

RIDLEY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022



RIDLEY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the remaining fund information of the Ridley School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and other post-employment benefit information on pages 4 through 11 and 50 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 December 9, 2022, on our consideration of the Ridley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of Ridley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Ridley's internal control over financial reporting and compliance.

Leitzell & Economidis, PC

LEITZELL & ECONOMIDIS
Certified Public Accountants

December 9, 2022
Media, Pennsylvania

**RIDLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 in charter schools, private school tuition, and additional special education services.

- The School District's liabilities on the government-wide basis exceeded its assets (net assets) by \$162,988,398 representing an increase in net position of \$4,337,010. Operating expenses decreased by \$10,419,024. This was primarily as a result of the prior year SWAP termination fees that were not relevant to this school year and instructional expenses decreasing by \$4,241,252. Revenues did increase approximately 6.45% inclusive of increased grants, tax collection and charges for services including sales of equipment revenue. Additional grants were received this period as a result of COVID-19 and related American Recovery Plan Act (ARPA) governmental assistance. In the Governmental Funds, the General Fund expenditures exceeded revenues by \$3,172,455 after operating transfers to Food Service (in the amount of \$69,972). The Capital Project fund this period had \$25,285,716 in capital expenditures and showed proceeds of debt in the amount of \$21,305,000. General Fund showed \$164,919 in capital expenditures. During the year, the School District's governmental funds operating revenue increased to \$117,295,421 or 2.3% (without regard for the new debt proceeds) or 4.1%. Total governmental expenditures increased from the previous year by \$16,114,278, a significant portion of which was the aforementioned \$25,450,635 in capital projects both in the General Fund and the Capital Project fund.
- Government-wide revenue reached \$117,433,735 without regard to food service operations, a 4.46% increase over prior year primarily the result of a significant increases in charges for services as previously noted and a 4.23% increase in intergovernmental grants and entitlements. Contributing to that increase as noted above were additional grants as a result of COVID-19 and ARPA financial assistance. Real estate tax collections increased by 3%. Operating expenses within the governmental activities (within the government wide statements) decreased by \$5,073,755 (not including allocated and non-allocated depreciation and amortization of \$4,215,372). The reduction in expense also reflected the prior year SWAP termination payment of \$3,706,645. Regular education program costs decreased slightly. Special education programs increased approximately

10%. However, while most functions remained relatively stable, there were notable increases in various support services such as student transportation and central services and other support services.

- Investment earnings, reflecting the overall economic conditions, decreased this period by \$41,048 about 35%.
- At the close of this fiscal year, the total fund balance for the General Fund was \$215,280. Of that total fund balance \$161,131 is a non-spendable resource representing prepaid expenses. Fund balance has dropped as a result of expenditures exceeding revenue this period by \$3,172,455.
- The General Fund activities resulted in a deficit this period in the amount of \$3,172,455, as noted above, primarily the result of increased enrollment for charter schools, private school tuition and increasing costs of special education services and inclusive of \$164,919 of building and site improvements. Capital projects funds this period increased significantly as a result of new debt issued both in 2020 and 2021. Operating revenues within the General Fund were higher than anticipated revenues by \$1,841,512 primarily the result of increased state and federal funding. Compared to the prior year, state revenues increased by \$1,196,186 (about 3.5%). Federal revenues also increased significantly inclusive of COVID and ARPA related grants in the amount \$654,416. Expenditures in the General Fund increased slightly, just under 1%. Instruction costs and support services remained relatively stable this period compared to last year. The changes in the original to final budget reflect expenditure trends within budgetary categories.
- The District this period issued 2021 bonds in the amount of \$21,305,000 maturing November 1, 2038, at a variable rate ranging from .3% to 4%. Subsequent to year end, the School District issued bonds in the amount of \$39,040,000 with variable interest rates ranging from 2.250% to 4.00%, maturing in 2044.
- The School District's business-type activity (its food service proprietary fund) increased its net position during this period by \$2,047,103. Food Service revenue increased this period by \$2,344,799, particularly in daily sales and the milk/lunch program and government subsidies as COVID-19 restrictions began to relax and its impact on operations began to normalize. Expenditures increased approximately 11%, primarily reflected in food purchase costs, salaries and donated commodities, again significantly impacted by the normalization of activity during the school year.

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, 2021 to June 30, 2022. Table 4 shows changes in outstanding debt from the 2021 fiscal year through the 2022 fiscal year.

TABLE 1
STATEMENT OF NET POSITION
JUNE 30,

	<u>2022</u>	<u>2021</u>
Current assets	\$ 36,989,225	\$ 36,603,519
Capital assets, net	82,529,114	60,967,726
	<u>119,518,339</u>	<u>97,571,245</u>
Deferred outflows of resources	35,988,437	38,850,026
Total assets and deferred outflows of resources	<u>155,506,776</u>	<u>136,421,271</u>
Current liabilities	19,633,729	16,588,964
Noncurrent liabilities	263,311,094	277,509,638
Total liabilities	<u>282,944,823</u>	<u>294,098,602</u>
Deferred inflow of resources	35,550,351	9,648,077
Total liabilities and deferred inflows of resources	<u>318,495,174</u>	<u>303,746,679</u>
Net position invested in capital assets	23,601,160	20,989,259
Unrestricted net position	<u>(186,589,558)</u>	<u>(188,314,667)</u>
Total net position	<u><u>\$(162,988,398)</u></u>	<u><u>\$(167,325,408)</u></u>

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

	2022	2021
Revenues		
Property taxes	\$ 74,779,595	\$ 72,813,716
Specific purpose taxes	1,324,299	954,614
Operating grants	42,582,921	38,848,303
Investment income	75,205	116,253
Charges for services	1,677,674	535,182
Miscellaneous	504,695	277,739
Total revenues	<u>120,944,389</u>	<u>113,545,807</u>
Operating expenses		
Instruction	76,697,161	80,938,413
Community College payment	728,075	722,777
Support services	29,981,837	32,414,337
Operation of noninstructional activities	1,259,922	1,127,075
Interest and fees on long-term debt and issuance cost	2,261,461	2,090,960
Amortization premiums/discounts and pension	266,642	(38,920)
SWAP termination fee	-	3,706,645
Unallocated depreciation	3,948,730	4,170,304
Food service	1,463,551	1,894,812
Total operating expenses	<u>116,607,379</u>	<u>127,026,403</u>
Excess of total expenses over revenues	<u>4,337,010</u>	<u>(13,480,596)</u>
Change in net position	<u>\$ 4,337,010</u>	<u>\$ (13,480,596)</u>

