

Upper Darby School District

Financial Statements and
Supplementary Information

June 30, 2025

Upper Darby School District

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Independent Auditors' Report

To the Board of School Directors of
Upper Darby School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Upper Darby School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 4 through 19 and the Required Supplementary Information on pages 57 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 67, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 2, 2025

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

This Management's Discussion and Analysis (MD&A) of the financial performance of the Upper Darby School District (the District) provides an overview of the District's financial performance for the fiscal year ended June 30, 2025. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

District Profile

The Upper Darby School District, Delaware County, Pennsylvania is located in southeastern Pennsylvania, adjacent to the City of Philadelphia, and consists of the Township of Upper Darby (91.66%) and the Boroughs of Clifton (7.67%) and Millbourne (0.67%) and covers approximately 8.6 square miles. The District consists of one high school (grades 9-12), two middle schools (grades 6-8), six elementary schools (grades 1-5), three elementary schools (grades K-5) and one kindergarten center (grade K). During 2024-2025, there were 1,383 full time equivalent employees in the District, consisting of 981 teachers/professional staff, 85 administrators, including general administration, principals and supervisors, and 317 support personnel, including administrative assistants, maintenance staff, custodial staff and transportation staff.

District Mission

The District's mission is to provide "a comprehensive and challenging educational program which encourages all learners in a safe environment to respect others, value education and appreciate and contribute to their community as confident, independent thinkers."

Financial Highlights

On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit net position at the close of the 2024-2025 fiscal year of approximately \$83,836,000. The deficit net position is due to the recognition of the District's net pension and other postemployment benefits (OPEB) liabilities under generally accepted accounting principles. The net position of governmental activities increased by \$11,167,276 and net position of the business-type activity increased by \$637,276 in 2025.

- The General Fund reported a decrease in fund balance of \$5,335,614, bringing the cumulative balance to \$31,505,045 at June 30, 2025.
- At June 30, 2025, the General Fund balance includes \$1,356,297 which is considered nonspendable; \$5,633,890 of funds committed to balance the 2025-2026 General Fund expenditure budget; \$16,444,988 in assigned fund balance including: \$1,500,000 for retirement rate stabilization, \$2,828,642 for compensated absences and other postemployment benefits, \$1,000,000 for special education, \$1,000,000 for educational and technology resources, \$6,500,000 in reserve for emergency capital replacement, \$1,500,000 in reserve for future revenue impacts, and \$2,116,346 for reserve for open encumbrances; and unassigned amounts of \$8,069,870 or 2.91% of the \$277,076,315 2025-2026 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund unassigned fund balance of 8.00% of the following year's expenditure budget.
- Total General Fund revenues and other financing sources were \$266,907,562 and total General Fund expenditures and other financing uses were \$272,243,176, resulting in a net decrease in General Fund balance of \$5,335,614.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector business. These statements are prepared using the accrual basis of accounting. The focus of the statements are for the long-term.

The Statement of Net Position (Deficit) presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, and pension and other postemployment benefits).

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

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation, administration, community service, interest and depreciation.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental fund financial statements is short-term. Governmental fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the District's major funds: General Fund, Capital Projects Fund and Capital Reserve Fund. In addition the District presents the Student Activity Fund as a nonmajor fund.

The basic governmental fund statements can be found on pages 22 through 25 of this report.

The District adopts an annual budget for its General Fund using the Executive Budget approach. A budgetary comparison statement for the General Fund has been provided on page 26 of this report to demonstrate compliance with this budget.

Proprietary Fund

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

Fiduciary Funds

The District is the fiduciary for assets that belong to others, consisting of scholarship funds and general welfare funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 32 through 56 of this report.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Government-Wide Financial Analysis

As noted above, net position may serve over time as a useful indicator of the District's financial condition. The District's net position has been significantly affected by pension and OPEB liabilities and related items. The District has recognized its proportionate share of the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) net pension liability and related deferred outflows and inflows of resources. Decisions regarding the allocations are determined by the administrators of PSERS, not by the District. In addition, the District has recognized its proportionate share of the PSERS OPEB net liability and related deferred outflows and inflows of resources as well as a net OPEB liability and related deferred outflows and inflows for benefits provided under a District specific plan.

At June 30, 2025, the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources resulting in a deficit net position of \$83,835,917. This deficit position resulted from the recognition of net pension and OPEB liabilities, deferred inflows from resources and deferred outflows of resources totaling \$(236,950,244), as discussed above. Please refer to the notes to the financial statements for more information on these items.

The following table presents condensed information for the Statement of Net Position (Deficit) of the District at June 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total		Net Change
	2025	2024	2025	2024	2025	2024	
	(In Thousand)						
Assets and deferred outflows of resources:							
Current assets	\$ 75,599	\$ 99,112	\$ 12,218	\$ 11,571	\$ 87,817	\$ 110,683	\$ (22,866)
Noncurrent assets	300,667	199,604	643	615	301,310	200,219	101,091
Deferred outflows of resources	47,292	46,687	-	-	47,292	46,687	605
Total	\$ 423,558	\$ 345,403	\$ 12,861	\$ 12,186	\$ 436,419	\$ 357,589	\$ 78,830
Liabilities:							
Current liabilities	\$ 49,041	\$ 47,543	\$ 573	\$ 536	\$ 49,614	\$ 48,079	\$ 1,535
Noncurrent liabilities	455,051	387,137	-	-	455,051	387,137	67,914
Deferred inflows of resources	15,590	18,014	-	-	15,590	18,014	(2,424)
Total	519,682	452,694	573	536	520,255	453,230	67,025
Net Position:							
Net investment in capital assets	76,434	62,847	643	615	77,077	63,462	13,615
Restricted	36,554	34,857	-	-	36,554	34,857	1,697
Unrestricted	(209,112)	(204,995)	11,645	11,035	(197,467)	(193,960)	(3,507)
Total	(96,124)	(107,291)	12,288	11,650	(83,836)	(95,641)	11,805
Total	\$ 423,558	\$ 345,403	\$ 12,861	\$ 12,186	\$ 436,419	\$ 357,589	\$ 78,830

