u>	<u>\$ 10,115,654</u>	<u>\$ (4,142,659)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**RIDLEY SCHOOL DISTRICT**

**(UNAUDITED)**

**COMPONENTS OF OPEB COST**

	<b>RSD Specific Activity</b>	<b>PSERS Allocated Proportion</b>	<b>Total</b>
Total OPEB expense	\$ 921,160	\$ 403,000	\$ 1,324,160
Amortization	(2,078)	21,000	18,922
Experience differentials	(339,360)	538,634	199,274
Annual OPEB cost	579,722	962,634	1,542,356
Actuarial adjustment	(26,143)	-	(26,143)
Contributions made	(424,158)	(442,096)	(866,254)
Increase/(decrease) in OPEB obligation	129,421	520,538	649,959
Total OPEB Liability - beginning of year	11,557,165	7,693,462	19,250,627
Total OPEB Liability - end of year	<u>\$ 11,686,586</u>	<u>\$8,214,000</u>	<u>\$ 19,900,586</u>

Net OPEB liability as a % of covered employee payroll for the District Plan is 25.60%.  
 Net OPEB liability as a % of covered employee payroll for the PSERS Plan is 17.99%.

**Ridley School District portion:**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Total OPEB Liability</b>	<b>Unfunded OPEB Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Net OPEB Liability as a Percentage of Covered Payroll</b>
03/01/2008	-	\$ 6,832,646	\$ 6,832,646	0.00%	\$ 38,260,919	17.86%
03/01/2010	-	\$ 8,681,092	\$ 8,681,092	0.00%	\$ 44,295,303	19.60%
03/01/2012	-	\$ 8,628,246	\$ 8,628,246	0.00%	\$ 42,176,283	20.46%
03/01/2014	-	\$ 9,194,311	\$ 9,194,311	0.00%	\$ 41,687,001	22.06%
07/01/2016	-	\$ 8,922,584	\$ 8,922,584	0.00%	\$ 43,588,420	20.47%
07/01/2018	-	\$ 11,557,165	\$ 11,557,165	0.00%	\$ 45,651,532	25.32%
07/01/2019	-	\$ 11,686,586	\$ 11,686,586	0.00%	\$ 45,651,532	25.60%

**REQUIRED SUPPLEMENTARY INFORMATION**

**RIDLEY SCHOOL DISTRICT**

**(UNAUDITED)**

**OPEB PLAN EXPENSE**

**Ridley School District Portion**

<b>Fiscal year Ended</b>	<b>Annual OPEB Cost/Expense</b>	<b>Percentage of Annual OPEB Cost/Expense Contributed</b>
June 30, 2010	\$ 674,291	88%
June 30, 2011	\$ 876,604	80%
June 30, 2012	\$ 879,715	71%
June 30, 2013	\$ 880,440	73%
June 30, 2014	\$ 866,789	78%
June 30, 2015	\$ 921,444	67%
June 30, 2016	\$ 899,956	73%
June 30, 2017	\$ 944,995	50%
June 30, 2018	\$ 851,962	40%
June 30, 2019	\$ 953,490	43%
June 30, 2020	\$ 866,254	51%

REQUIRED SUPPLEMENTARY INFORMATION  
RIDLEY SCHOOL DISTRICT

(UNAUDITED)

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM

	2013	2014	2015	2016	2017	2018	2019
District's proportion of net pension liability	0.3861%	0.3659%	0.3779%	0.3791%	0.3821%	0.3690%	0.3862%
District's proportionate share of the net pension liability	\$ 149,868,000	\$ 144,826,000	\$ 163,688,000	\$ 187,870,000	\$ 188,713,000	\$ 177,138,000	\$ 180,674,000
District's covered employee payroll	\$ 46,984,158	\$ 46,695,150	\$ 48,618,670	\$ 49,095,879	\$ 50,878,682	\$ 49,689,620	\$ 53,264,542
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	318.98%	310.15%	336.68%	382.66%	370.91%	356.49%	339.20%
Plan fiduciary net position as a percentage of total pension liability	57.23%	54.49%	54.36%	50.14%	51.84%	54.00%	55.66%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

	2013	2014	2015	2016	2017	2018	2019	2020
Contributions in relation to the contractually required contribution	\$ 5,403,178	\$ 7,289,000	\$ 9,768,000	\$ 11,981,839	\$ 14,937,930	\$ 16,158,711	\$ 17,716,649	\$ 18,494,752
Ridley School District's covered employee payroll	\$ 46,984,158	\$ 46,695,150	\$ 48,618,670	\$ 48,082,755	\$ 50,878,682	\$ 49,689,620	\$ 53,264,542	\$ 55,189,433
Contributions as a percentage of covered - employee payroll	11.50%	15.61%	20.05%	25.00%	29.36%	32.52%	33.26%	33.51%

REQUIRED SUPPLEMENTARY INFORMATION  
RIDLEY SCHOOL DISTRICT

(UNAUDITED)

SCHEDULE OF CHANGES IN RIDLEY SCHOOL DISTRICT  
NET PENSION LIABILITY AND RELATED RATIOS  
(As reported by PSERS)

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 7,420,512	\$ 6,977,443	\$ 7,159,958	\$ 7,325,732	\$ 7,280,391
Interest	28,830,711	27,064,246	27,171,081	26,644,255	25,914,481
Changes in benefit terms	-	-	(1,716)	-	-
Differences between expected and actual experience	(5,706,723)	(2,750,179)	2,460,919	(1,320,894)	(844,220)
Changes in assumptions	17,951,425	(13,433,230)	2,981,666	9,616,170	-
Benefit payments	(26,111,646)	(24,557,489)	(24,735,545)	(24,111,992)	(23,507,651)
Net change in total pension liability	22,384,279	(6,699,209)	15,036,363	18,153,271	8,843,000
Total pension liability - beginning	385,120,425	391,819,634	376,783,271	358,630,000	349,787,000
Total pension liability - ending	<u>\$ 407,504,704</u>	<u>\$ 385,120,425</u>	<u>\$ 391,819,634</u>	<u>\$ 376,783,271</u>	<u>\$ 358,630,000</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 17,330,802	\$ 15,681,065	\$ 14,645,026	\$ 12,091,432	\$ 9,813,046
Contributions - employee	4,109,334	3,787,324	3,873,909	3,750,307	3,720,932
Net investment income	14,014,078	17,395,243	19,087,278	1,793,924	5,020,462
Benefit payments	(26,111,646)	(24,557,489)	(24,735,545)	(24,111,992)	(23,507,651)
Administrative expenses	(188,528)	(171,747)	(166,424)	(171,042)	(159,969)
Net change in plan fiduciary net position	9,154,041	12,134,396	12,704,244	(6,647,371)	(5,113,180)
Plan fiduciary net position - beginning restated	217,676,663	195,848,030	190,402,295	195,560,710	200,673,890
Plan fiduciary net position - ending	<u>\$ 226,830,704</u>	<u>\$ 207,982,425</u>	<u>\$ 203,106,539</u>	<u>\$ 188,913,339</u>	<u>\$ 195,560,710</u>
Net pension liability	<u>\$ 180,674,000</u>	<u>\$ 177,138,000</u>	<u>\$ 188,713,095</u>	<u>\$ 187,870,000</u>	<u>\$ 163,688,000</u>