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

<u>CAPITAL INVESTMENT</u>	<u>2022</u>	<u>2021</u>	<u>% Inc/Decr</u>
Land	\$ 2,219,570	\$ 2,219,570	0.00%
Buildings	84,937,222	83,888,101	1.25%
Food service equipment	1,694,661	1,605,721	5.54%
Furniture, books, equipment and vehicles	9,892,522	9,636,525	2.66%
Building and building improvements	8,217,633	8,217,633	0.00%
Capital leases	12,016,403	16,896,876	-28.88%
Construction in progress	37,075,539	12,930,022	186.74%
TOTALS	<u>\$ 156,053,550</u>	<u>\$ 135,394,448</u>	

TABLE 4

CHANGES IN OUTSTANDING DEBT
June 30,

<u>DEBT</u>	<u>2022</u>	<u>2021</u>	<u>INC/DEC</u>
Bonds payable	\$ 39,640,000	\$ 18,470,000	\$ 21,170,000
Notes payable	31,101,000	35,007,000	(3,906,000)
Capital lease obligation	2,840,964	4,154,084	(1,313,120)
Total debt	<u>\$ 73,581,964</u>	<u>\$ 57,631,084</u>	<u>\$ 15,950,880</u>

With new debt subsequent to year end:

<u>DEBT</u>	<u>2022</u>	<u>2021</u>	<u>INC/DEC</u>
Bonds payable	\$ 78,680,000	\$ 18,470,000	\$ 60,210,000
Notes payable	31,101,000	35,007,000	(3,906,000)
Capital lease obligation	2,840,964	4,154,084	(1,313,120)
Total debt	<u>\$ 112,621,964</u>	<u>\$ 57,631,084</u>	<u>\$ 54,990,880</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 \$215,280. The Ridley School District will return to a previously more fiscal conservative approach to our financial operations for budget management and budget development operations. 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.

The district had a feasibility study done which showed that many of the school buildings within the district are aged and require structural repairs and/or improvements and increased ventilation. In order to assist with the cost of the infrastructure upgrades, the district is taking advantage of the Guaranteed Energy Savings Act, ESSERS funding, and potential federal infrastructure grant funds.

Future budgets will be impacted by Act 1 Index rules, insufficient federal funding for required special education expenses, the state formula for charter school financing, and continued increases in the employer contribution rate for Public School Employees Retirement System (PSERS). Management continues to review and develop a prioritized list of potential cost and staffing reductions, programmatic changes to reduce special education identification, and alternative programs to return students from charter schools. Additional revenue streams are also being pursued including, new grant sources and taxable entities such as billboards. These options can then be considered by the Ridley Board of School Directors in conjunction with the Finance Committee. These actions will be intended to reduce expenses and 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.

RIDLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION

JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,425,538	\$ 1,903,363	\$ 26,328,901
Taxes receivable, net	1,900,557	-	1,900,557
Due from other governments	4,441,889	459,725	4,901,614
Other receivables	3,286,832	9,791	3,296,623
Internal balances	15,972	(15,972)	-
Inventories	156,966	133,296	290,262
Prepaid expenses	161,131	-	161,131
Operating lease asset	110,137	-	110,137
Nondepreciable capital assets	39,295,109	-	39,295,109
Depreciable capital assets, net	43,045,960	188,045	43,234,005
Total assets	<u>116,840,091</u>	<u>2,678,248</u>	<u>119,518,339</u>
DEFERRED OUTFLOWS OF RESOURCES			
Public School Employees' Retirement System	32,249,044	408,353	32,657,397
Other Post Employment Benefits	3,282,748	47,785	3,330,533
Discount on general obligation bonds	507	-	507
	<u>35,532,299</u>	<u>456,138</u>	<u>35,988,437</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>152,372,390</u>	<u>3,134,386</u>	<u>155,506,776</u>
LIABILITIES			
Accounts payable	10,245,718	79,656	10,325,374
Accrued interest	378,635	-	378,635
Accrued salaries and benefits	8,553,729	26,454	8,580,183
Accrued vacation payable	270,921	-	270,921
Unearned revenue	78,617	-	78,617
<i>Long-term liabilities:</i>			
Operating lease liability	110,137	-	110,137
Public School Employees Retirement System Portion due or payable within one year	161,022,558	2,054,774	163,077,332
Bonds payable	145,000	-	145,000
Notes payable	3,912,000	-	3,912,000
Capital leases payable	1,219,833	-	1,219,833
Portion due or payable after one year			
Bonds payable	39,495,000	-	39,495,000
Notes payable	27,189,000	-	27,189,000
Capital leases payable	1,621,130	-	1,621,130
Compensated absences and other post employment benefits	26,242,160	299,501	26,541,661
Total liabilities	<u>280,484,438</u>	<u>2,460,385</u>	<u>282,944,823</u>
DEFERRED INFLOWS OF RESOURCES			
Public School Employees' Retirement System	27,746,928	354,072	28,101,000
Other Post Employment Benefits	1,905,569	24,318	1,929,887
Bond premium	5,519,464	-	5,519,464
	<u>35,171,961</u>	<u>378,390</u>	<u>35,550,351</u>
Total liabilities and deferred inflows of resources	<u>315,656,399</u>	<u>2,838,775</u>	<u>318,495,174</u>
NET POSITION			
Invested in capital assets, net of related debt	23,413,115	188,045	23,601,160
Restricted	-	-	-
Unrestricted	(186,697,124)	107,566	(186,589,558)
Total net position	<u>\$ (163,284,009)</u>	<u>\$ 295,611</u>	<u>\$ (162,988,398)</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, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating		Primary Government			
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental Activities								
Instruction:								
Regular programs	\$ 52,136,946	\$ 1,377,305	\$ 1,193,916	\$ -	\$ (49,564,725)	\$ -	\$ -	\$ (49,564,725)
Special programs	21,770,098	-	5,889,897	-	(15,880,201)	-	-	(15,880,201)
Vocational education programs	1,259,602	-	-	-	(1,259,602)	-	-	(1,259,602)
Other instructional programs	1,531,515	-	15,271,713	-	13,740,198	-	-	13,740,198
Community/junior college programs	728,075	-	-	-	(728,075)	-	-	(728,075)
Support services:								
Pupil personnel services	4,416,885	-	-	-	(4,416,885)	-	-	(4,416,885)
Instructional staff services	3,403,314	-	-	-	(3,403,314)	-	-	(3,403,314)
Administration services	4,741,794	-	-	-	(4,741,794)	-	-	(4,741,794)
Pupil health	1,890,020	-	-	-	(1,890,020)	-	-	(1,890,020)
Business services	1,221,516	-	-	-	(1,221,516)	-	-	(1,221,516)
Operation and maintenance of plant services	7,678,179	-	-	-	(7,678,179)	-	-	(7,678,179)
Student transportation services	3,342,357	-	847,489	-	(2,494,868)	-	-	(2,494,868)
Central services and other support services	3,287,772	-	-	-	(3,287,772)	-	-	(3,287,772)
Operation of noninstructional services:								
Student activities	1,041,664	-	-	-	(1,041,664)	-	-	(1,041,664)
Community services	148,286	-	-	-	(148,286)	-	-	(148,286)
Transfer for Food Service	69,972	-	-	-	(69,972)	69,972	-	-
Interest and fees on long-term debt	1,971,765	-	-	-	(1,971,765)	-	-	(1,971,765)
Insurance costs	289,696	-	-	-	(289,696)	-	-	(289,696)
Amortization premiums/discounts and deferrals	286,642	-	-	-	(286,642)	-	-	(286,642)
Depreciation unallocated	3,948,730	-	-	-	(3,948,730)	-	-	(3,948,730)
Total governmental activities	115,143,828	1,377,305	23,203,015	-	(90,563,508)	69,972	-	(90,493,536)
Business Type Activities								
Food service	1,483,551	300,369	3,137,973	-	-	1,974,791	-	1,974,791
Total primary government	\$ 116,607,379	\$ 1,677,674	\$ 26,340,988	\$ -	\$ (90,563,508)	\$ 1,974,791	\$ -	\$ (88,588,717)
GENERAL REVENUES								
Property taxes levied for general purposes, net					74,779,595			74,779,595
Taxes levied for specific purposes					1,324,289			1,324,289
Grants/entitlements not limited to specific programs					16,241,933			16,241,933
Investment earnings					72,865	2,340		75,205
Miscellaneous					434,723			434,723
Total general revenues					92,853,415	2,340		92,855,755
Changes in net position					2,289,907	2,047,103		4,337,010
Net position - beginning of year					(165,573,916)	(1,751,492)		(167,325,408)
Net position - end of year					\$ (163,284,009)	\$ 295,611		\$ (162,988,398)