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

The District's total assets and deferred outflows of resources as of June 30, 2025 were \$436,419,592 of which \$66,313,807 or 15.2% consisted of cash and investments and \$301,309,832 or 69.0% consisted of the District's capital assets (including cash and investments restricted for acquisition of capital assets). The District's total liabilities and deferred inflows of resources as of June 30, 2025 were \$520,255,509 of which \$181,036,206 or 34.8% was general obligation debt used to acquire and construct capital assets, \$19,337,636 or 3.7% was for OPEB, compensated absences and special termination benefits, and \$252,971,000 or 48.6% was for pension benefits.

The District has a total deficit net position of \$83,835,917 at June 30, 2025. The District had a total deficit net position of \$95,640,472 at June 30, 2024.

A portion of the District's net position is restricted and totaled \$36,554,367 at June 30, 2025. \$36,336,947 is restricted for capital expenditures, with the remainder restricted for student activities.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation plus unspent bond proceeds less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2025, the District's net investment in capital assets was \$77,076,228, an increase of \$13,613,564 over 2024.

Upper Darby School District

Management's Discussion and Analysis

June 30, 2025

(Unaudited)

The following table presents condensed information for the Statement of Activities of the District for 2025 and 2024:

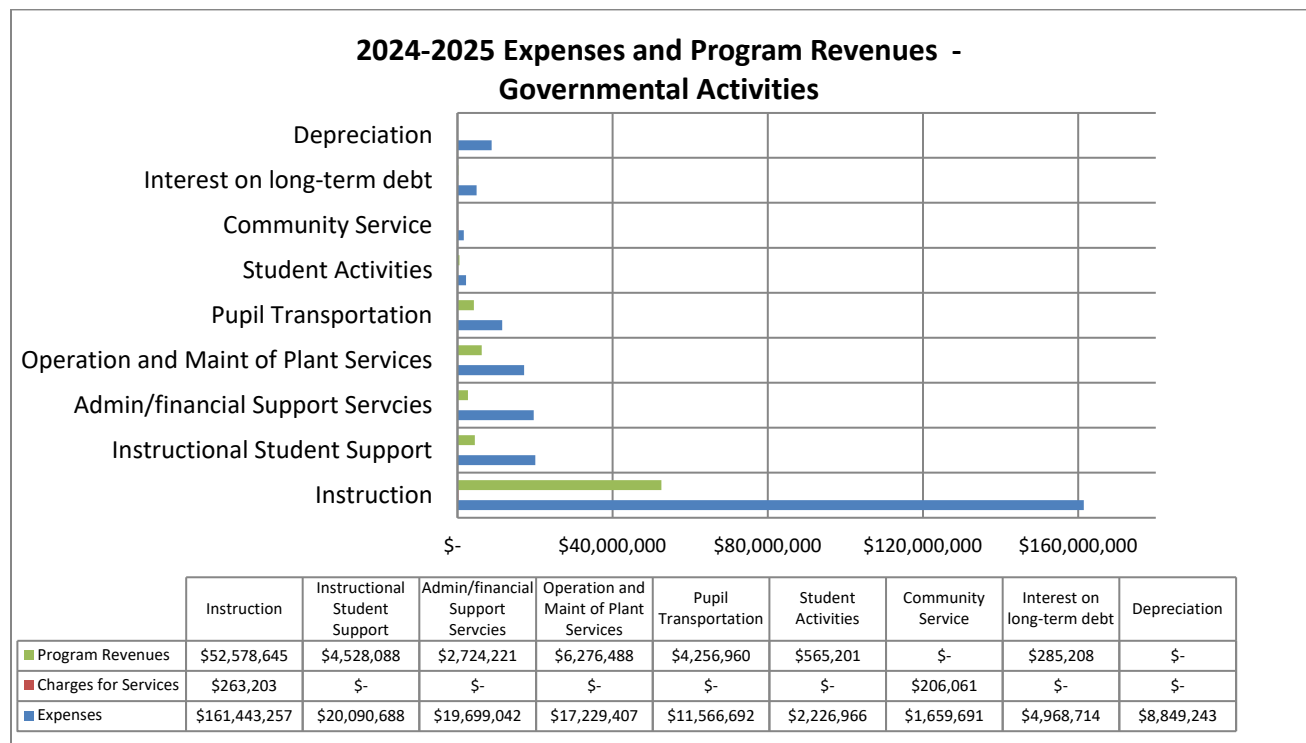
	Governmental Activities		Business-Type Activities		Total		Net
	2025	2024	2025	2024	2025	2024	Change
	(In Thousand)						
Program revenues:							
Charges for services	\$ 469	\$ 190	\$ 38	\$ 57	\$ 507	\$ 247	\$ 260
Operating grants and contributions	71,215	79,093	9,938	9,648	81,153	88,741	(7,588)
General revenues:							
Taxes levied for general purposes, net	114,451	124,607	-	-	114,451	124,607	(10,156)
Grants, subsidies and contributions not restricted	63,940	60,708	-	-	63,940	60,708	3,232
Other	8,826	5,627	(548)	(472)	8,278	5,155	3,123
Total revenues	258,901	270,225	9,428	9,233	268,329	279,458	(11,129)
Program expenses:							
Instruction	161,443	157,060	-	-	161,443	157,060	4,383
Instructional student support	20,091	19,611	-	-	20,091	19,611	480
Administration and financial support services	19,699	18,297	-	-	19,699	18,297	1,402
Operation and maintenance of plant services	17,229	18,185	-	-	17,229	18,185	(956)
Pupil transportation	11,567	9,872	-	-	11,567	9,872	1,695
Student activities	2,227	2,075	-	-	2,227	2,075	152
Community services	1,660	1,223	-	-	1,660	1,223	437
Interest on long-term debt	4,969	4,208	-	-	4,969	4,208	761
Unallocated depreciation	8,849	7,144	-	-	8,849	7,144	1,705
Food service	-	-	8,791	7,858	8,791	7,858	933
Total expenses	247,734	237,675	8,791	7,858	256,525	245,533	10,992
Change in net position	11,167	32,550	637	1,375	11,804	33,925	(22,121)
Net position (deficit), beginning	(107,291)	(139,841)	11,650	10,275	(95,641)	(129,566)	33,925
Net position (deficit), ending	\$ (96,124)	\$ (107,291)	\$ 12,287	\$ 11,650	\$ (83,837)	\$ (95,641)	\$ 11,805