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, 2022

	General Fund	Capital Project Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 12,612,492	\$ 11,813,046	\$24,425,538
Due from other governments	4,441,889	-	4,441,889
Due from other funds	-	5,000,000	5,000,000
Taxes receivable, net	1,900,557	-	1,900,557
Other receivables	3,286,832	-	3,286,832
<i>Due from Food Service</i>	15,972	-	15,972
Prepaid expenses	161,131	-	161,131
Total assets	22,418,873	16,813,046	39,231,919
DEFERRED OUTFLOW OF RESOURCES			
Total assets and deferred outflows of resources	\$ 22,418,873	\$ 16,813,046	\$39,231,919
LIABILITIES			
Accounts payable	\$ 6,021,133	\$ 4,224,584	\$10,245,717
Accrued wages payable	8,553,729	-	8,553,729
Due to other funds	5,000,000	-	5,000,000
Accrued interest payable	378,635	-	378,635
Accrued vacation and sick pay payable	270,921	-	270,921
Unearned revenue	78,617	-	78,617
Total liabilities	20,303,035	4,224,584	24,527,619
DEFERRED INFLOWS OF RESOURCES			
Unavailable taxes	1,900,558	-	1,900,558
Total liabilities and deferred inflows of resources	22,203,593	4,224,584	26,428,177
FUND BALANCES			
Nonspendable	161,131	-	161,131
Restricted	-	-	-
Committed	-	12,588,462	12,588,462
Assigned to:			
Other purposes	-	-	-
Unassigned	54,149	-	54,149
Total fund balances	215,280	12,588,462	12,803,742
Total liabilities, deferred inflows of resources and fund balances	\$ 22,418,873	\$ 16,813,046	\$39,231,919

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, 2022

TOTAL GOVERNMENT FUND BALANCES	\$ 12,803,742
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Inventories	156,966
<i>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</i>	82,341,069
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	1,900,558
Pension plan payments made subsequent to plan measurement date	18,875,618
<i>Changes in other deferred outflows/inflows only reflected on government wide statements</i>	14,750,605
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)	(5,518,957)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Net pension liability	(161,022,558)
Pension plan deferred inflow	(27,746,928)
Bonds payable	(39,640,000)
Notes payable	(31,101,000)
Capital leases payable	(2,840,963)
Post employment benefits and compensated absences	(26,242,160)
Net position of governmental activities	<u>\$ (163,284,008)</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, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Revenues			
Local sources	\$ 77,827,836	\$ 46,528	\$ 77,874,364
State sources	34,681,723	-	34,681,723
Federal sources	4,739,334	-	4,739,334
Total revenues	<u>117,248,893</u>	<u>46,528</u>	<u>117,295,421</u>
Expenditures			
Instruction	81,293,600	-	81,293,600
Support services	31,891,169	550,584	32,441,753
Noninstructional services	1,240,396	-	1,240,396
Debt service:			
Principal	4,041,000	5,000	4,046,000
Interest	1,720,292	251,473	1,971,765
Issuance costs	-	289,696	289,696
Capital outlay:			
Support Services-instructional	122,500	-	122,500
Support Services-transportation	42,419	-	42,419
Building and site improvements	-	25,285,716	25,285,716
Total expenditures	<u>120,351,376</u>	<u>26,382,469</u>	<u>146,733,845</u>
Excess (deficiency) of revenues under expenditures	<u>(3,102,483)</u>	<u>(26,335,941)</u>	<u>(29,438,424)</u>
Other financing sources (uses)			
Proceeds of debt	-	21,305,000	21,305,000
Premium on bonds	-	4,225,089	4,225,089
Operating transfers out	(69,972)	-	(69,972)
Total other financing sources	<u>(69,972)</u>	<u>25,530,089</u>	<u>25,460,117</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,172,455)</u>	<u>(805,852)</u>	<u>(3,978,307)</u>
Fund balances - beginning of year	3,387,735	13,394,314	16,782,049
Fund balances - end of year	<u>\$ 215,280</u>	<u>\$ 12,588,462</u>	<u>\$ 12,803,742</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, 2022

Net changes in fund balances - total governmental funds	\$ (3,978,307)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	138,328
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	156,966
Prior year	(229,996)
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 capital outlays exceeds depreciation	
Depreciation	(3,948,730)
Capital outlay	25,450,635
Lease payments	1,313,120
	22,815,025
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	19,713,397
School District incurs a proportionate share of pension plan expenses for the period as reported by the Public School Employees Retirement System	(18,875,618)
Pension plan actuarial changes result in a reduction of expense	5,000,000
Proceeds of refinancing	(21,305,000)
Principal on bonds and notes	4,046,000
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	(266,642)
Premium on bond issuance shown as income on the governmental funds	(4,225,089)
Compensated absence, 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	(699,157)
Change in net position of governmental activities	\$ 2,289,907

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, 2022

Assets

Current assets

Cash and cash equivalents	\$ 1,903,363
Accounts receivable	9,791
Subsidy receivable	459,725
Inventories	133,296
Total current assets	2,506,175

Property and equipment

Depreciable capital assets	1,694,662
Accumulated depreciation	(1,506,617)
Total property and equipment, net	188,045

Deferred Outflows of Resources

Public School Employees' Retirement System and Other Post Employment Benefits	456,138
Total deferred outflows of resources	456,138
Total assets and deferred outflows of resources	\$ 3,150,358