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Overall, the District's financial position remained stable, however, challenges such as increased special education costs, charter school tuition, pension contributions, state-mandated programs, current employee contracts and the need for financing to address infrastructure issues remain. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing or 72.53% of its tax base. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities of 26.31%.

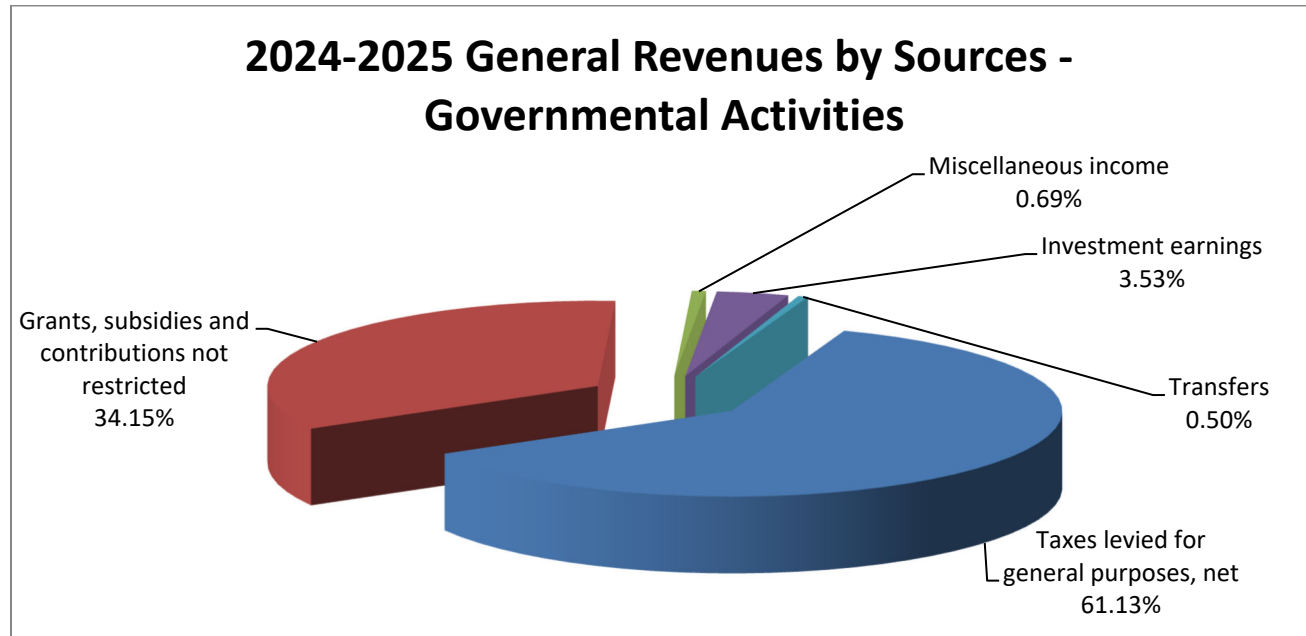
The Statement of Activities focuses on how the District finances its services. The Statement of Activities compares the cost of the District's functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph,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



Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

To the degree that the District's functions or programs cost more than they raise, the Statement of Activities shows how the District chose to finance the differences through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



Fund Financial Analysis

The governmental fund financial statements provide detailed information on the District's major and nonmajor funds. Some funds are required to be established by statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2025, the District's governmental funds reported a combined fund balance of \$132,924,816, which is an increase of \$48,448,979 from June 30, 2024. The following table summarizes the District's total governmental fund balances as of June 30, 2025 and 2024 and the 2025 change in governmental fund balances.

	2025	2024	Change
General Fund	\$ 31,505,045	\$ 36,840,659	\$ (5,335,614)
Capital Project Fund	64,865,404	12,777,754	52,087,650
Capital Reserve Fund	36,336,947	34,666,581	1,670,366
Student Activity Fund	217,420	190,843	26,577
Total	<u>\$ 132,924,816</u>	<u>\$ 84,475,837</u>	<u>\$ 48,448,979</u>

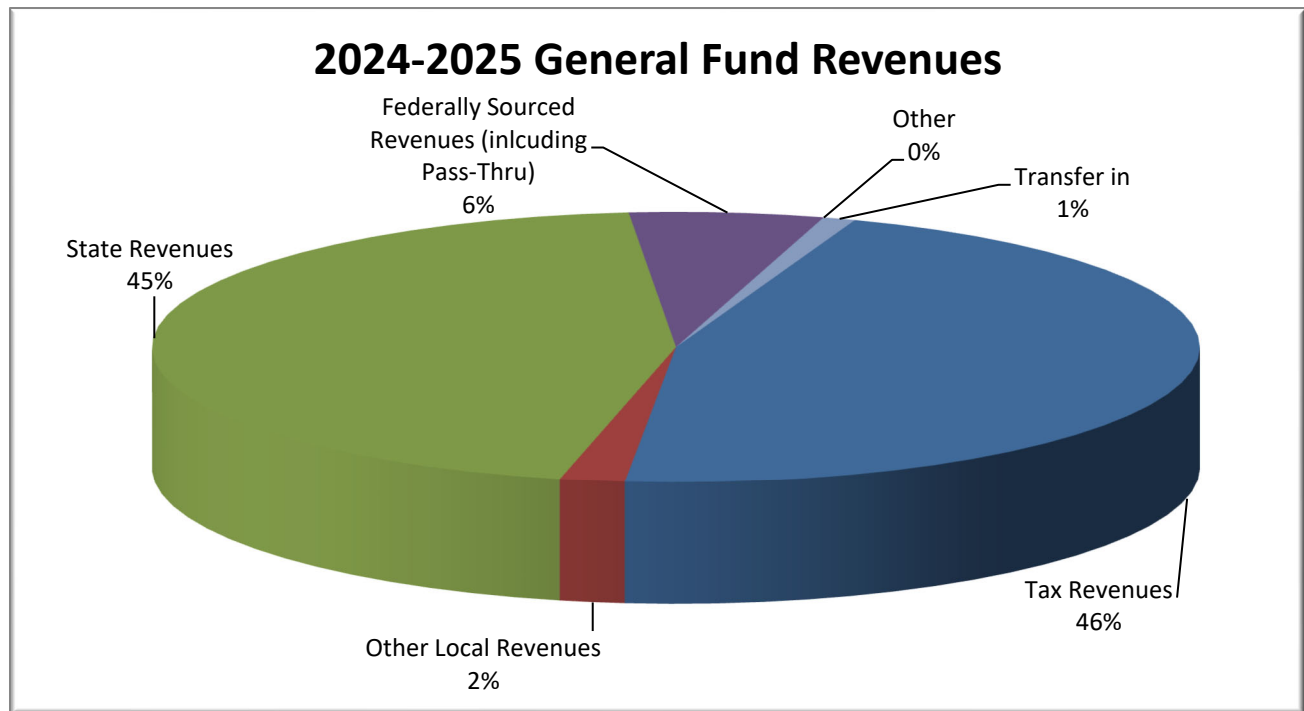
Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

General Fund

The General Fund is the District's primary operating fund. At June 30, 2025, the General Fund had a fund balance of \$31,505,045 representing a decrease of \$5,335,614, or 14.5%, from 2024. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2024-2025 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 46% of General Fund revenues are derived from local taxes.



General Fund Revenues

	2025	2024	Change
Tax revenues	\$ 123,834,853	\$ 119,727,687	\$ 4,107,166
Other local revenues	5,776,844	3,524,962	2,251,882
State revenues	119,298,366	107,723,094	11,575,272
Federally sourced revenues (including local pass-thru)	16,369,712	31,843,343	(15,473,631)
Other	697,942	-	697,942
Transfer in	929,845	764,666	165,179
Total	<u>\$ 266,907,562</u>	<u>\$ 263,583,752</u>	<u>\$ 3,323,810</u>

Upper Darby School District

Management's Discussion and Analysis

June 30, 2025

(Unaudited)

Total tax revenues increased by \$4,107,166 or 3.43% in 2025. The increase was primarily due to increases in real estate tax collections and interim taxes. The following table summarizes and compares the changes in the District's total tax revenues for 2025 and 2024:

	2025	2024	Change
Real estate tax	\$ 104,368,441	\$ 103,845,648	\$ 522,793
Interim real estate tax	171,053	1,517,480	(1,346,427)
PURTA tax	105,034	100,753	4,281
Transfer tax	2,400,662	3,137,457	(736,795)
Delinquent tax	9,003,905	4,644,541	4,359,364
State property tax reduction	7,785,758	6,481,808	1,303,950
Total	\$ 123,834,853	\$ 119,727,687	\$ 4,107,166