Liabilities

Current liabilities

Accounts payable	\$ 79,656
Due to General Fund	15,972
Payroll payable	26,454
Total current liabilities	122,082

Non-current liabilities

Pension plan payable	2,054,774
Accrued compensated absences and other post employment benefits	299,501
Total non-current liabilities	2,354,275
Total liabilities	2,476,357

Deferred Inflows of Resources

Public School Employees' Retirement System and other post employment benefits	378,390
Total liabilities and deferred inflows of resources	2,854,747

Net position

Invested in capital assets, net of related debt	188,045
Unrestricted	107,566
Total net position	295,611
Total liabilities, deferred inflows of resources and net position	\$ 3,150,358

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, 2022

Operating revenue	
Food service revenue	\$ 300,369
State sources	76,659
Federal sources	3,061,314
Total operating revenue	<u>3,438,342</u>
 Operating expenses	
Salaries and wages	756,113
Employee benefits	195,360
Food purchases	754,819
Donated commodities	238,994
Professional services	728
Depreciation	29,457
Travel	1,930
Repairs and maintenance	22,315
General supplies	101,357
Administrative and small equipment purchases	14,327
Total operating expenses	<u>2,115,400</u>
Operating income	<u>1,322,942</u>
 Nonoperating revenues	
Transfer from General Fund	69,972
Actuarial determined decrease in pension costs	651,849
Interest earnings	2,340
Total nonoperating revenues	<u>724,161</u>
 Change in net assets	 2,047,103
Net position - beginning of year	<u>(1,751,492)</u>
Net position - end of year	<u>\$ 295,611</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, 2022

Cash flows from operating activities	
Cash received from customers	\$ 2,741,910
Payments to suppliers	(932,926)
Payments to and on behalf of employees	(785,341)
Net cash flows provided by operating activities	<u>1,023,643</u>
Cash flows from capital financing activities	
Purchase of capital assets	<u>(18,970)</u>
Net cash flows used by noncapital financing activities	<u>(18,970)</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows from investing activities	
Interest earnings	<u>2,340</u>
Net cash flows provided by investing activities	<u>2,340</u>
Net increase in cash and cash equivalents	1,007,013
Cash and cash equivalents - beginning of year	896,350
Cash and cash equivalents - end of year	<u>\$ 1,903,363</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$ 1,322,942
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	29,457
Donated commodities	(238,994)
(Increase) decrease in assets:	
Subsidy receivable	(208,653)
Other receivables	(9,791)
Inventories	(44,096)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	8,704
Differentials in pension and OPEB liabilities and deferrals	164,074
Net cash flows provided by operating activities	<u>\$ 1,023,643</u>
Noncash transactions	
Donated commodities	<u>\$ 238,994</u>
Contributed capital assets from General Fund	<u>\$ 69,972</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, 2022

	<u>Student Activity Fund</u>	<u>Scholarship Fund</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ 767,780	\$ 171,812	\$ 939,592
Total assets	<u>\$ 767,780</u>	<u>\$ 171,812</u>	<u>\$ 939,592</u>
Liabilities			
Student activities	\$ 767,780	\$ -	\$ 767,780
Escrow liability	-	171,812	171,812
Total liabilities	<u>767,780</u>	<u>171,812</u>	<u>939,592</u>
Net position			
Net position	-	-	-
Total liabilities and net position	<u>\$ 767,780</u>	<u>\$ 171,812</u>	<u>\$ 939,592</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, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022 as follows:

<u>General Fund</u>	<u>Excess Expenditure over Legally Adopted Budget</u>
Regular Programs	\$ 488,986
Special Programs	\$ 3,378,561
Other Instructional Programs	\$ 2,543
Instructional Staff Services	\$ 1,402,225
Operation and maintenance of plant services	\$ 253,153

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 and the related instructional staff services 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.

The General Fund had no assigned fund balance this period.

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

**RIDLEY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

depreciation, construction or improvements of those assets. Outstanding debt which has not been expended is included in the same net position component as the unexpended 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, 2022. 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 life in excess of one year.

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.

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

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

This period, the District adopted Government Accounting Standards Board Statement 87 *Leases which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payments provisions of the contracts. Effectively in the case of the District this meant showing on the Statement of Financial Position the net present value of its existing operating leases shown herein as both an asset and a liability.*

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.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$4,867. 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.

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.

**RIDLEY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2022**

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

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		
	Fair Value		
	Primary Government	Fiduciary	Total
Demand deposits	\$ 22,153,935	\$ 795,601	\$ 22,949,536
PLGIT	3,833,742	663	3,834,405
PSDLAF	336,357	143,328	479,685
Petty cash	4,867	-	4,867
	<u>\$ 26,328,901</u>	<u>\$ 939,592</u>	<u>\$ 27,268,493</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.

NOTE 3. REAL ESTATE TAXES

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, 2022 was 23.684 mills (\$23.68 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 97.54% of the total tax levy.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3. REAL ESTATE TAXES (continued)

The balances as of June 30, 2022, are as follows:

Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible
\$1,939,344	\$38,787	\$1,900,557

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. As of June 30, 2022, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Totals
Federal	\$ 818,572	\$ 446,823	\$ 1,265,395
State	3,268,519	12,902	3,281,421
Local	354,798	-	354,798
	\$ 4,441,889	\$ 459,725	\$ 4,901,614

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 \$15,972 and between the General Fund and Capital in the amount of \$5,000,000.

	Due From other funds	Due to other funds
General Fund	\$ 15,972	\$ 5,000,000
Capital project funds	5,000,000	\$ -
Proprietary fund (Food Service)	-	15,972
	\$ 5,015,972	\$ 5,015,972

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, 2022**

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

Interfund transfers

	Transfers to other funds	Transfers from other funds
General Fund	\$ 69,972	\$ -
Proprietary fund (Food Service)	-	69,972
	<u>\$ 69,972</u>	<u>\$ 69,972</u>

NOTE 6. OTHER RECEIVABLES

Other governmental receivables include the following:

<i>Governmental Activities</i>	
Bus and caravan buy back	\$ 2,908,213
Health care benefits reimbursement and reconciliation	99,471
Delaware County Healthcare Trust	234,986
E-Rate committed funds	33,868
Other reimbursements and fees	10,294
	<u>\$ 3,286,832</u>

NOTE 7. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance 07/01/21	Additions	Deletions	Balance 06/30/22
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Construction-in-progress	\$ 12,930,022	\$ 25,179,517	\$ (1,034,000)	\$ 37,075,539
Land	2,219,570	-	-	2,219,570
Total capital assets not being depreciated	<u>15,149,592</u>	<u>25,179,517</u>	<u>(1,034,000)</u>	<u>39,295,109</u>
Capital assets being depreciated				
Site improvements	8,217,633	-	-	8,217,633
Building and building improvements	83,888,101	1,049,121	-	84,937,222
Furniture, equipment and books	9,384,166	255,997	-	9,640,163
Vehicles	252,359	-	-	252,359
Capital leases	16,896,876	-	(4,880,473)	12,016,403
Total capital assets being depreciated	<u>118,639,135</u>	<u>1,305,118</u>	<u>(4,880,473)</u>	<u>115,063,780</u>
Total capital assets	133,788,727	26,484,635	(5,914,473)	154,358,889
Accumulated depreciation	(72,949,563)	(3,948,730)	4,880,473	(72,017,820)
Capital assets, net of depreciation	<u>\$ 60,839,164</u>	<u>\$ 22,535,905</u>	<u>\$ (1,034,000)</u>	<u>\$ 82,341,069</u>

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7. CHANGES IN CAPITAL ASSETS (continued)

Business Type Activities

Capital assets being depreciated				
Equipment	\$ 1,605,721	\$ 88,940	\$ -	\$ 1,694,661
Total capital assets being depreciated	1,605,721	88,940	-	1,694,661
Accumulated depreciation	(1,477,159)	(29,457)	-	(1,506,616)
Capital assets, net of depreciation	<u>\$ 128,562</u>	<u>\$ 59,483</u>	<u>\$ -</u>	<u>\$ 188,045</u>

Governmental and Business Type Activities

Total capital assets	\$ 135,394,448	\$ 26,573,575	\$ (5,914,473)	\$ 156,053,550
Accumulated depreciation	(74,426,722)	(3,978,187)	4,880,473	(73,524,436)
Total capital assets, net of depreciation	<u>\$ 60,967,726</u>	<u>\$ 22,595,388</u>	<u>\$ (1,034,000)</u>	<u>\$ 82,529,114</u>

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

Governmental activities

General government	
Total amortization expense - governmental activities	\$ 1,313,120
Total depreciation expense - governmental activities	2,635,610
	<u>\$ 3,948,730</u>

Business-type activities

Food service	\$ 29,457
Total depreciation expense - business-type activities	<u>\$ 29,457</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2022, the School District's long-term liabilities changed as follows:

	Balance			Amounts Due	
	July 1, 2021	Additions	Reductions	Balance June 30, 2022	Within One Year
General obligation bonds	\$18,470,000	\$ 21,305,000	\$ 135,000	\$ 39,640,000	\$ 145,000
General obligation notes	35,007,000	-	3,906,000	31,101,000	3,912,000
Capital lease obligations	4,154,084	-	1,313,120	2,840,964	1,219,834
	<u>\$57,631,084</u>	<u>\$ 21,305,000</u>	<u>\$ 5,354,120</u>	<u>\$ 73,581,964</u>	<u>\$ 5,276,834</u>
Other Post Employment Benefits	\$20,780,983	\$ 872,917	\$ -	\$ 21,653,900	\$ -
Compensated absences	3,928,221	-	137,457	3,790,764	-
Early retirement incentive plan	626,000	470,997	-	1,096,997	-
	<u>\$25,335,204</u>	<u>\$ 1,343,914</u>	<u>\$ 137,457</u>	<u>\$ 26,541,661</u>	<u>\$ -</u>

As noted below an additional \$39,040,000 in bonds was issued subsequent to year end with only interest due within one year in the amount of \$1,287,855. The new issuance would bring the total bonds outstanding at the time of issuance to \$78,680,000.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8. LONG-TERM LIABILITIES (continued)

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. These bonds were refunded resulting in a general obligation note 2021 in the amount of \$27,660,000 as noted below.

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.

During the year ended June 30, 2022, the District issued bonds in the amount of \$21,305,000 to fund various capital projects and the costs of issuance with variable interest rates ranging from .3% to 4%, maturing in 2037.

Also, subsequent to year end, the District issued bonds in the amount of \$39,040,000 to fund various capital projects and the costs of issuance with variable interest rates ranging from 2.250% to 4.00%, maturing in 2044.

General Obligation Notes

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

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8. LONG-TERM LIABILITIES (continued)

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.

Also as noted above, the District refunded the 2009 bond issuances through a general obligation note in the amount of \$27,660,000. The term of the note was for nine years ending November 1, 2029 at the interest rate of 1.28%. Proceeds of the note issuance refunding the existing bonds and were utilized for the termination fee of an interest rate SWAP agreement related to the 2009 bonds.

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

	Principal Remaining	Maturity
General Obligation Note Series 2011	\$ 252,000	5/25/2023
General Obligation Note Series 2020	5,884,000	10/25/33
General Obligation Note Series 2021	24,965,000	11/01/29
	<u>31,101,000</u>	
General Obligation Bond Series 2019	9,300,000	09/15/32
General Obligation Bond Series 2020	9,040,000	10/25/33
General Obligation Bond Series 2021A	21,300,000	05/15/38
	<u>39,640,000</u>	
Total General Obligation Notes and Bonds	<u>70,741,000</u>	
Additional bonds issued subsequent to year end	39,040,000	06/30/44
Total General Obligation Notes and Bonds with 2022 subsequent issuance	<u>\$ 109,781,000</u>	

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8. LONG-TERM LIABILITIES (continued)

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, 2044. This is inclusive of the 2022 Bond issued subsequent to year end. Interest costs for variable indebtedness are estimated within the information presented below:

Years Ending June 30,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2023	\$ 4,057,000	\$ 3,120,619	\$ 7,177,619
2024	4,143,000	3,312,828	7,455,828
2025	4,197,000	3,260,476	7,457,476
2026	4,375,000	3,206,014	7,581,014
2027	4,433,000	3,149,225	7,582,225
2028-2032	22,406,000	14,624,855	37,030,855
2033-2037	25,100,000	10,670,425	35,770,425
2038-2042	30,455,000	5,321,400	35,776,400
2043-2044	10,615,000	362,300	10,977,300
	<u>\$109,781,000</u>	<u>\$ 47,028,142</u>	<u>\$156,809,142</u>

Capital Lease Obligations – The School District has entered into several capital leases. The remaining leases have a total remaining obligation of \$2,840,963 and are as follows:

Apple Financial Services for IPADS, Air Cases and AppleCare with an historical cost of \$2,621,714 on April 15, 2021, for a period of 36 months with an annual payment of \$655,429.

Apple Financial Services for IPAD Refresh Lease with an historical cost of \$1,693,216 on April 15, 2021, for a period of 36 months with an annual payment of \$564,405.

The amortization expense on all capital leases, which is included as part of the depreciation, was \$1,313,120 for the year ended June 30, 2022.

Subsequent to year end, the District entered into a lease for copiers with an historical cost of \$375,800, for a period of 60 months with an annual payment of \$79,471.