State revenues increased \$11,575,272 or 10.75% is primarily the result of an increase in instructional grants. Specifically the increase is due to increased funding the district received through the Ready to Learn Adequacy and Tax Equity supplements. The following table summarizes and compares the changes in the District's total state revenues for 2025 and 2024:

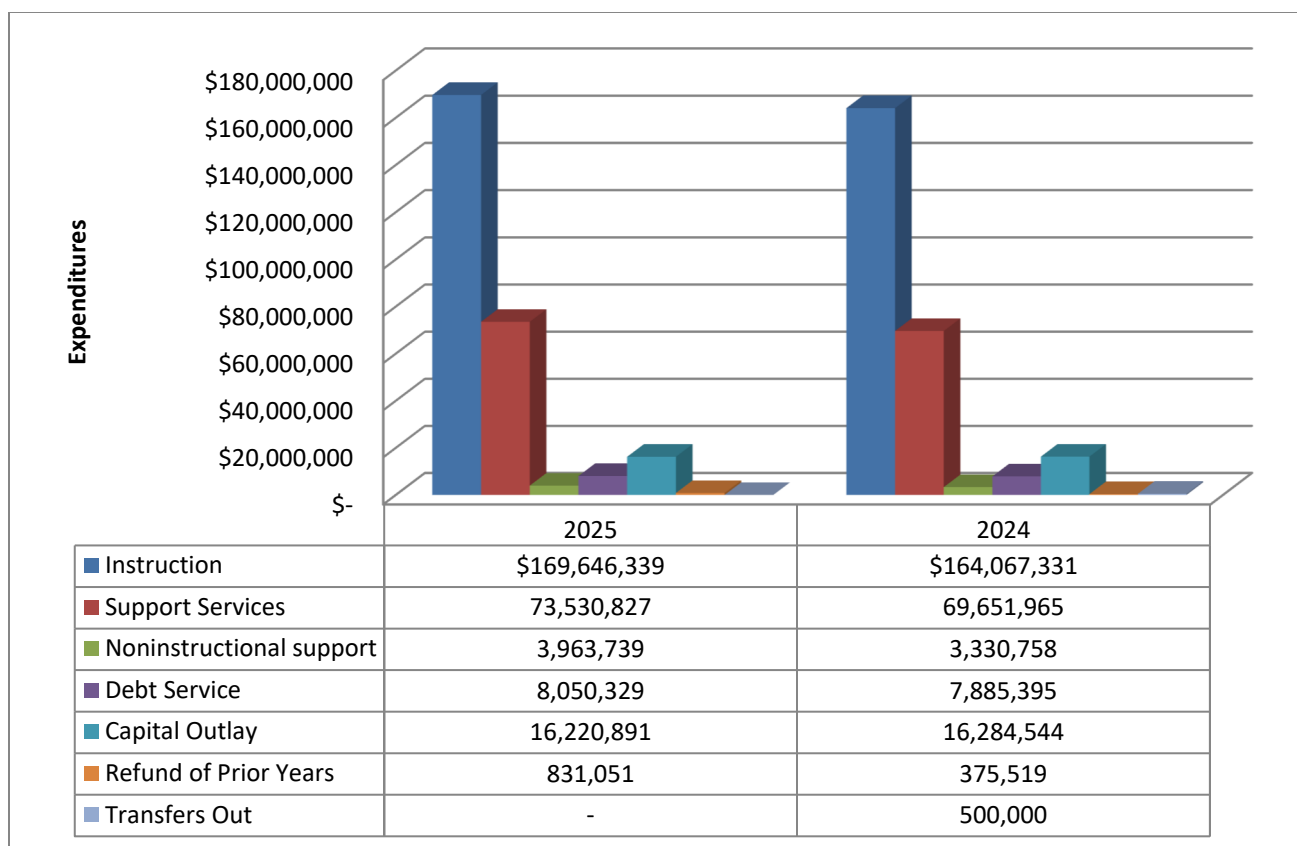
	2025	2024	Change
Instruction/block and miscellaneous grants	\$ 74,463,859	\$ 64,025,918	\$ 10,437,941
Special education	12,019,898	10,936,416	1,083,482
Transportation	2,653,883	2,445,067	208,816
Rental/leasing fund	30,991	656,234	(625,243)
Social Security and retirement	28,533,868	28,629,504	(95,636)
Other	1,595,867	1,029,955	565,912
Total	\$ 119,298,366	\$ 107,723,094	\$ 11,575,272

Federal revenue decreased \$15,473,631 or 48.59% in 2025 as a result of decreased use of COVID-19 relief funds as the grant periods of the remaining COVID-19 grants ended in September 2024. The federal grants are made up of various grants including, but not limited to, the Elementary and Secondary School Emergency Relief (ESSER) II and III, Special Education (IDEA) and Title I. A listing of federal funds can be found on the Schedule of Expenditures of Federal Awards on page 67.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

General Fund Expenditures and Other Financing Uses



	2025	2024	Change
Instruction	\$ 169,646,339	\$ 164,067,331	\$ 5,579,008
Support services	73,530,827	69,651,965	3,878,862
Noninstructional services	3,963,739	3,330,758	632,981
Debt service	8,050,329	7,885,395	164,934
Capital outlay	16,220,891	16,284,544	(63,653)
Refund of prior year receipts	831,051	375,519	455,532
Transfers out	-	500,000	(500,000)
Total	<u>\$ 272,243,176</u>	<u>\$ 262,095,512</u>	<u>\$ 10,147,664</u>

Expenditures increased \$10,147,664 in 2025. The primary causes of the increase were increases in Instruction and Support Services. Instruction increases were primarily the result of increasing special education costs.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Capital Reserve Fund

The Capital Reserve Fund accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the treasury at the end of a fiscal year, and (3) interest earnings of the fund itself. Expenditures from this fund are limited to: capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase of school buses, and for no other purpose.