Annual minimum future lease payments under the capital leases as of June 30, 2022, for each of the remaining years and in the aggregate are:

Years ending June 30,	
2023	\$ 1,219,834
2024	1,102,250
2025	518,879
Total minimum lease payments	<u>2,840,963</u>
Less: Amount representing interest	-
Present value of minimum lease payments	<u>\$ 2,840,963</u>

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8. LONG-TERM LIABILITIES (continued)

Annual minimum future lease payments under the capital leases inclusive of the subsequent year-end lease beginning in July 2022 for each of the remaining years and in the aggregate are:

Years ending June 30,	
2023	\$ 1,299,305
2024	1,181,721
2025	598,350
2026	79,471
2027	79,471
Total minimum lease payments	<u>3,238,318</u>
Less: Amount representing interest	<u>(21,553)</u>
Present value of minimum lease payments	<u>\$ 3,216,765</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, 2022. 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.

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, 2022, was \$3,771,851 for the governmental funds and \$18,913 for the business-type activity, for a total of \$3,790,764. Such amounts are included in compensated absences and other post employment benefits.

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 2022 was \$1,096,997 and was accrued as a liability as of June 30, 2022.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 was \$270,921. This is considered a short-term liability and is reflected as such in these financial statements.

NOTE 10. OPERATING LEASES

The School District this period adopted GASB Statement 87 which requires the recognition of certain lease assets and liabilities previously classified as operating leases. The balance sheet reflects these assets and liabilities at net present value of lease payments. The School District has entered into leases for varying pieces of equipment for periods ending from July 2017 through April 28, 2025. Future operating lease payments as of June 30, 2022 are as follows:

Years ending June 30,	
2023	\$ 47,273
2024	44,005
2025	<u>26,685</u>
Total operating lease payments	117,963
Less amount representing interest	<u>(7,826)</u>
	<u>\$ 110,137</u>

Subsequent to year end the School District entered into a lease agreement for periods August 2022 to July 2026. Future operating lease payments inclusive of the additional lease are as follows:

Years ending June 30,	
2023	\$ 64,257
2024	62,533
2025	45,213
2026	<u>2,742</u>
Total operating lease payments	174,745
Less amount representing interest	<u>(9,791)</u>
	<u>\$ 164,954</u>

Operating lease expense inclusive of amortization of operating lease obligations and imputed interest totaled \$148,445.

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,

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. PENSION PLAN (continued)

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.

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 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.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. PENSION PLAN (continued)

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%. PSERS adopted a defined contribution component (Act 5) in the prior period which allowed certain membership classes the option to elect 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, 2022, was 33.99% of covered payroll for pension, .80% for healthcare insurance premium assistance, and .15% for Defined Contributions. The contributions to the pension plan inclusive of the health care portion and Act 5 contribution from the District were \$20,175,340 for the year ended June 30, 2022 which represented 100% of the required contribution. For the fiscal year ended June 30, 2021, the rate of employer's contribution was 33.52% of covered payroll. The % is comprised of a pension contribution rate of 33.51% for pension benefits and .82% for healthcare insurance premium assistance and .18% for the defined contribution portion. School District contributions to the plan inclusive of pension benefits for the two preceding years were \$18,875,618 and \$18,459,785 for the years ended June 30, 2021 and June 30, 2020, respectively. Covered payroll for the measurement period was \$56,307,457.

Pension liabilities, pension expense and deferred outflows and deferred inflows of resources related to pensions - At June 30, 2022, the School District reported a liability of \$167,077,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021 (measurement date). The District's proportion of the net pension liability was calculated utilizing the employer's one year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was .3972% which was an increase from its proportion of .3951% measured as of June 30, 2021.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. PENSION PLAN (continued)

For the year ended June 30, 2022, the District recognized pension expense in the government wide funds of \$18,378,418. At June 30, 2022, 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	\$ 120,000	\$ 2,142,000
Changes in assumptions	7,910,000	-
Net difference between projected and actual investment earnings	-	25,959,000
Changes in proportions	4,914,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to measurement date	19,713,397	-
	<u>\$ 32,657,397</u>	<u>\$ 28,101,000</u>

The \$19,713,397 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, 2023. Deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 17,698,397
2023	\$ (1,851,000)
2024	\$ (2,904,000)
2025	\$ (8,387,000)

Actuarial assumptions—The total pension liability as of June 30, 2021 (the measurement date) was determined by rolling forward PSERS total pension liability as of June 30, 2020 to June 30, 2021. 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— 7.00%, includes inflation at 2.50%
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and merit or seniority increases
- Mortality rates - Based on the blend of 50% Pub T-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7% as of June 30, 2021

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. PENSION PLAN (continued)

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

The 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	27.00%	5.20%
Real estate	10.00%	4.70%
Fixed income	35.00%	1.80%
Private equity	12.00%	7.30%
Cash	3.00%	0.10%
Absolute return	8.00%	3.10%
MLPs/Infrastructure	8.00%	5.10%
Commodities	10.00%	2.00%
Leverage	-13.00%	0.10%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.57%. 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11. PENSION PLAN (continued)

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

	1% Decrease - 6.00%	Current Discount Rate - 7.00%	1% Increase - 8.00%
Ridley School District's proportionate share of the net pension liability	\$ 214,045,000	\$ 163,077,332	\$ 120,084,000

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.

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.

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 2021-2022 year were \$44,400.

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, 2022.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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 2021-2022 year, these costs were actuarially estimated at \$516,038 for the District's activity. The PSERS program contribution at .8% of covered payroll totaled \$460,139 for the year ended June 30, 2022. The annual OPEB cost for PSERS was actuarially determined at \$1,318,943 at the measurement date of June 30, 2021.

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, 2021 was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. Measurement date is June 30, 2021. 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 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 as of June 30, 2021.

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	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed Income	2.70%	-0.30%

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 16. POST EMPLOYMENT BENEFITS (continued)

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 percent of pay
- Investment return - 2.18% - S&P 20 year municipal bond rate
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- Premium Assistance - Capped at \$1,200 per year.
- Mortality rates - Based on the a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method - Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method - market value
- Participation rate - 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates - Based on the mortality tables for males and females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- 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 \$9,411,000 at June 30, 2021. 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.

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, 2022 are based on an actuarial valuation date of July 1, 2020 rolled forward to June 30, 2022.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 16. POST EMPLOYMENT BENEFITS (continued)

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	589
Retired participants	<u>56</u>
	<u>645</u>

Financial determinations as presented by the Actuary are reflected as of the actuarial date (July 1, 2020) and rolled forward accordingly through June 30, 2022. The net OPEB obligation liability of the school district for the District's plan totaled \$12,242,900 at June 30, 2022.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 16. POST EMPLOYMENT BENEFITS (continued)

Actuarial assumptions in determining OPEB liabilities were as follows:

- Discount rate – 2.28% based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2021.
- 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 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 – 5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4% 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 July, 2020. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2020-2021 school year.

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 as reported in the government-wide statements was \$1,199,277 net of amortization and changes in actuarial assumption.