In 2025, the Capital Reserve Fund reported an increase in fund balance of \$1,670,366. This is the result interest earnings amounting to \$1,670,366 and no transfers to the Capital Reserve from the General Fund. The fund balance of \$36,336,947 at June 30, 2025 is restricted for capital expenditures.

Capital Projects Fund

The Capital Projects Fund accounts for bond proceeds, capital outlay and interest earnings of the fund itself. Expenditures from this fund are limited to capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase of school buses and for no other purpose.

During 2024-2025, the District issued the Series of 2024 and 2025 general obligation bonds with a combined face value of \$76,645,000 plus a bond premium of \$4,084,789 total. Capital outlay totaled \$29,319,620. The Capital Projects Fund reported an increase in fund balance of \$52,087,650. The fund balance of \$64,865,404 at June 30, 2025 is restricted for capital expenditures.

Amounts spent on capital projects during the year ended June 30, 2025 were as follows:

Clifton Heights Middle School	\$ 28,644,430
Aronimink renovation and expansion	377,997
8201 N. Lansdowne Avenue renovation	<u>297,193</u>
Total	<u>\$ 29,319,620</u>

General Fund Budget Information

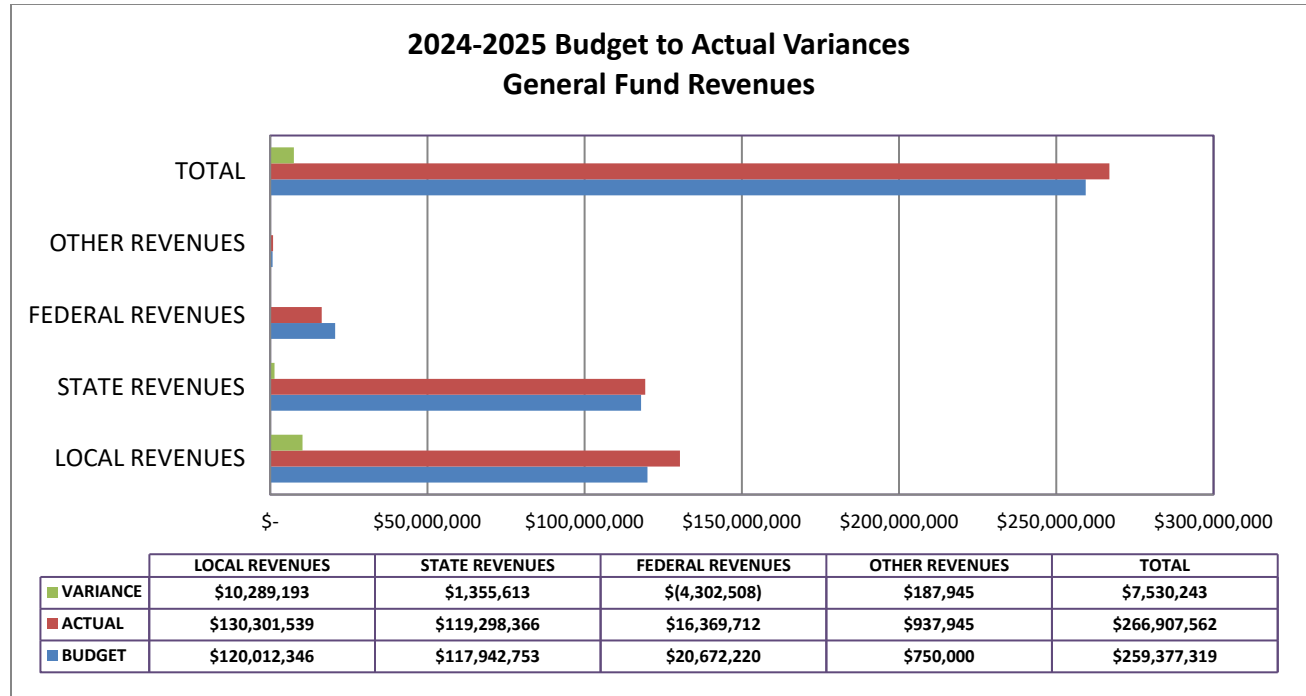
The District maintains its financial records and prepares its financial statements on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

The General Fund's final approved budget for 2025 included \$259,377,319 of revenues and other financing sources and \$263,473,143 of expenditures and other financing uses. The District committed \$8,825,632 to be used from its unassigned fund balance to cover the shortfall.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Actual revenues and other financing sources were \$7,530,243 more than the budgeted amounts and actual expenditures and other financing uses were \$8,767,033 more than the final budgeted amounts. The actual amount expenditures exceed revenues was \$5,335,614. Major budgetary highlights for 2024-2025 were as follows:

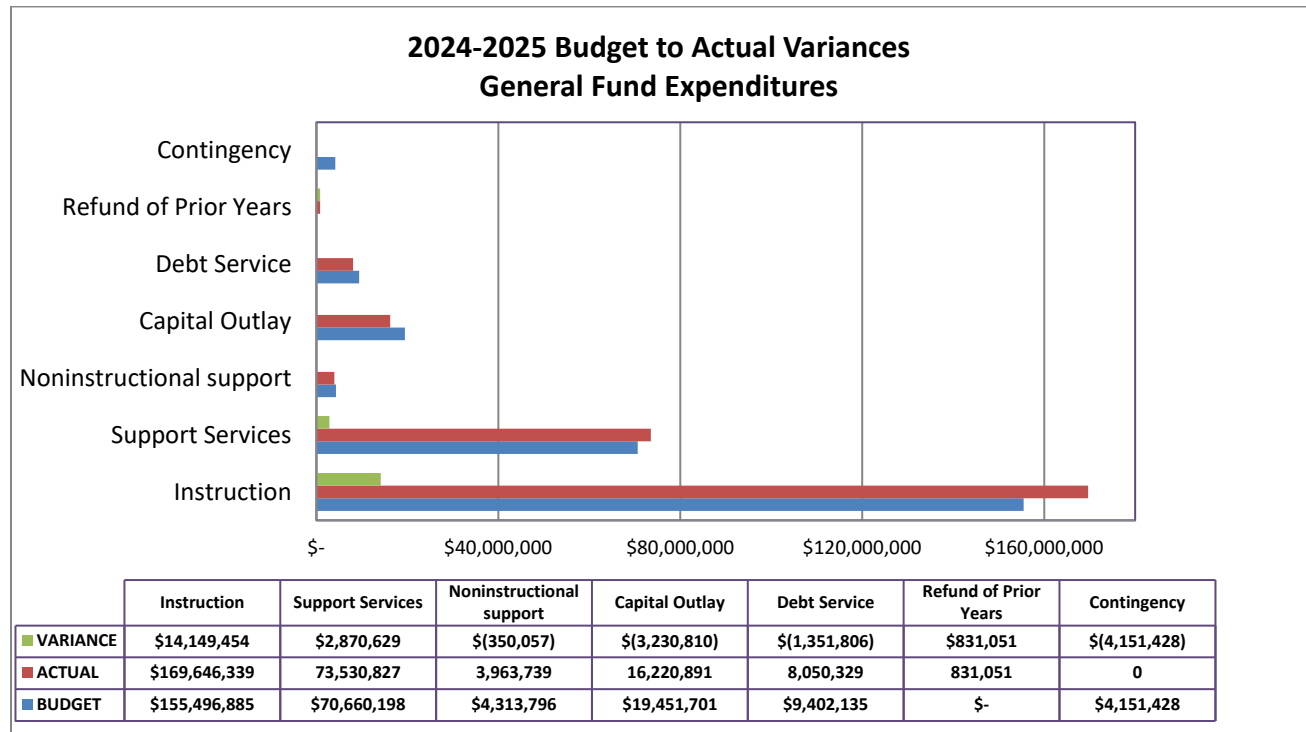


- Local revenues were \$10,289,193, or 8.57%, more than budgeted primarily due better than expected collections on delinquent taxes.
- State revenues were \$1,355,613, or 1.15%, more than budgeted due to additional funding being allocated to Upper Darby School district that were not expected at the time the budget was passed.
- Federal revenues were \$4,302,508, or 20.81% less than budgeted. The short-fall relates to the timing of capital projects being paid with federal funds, which occurred in summer of 2025 in fiscal year 2026.

	Budget	Actual	Over (Under) Budget
Instruction	\$ 155,496,885	\$ 169,646,339	\$ (14,149,454)
Support services	70,660,198	73,530,827	(2,870,629)
Noninstructional support	4,313,796	3,963,739	350,057
Capital outlay	19,451,701	16,220,891	3,230,810
Debt service	9,402,135	8,050,329	1,351,806
Refund of prior year receipts	-	831,051	(831,051)
Contingency	4,151,428	-	4,151,428
Total	\$ 263,476,143	\$ 272,243,176	\$ (8,767,033)

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)



	Budget	Actual	Over (Under) Budget
Salaries	\$ 107,200,094	\$ 106,730,170	\$ (469,924)
Employee health benefits	14,808,310	16,704,726	1,896,416
Social Security/retirement	43,180,248	42,423,487	(756,761)
Other employer benefits	2,151,370	1,760,204	(391,166)
Total wages and benefits	167,340,022	167,618,587	278,565
Purch svc/prof/tech	19,842,318	30,441,336	10,599,018
Purch property svcs	23,966,369	19,127,225	(4,839,144)
Other purchased svcs	26,878,398	30,344,894	3,466,496
Supplies	7,338,043	8,358,580	1,020,537
Property	2,978,896	4,903,685	1,924,789
Other objects	11,165,445	8,144,032	(3,021,413)
Other financing uses	3,966,652	3,304,837	(661,815)
Total other	96,136,121	104,624,589	8,488,468
Total	\$ 263,476,143	\$ 272,243,176	\$ 8,767,033

- Total actual expenditures and other financing used were over budget by \$8,767,033 or 3.33%.
- Total other expenditures exceeded the budget by \$8,488,468 or 8.83%. The variance is primarily due to an increase in Purch svcs/prof/tech as a result of special education contracted services increasing.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Business-Type Activity/Proprietary Fund

The District's business-type activity/proprietary fund consists of the District's food service program. The District's food service program is managed by an outside third-party contractor. During 2024-2025, the net position of the business-type activity/proprietary fund increased by \$637,279 driven by increased federal subsidies. At June 30, 2025, the business-type activity/proprietary fund had net position of \$12,287,683.