At June 30, 2022, the District reported a combined OPEB liability (the District's and its proportionate share of the total PSERS net OPEB liability pursuant to the respective measurement dates) of \$21,653,900. As noted above, for the PSERS portion, the OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's proportion was .3971%, an increase of .0020%.

At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<i>RSD</i>		<i>PSERS</i>		<i>Total</i>	
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 181,026	\$ 1,088,242	\$ 68,000	\$ -	\$ 269,026	\$ 1,088,242
Changes in assumptions	1,146,366	595,645	1,002,000	126,000	2,148,366	721,645
Net difference between projected and actual investment earnings	-	-	19,000	-	19,000	0
Changes in proportions	-	-	394,000	120,000	394,000	120,000
Difference between employer contributions and proportionate share of total contributions	-	-	-	-	-	-
Contributions subsequent to measurement date	500,121	-	-	-	500,121	-
	<u>\$ 1,827,533</u>	<u>\$ 1,683,887</u>	<u>\$ 1,503,000</u>	<u>\$ 246,000</u>	<u>\$ 3,330,533</u>	<u>\$ 1,929,887</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:

For the year ended June 30,	Ridley School District	PSERS
2023	\$ 468,256	\$ 209,000
2024	\$ (31,865)	\$ 207,000
2025	\$ (31,865)	\$ 260,000
2026	\$ (31,865)	\$ 268,000
2027	\$ (31,865)	\$ 184,000
Thereafter	\$ (197,150)	\$ 129,000

**RIDLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 16. POST EMPLOYMENT BENEFITS (continued)

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 2.18% for the PSERS plan and 2.18% 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 (1.18% and 1.28%) or 1-percentage point higher (3.18% and 3.28%) than the current rate.

	1% Decrease	Current Rate	1% Increase
RSD	1.28% RSD	2.28%	3.28%
RSD Portion of PSERS	1.18% PSERS	2.18%	3.18%
Net RSD OPEB liability	\$ 11,381,238	\$ 12,242,900	\$ 13,148,340
RSD portion PSERS OPEB liability	10,800,000	9,411,000	8,266,000
	<u>\$ 22,181,238</u>	<u>\$ 21,653,900</u>	<u>\$ 21,414,340</u>

Following also presents the District's liability as it responds to the sensitivity to changes in health care trends:

	1% Decrease	Current Rate	1% Increase
Net RSD Sensitivity to health care trends	\$ 10,955,661	\$ 12,242,900	\$ 13,770,361
RSD portion PSERS Sensitivity to health care trends	9,410,000	9,411,000	9,412,000
	<u>\$ 20,365,661</u>	<u>\$ 21,653,900</u>	<u>\$ 23,182,361</u>

NOTE 17. RISKS AND UNCERTAINTIES

Since and during the COVID-19 outbreak in the United States, certain economic uncertainties have arisen including the volatility of the stock market impacting pension and OPEB investments; and the volatility of the supply chain effecting goods required by the School District. The potential impact of such economic uncertainties has not been determined nor have school district functions been interrupted.

NOTE 18. SUBSEQUENT EVENTS

Subsequent to year end, the District incurred a tax anticipation note of \$5,000,000 at the rate of 2.60%. The District anticipates repaying this Tax Revenue Anticipation Note (TRAN) within the 2022-2023 year.

Management of the School District has evaluated subsequent events through December 9, 2022, 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, 2022

	(Unaudited) Budgeted Amounts - Original	(Unaudited) Budgeted Amounts - Final	(Audited) Actual	Variance With Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
<i>Revenues:</i>				
Local sources	\$ 78,745,529	\$ 78,745,529	\$ 77,827,836	\$ (917,693)
State sources	32,521,517	32,521,517	34,681,723	2,160,206
Federal sources	4,140,335	4,140,335	4,739,334	598,999
<i>Total revenues</i>	<u>115,407,381</u>	<u>115,407,381</u>	<u>117,248,893</u>	<u>1,841,512</u>
<i>Other financing sources:</i>				
Operating transfers	4,955,270	4,955,270	-	(4,955,270)
<i>Total other financing sources</i>	<u>4,955,270</u>	<u>4,955,270</u>	<u>-</u>	<u>(4,955,270)</u>
<i>Total revenues and other financing sources</i>	<u>120,362,651</u>	<u>120,362,651</u>	<u>117,248,893</u>	<u>(3,113,758)</u>
EXPENDITURES AND OTHER FINANCING USES				
<i>Expenditures:</i>				
<i>Instruction:</i>				
Regular programs	54,797,009	54,725,690	55,214,676	(488,986)
Special programs	19,291,563	19,079,249	22,457,810	(3,378,561)
Vocational programs	1,241,713	1,269,702	1,259,602	10,100
Other instructional programs	1,199,923	1,630,894	1,633,437	(2,543)
Community college programs	728,075	728,075	728,075	-
<i>Total instruction</i>	<u>77,258,283</u>	<u>77,433,610</u>	<u>81,293,600</u>	<u>(3,859,990)</u>
<i>Support services:</i>				
Pupil personnel services	5,430,196	4,929,940	4,664,483	265,457
Instructional staff services	1,841,283	1,640,438	3,042,663	(1,402,225)
Administrative services	6,803,433	6,489,459	6,389,506	99,953
Pupil health	1,956,563	1,983,064	1,973,925	9,139
Business services	1,294,541	1,298,041	1,277,109	20,932
Operation and maintenance of plant services	8,101,181	7,676,227	7,929,380	(253,153)
Student transportation services	3,084,706	3,623,976	3,512,436	111,540
Central and other support services	3,172,362	3,222,362	3,208,237	14,125
Other support services	60,000	60,000	58,349	1,651
<i>Total support services</i>	<u>31,744,265</u>	<u>30,923,507</u>	<u>32,056,088</u>	<u>(1,132,581)</u>
<i>Noninstructional services:</i>				
Student activities	1,172,905	1,138,018	1,092,110	45,908
Community services	118,928	149,246	148,286	960
<i>Total noninstructional services</i>	<u>1,291,833</u>	<u>1,287,264</u>	<u>1,240,396</u>	<u>46,868</u>
Debt service	5,113,000	5,763,000	5,761,292	1,708
<i>Total expenditures</i>	<u>115,407,381</u>	<u>115,407,381</u>	<u>120,351,376</u>	<u>(4,943,995)</u>
<i>Other financing uses:</i>				
Operating transfers out	-	-	69,972	(69,972)
<i>Total other financing uses</i>	<u>-</u>	<u>-</u>	<u>69,972</u>	<u>(69,972)</u>
<i>Total expenditures and other financing uses</i>	<u>115,407,381</u>	<u>115,407,381</u>	<u>120,421,348</u>	<u>(5,013,967)</u>
<i>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</i>				
	4,955,270	4,955,270	(3,172,455)	(8,127,725)
Fund balances - beginning of year	3,387,735	3,387,735	3,387,735	-
Fund balances - end of year	<u>\$ 8,343,005</u>	<u>\$ 8,343,005</u>	<u>\$ 215,280</u>	<u>\$ (8,127,725)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
RIDLEY SCHOOL DISTRICT
(UNAUDITED)
COMPONENTS OF OPEB COST**

	RSD Specific Activity	PSERS Allocated Proportion	Total
Total OPEB expense	\$ 877,727	\$ 620,000	\$ 1,497,727
Amortization	-	209,000	209,000
Experience differentials and assumptions	(361,689)	489,943	128,254
Annual OPEB cost	516,038	1,318,943	1,834,981
Contributions made	(500,121)	(461,943)	(962,064)
Increase in OPEB obligation	15,917	857,000	872,917
Total OPEB Liability-beginning of year	12,226,983	8,554,000	20,780,983
Total OPEB Liability-end of year	<u>\$ 12,242,900</u>	<u>\$ 9,411,000</u>	<u>\$ 21,653,900</u>

Net OPEB liability as a % of covered employee payroll for the District Plan is 26.52%.
Net OPEB liability as a % of covered employee payroll for the PSERS Plan is 16.72%.

Ridley School District portion:

Actuarial Report Date	Actuarial Value of Assets	Total OPEB Liability	Unfunded Opeb Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as a Percentage of Covered Payroll
3/1/2008	-	\$ 6,832,646	\$ 6,832,646	0.00%	\$ 38,260,919	17.86%
3/1/2010	-	\$ 8,661,092	\$ 8,661,092	0.00%	\$ 44,295,303	19.60%
3/1/2012	-	\$ 8,628,246	\$ 8,628,246	0.00%	\$ 42,176,283	20.46%
3/1/2014	-	\$ 9,194,311	\$ 9,194,311	0.00%	\$ 41,687,001	22.06%
7/1/2016	-	\$ 8,922,584	\$ 8,922,584	0.00%	\$ 43,588,420	20.47%
7/1/2016	-	\$ 11,557,165	\$ 11,557,165	0.00%	\$ 45,651,532	25.32%
7/1/2019	-	\$ 11,686,586	\$ 11,686,586	0.00%	\$ 45,651,532	25.60%
7/1/2020	-	\$ 12,226,983	\$ 12,226,983	0.00%	\$ 46,159,755	26.49%
7/1/2021	-	\$ 12,242,900	\$ 12,242,900	0.00%	\$ 46,159,755	26.52%

OPEB Plan Expense

Fiscal Year Ended	Annual OPEB Cost/Expense	Percentage of Annual OPEB Cost/Expense Contributed
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%
June 30, 2021	\$ 884,297	48%
June 30, 2022	\$ 877,727	57%

**REQUIRED SUPPLEMENTARY INFORMATION
RIDLEY SCHOOL DISTRICT**

(UNAUDITED)

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.3972%	0.3851%	0.3862%	0.3690%	0.3621%	0.3791%	0.3775%	0.3659%	0.3661%
District's proportionate share of the net pension liability	\$ 163,077,332	\$ 194,543,351	\$ 180,674,000	\$ 177,138,000	\$ 188,713,000	\$ 187,870,000	\$ 163,688,000	\$ 144,826,000	\$ 149,868,000
District's covered employee payroll	\$ 56,307,457	\$ 55,456,259	\$ 53,264,542	\$ 49,689,620	\$ 50,878,682	\$ 48,095,879	\$ 48,618,670	\$ 46,695,150	\$ 46,984,158
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.62%	350.81%	339.20%	356.49%	370.91%	382.66%	336.68%	310.15%	318.98%
Plan fiduciary net position as a percentage of total pension liability	63.87%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	54.49%	57.23%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contributions in relation to the contractually required contribution	\$ 18,875,618	\$ 18,459,785	\$ 17,716,649	\$ 16,158,711	\$ 14,937,930	\$ 11,981,839	\$ 9,758,000	\$ 7,289,000	\$ 5,403,178
Ridley School District's covered employee payroll	\$ 56,307,457	\$ 55,456,260	\$ 53,264,542	\$ 49,689,620	\$ 50,878,682	\$ 48,082,755	\$ 48,618,670	\$ 46,695,150	\$ 46,984,158
Contributions as a percentage of covered - employee payroll	33.52%	33.29%	33.26%	32.52%	29.36%	25.00%	20.05%	15.61%	11.50%

SCHEDULE OF INVESTMENT RETURNS

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	24.57%	1.14%	6.58%	9.30%	10.15%	1.11%	3.08%	14.98%	-

**REQUIRED SUPPLEMENTARY INFORMATION
RIDLEY SCHOOL DISTRICT**

(UNAUDITED)

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 7,799,598	\$ 7,702,186	\$ 7,420,512	\$ 6,977,443	\$ 7,159,958	\$ 7,325,732	\$ 7,280,391
Interest	30,598,163	29,815,696	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	160,159	(1,343,218)	(5,708,723)	(2,750,179)	2,460,919	(1,320,894)	(844,220)
Changes in assumptions	12,810,087	9,390,956	17,951,425	(13,433,230)	2,981,666	9,616,170	-
Benefit payments	(28,337,567)	(27,169,111)	(26,111,646)	(24,557,489)	(24,735,545)	(24,111,992)	(23,507,651)
Net change in total pension liability	23,030,440	18,396,509	22,384,279	(6,699,209)	15,036,363	18,153,271	8,843,000
Total pension liability - beginning	425,901,213	407,504,704	385,120,425	391,819,634	376,783,271	358,630,000	349,787,000
Total pension liability - ending	<u>\$ 448,931,653</u>	<u>\$ 425,901,213</u>	<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>
Plan Fiduciary Net Position							
Contributions - employer	\$ 18,875,618	\$ 18,476,508	\$ 17,330,802	\$ 15,681,065	\$ 14,845,026	\$ 12,091,432	\$ 9,813,046
Contributions - employee	4,292,544	4,219,498	4,109,334	3,787,324	3,873,909	3,750,307	3,720,932
Net investment income	58,605,367	3,958,295	14,014,078	17,395,243	19,087,278	1,793,924	5,020,462
Benefit payments	(28,337,567)	(27,169,111)	(26,111,646)	(24,557,489)	(24,735,545)	(24,111,992)	(23,507,651)
Administrative expenses	(197,076)	(184,903)	(188,528)	(171,747)	(166,424)	(171,042)	(159,969)
Net change in plan fiduciary net position	53,238,886	(699,714)	9,154,041	12,134,396	12,704,244	(6,647,371)	(5,113,180)
Plan fiduciary net position - beginning restated	232,615,435	232,057,576	217,676,663	195,848,030	190,402,295	195,660,710	200,673,890
Plan fiduciary net position - ending	<u>\$ 285,854,321</u>	<u>\$ 231,357,862</u>	<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>\$ 163,077,332</u>	<u>\$ 194,543,351</u>	<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>