Capital Assets

The District's capital assets at June 30, 2025 are summarized below:

	Governmental Activities	Business-Type Activity	Totals
Land and improvements	\$ 29,821,388	\$ -	\$ 29,821,388
Building and improvements	209,210,823	-	209,210,823
Furniture and equipment	43,683,036	2,585,578	46,268,614
Construction in progress	39,642,540	-	39,642,540
Total	322,357,787	2,585,578	324,943,365
Less accumulated depreciation	(129,610,088)	(1,942,919)	(131,553,007)
Net capital assets	<u>\$ 192,747,699</u>	<u>\$ 642,659</u>	<u>\$ 193,390,358</u>

Completed capital projects totaled \$19,532,080 in 2025 and consisted of the following:

Secondary Schools Auditorium Upgrades	\$ 8,822,932
Secondary Schools Library Renovations	2,873,044
Drexel Hill Middle School Locker Room Renovation	2,589,327
Upper Darby High School Field Renovations	2,584,961
Various other smaller projects and equipment items	2,661,816

In addition to the above completed projects, the District has \$39,642,540 in construction in progress as of June 30, 2025. The three largest projects comprising this balance at June 30, 2025 were the construction of Clifton Heights Middle School \$28,644,429, the Westbrook Park Elementary School new HVAC system \$874,585 and Westbrook Park Elementary School Abatement project \$837,290.

Long-Term Debt

At July 1, 2024, the principal or face amount of the District's general obligation debt was \$94,782,380. The District issued the Series of 2024 general obligation bonds for \$32,755,000 in September 2024, and issued the Series of 2025 general obligation bonds for \$43,890,000 in April 2025. The Series of 2024 and 2025 bonds were issued to fund the planning and construction of Clifton Heights Middle School, as well as various other capital equipment purchases and capital improvements to school facilities. During the year, the District made principal payments of \$2,801,190. The principal or face amount balance of outstanding debt at June 30, 2025 is \$168,626,190. In the 2025-2026 school year, \$2,886,190 of this debt is scheduled for repayment.

State statutes limit the amount of general obligation debt the District may issue to 225% of its borrowing base capacity which is the annual arithmetic average of total revenues for the three preceding fiscal years. The long-term debt amount for the District is approximately 29.12% of its legal limit of \$579,105,920.

Upper Darby School District

Management's Discussion and Analysis
June 30, 2025
(Unaudited)

Economic Condition and Outlook

At the time that these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's local revenue sources continue to be adversely impacted. The District continues to anticipate an increased burden on local taxpayers due to continued reductions in assessed taxable values. This trend reinforces expectation that greater local tax efforts will be required to be the mechanism to fund instructional programming.
- The District does not expect significant residential nor commercial business growth in the near future given the existing developed commercial and residential nature of the local economy and a lack of developable land remaining within the District.
- The Commonwealth implemented a new funding formula for the Basic and Special Education subsidies that has not been fully funded. Recent reports show the District remains one of the most underfunded school districts in the Commonwealth. While the 2025-2026 budget resulted in an additional adequacy supplement through the Ready to Learn Block Grant in the amount of \$7,313,779, the adequacy gap net of the additional funding is estimated to be \$59,627,947.
- The District adopted a 2025-2026 budget totaling \$277,076,315. The 2025-2026 budget included:
 - 2.50% tax increase, which results in an estimated \$2,805,937 in tax revenues.
 - \$5,633,890 of General Fund balance was committed to cover the anticipated revenue shortfall.
- The District continues to address aging facilities and overcrowded schools. Based on prior facility studies and condition assessments, the District has completed a long-range facilities master plan that will be utilized as a tool when considering future improvements to our existing buildings. Construction of the new Clifton Heights Middle School has begun and is planned to open during the 2026-2027 School Year. Subsequent to fiscal year end the District purchased a hospital property adjacent to the Upper Darby High School. Plans for the purchased property are currently being evaluated. The District will continue to explore options to address facility related concerns districtwide, including, but not limited to a new elementary school.

For more information regarding the District's future facility plans, please visit the District's website at upperdarbysd.org.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Upper Darby School District, 8201 Lansdowne Avenue, Upper Darby, Pennsylvania 19082.

Upper Darby School District

Statement of Net Position (Deficit)

June 30, 2025

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 6,382,335	\$ 5,567,742	\$ 11,950,077
Restricted cash	379,844	-	379,844
Investments	47,207,579	6,776,307	53,983,886
Taxes receivable, net	6,913,052	-	6,913,052
Due from other governments	10,405,564	308,795	10,714,359
Other receivables	1,886,852	430,000	2,316,852
Internal balances	929,845	(929,845)	-
Prepaid expenses	1,212,668	-	1,212,668
Inventories	280,961	65,483	346,444
Total current assets	75,598,700	12,218,482	87,817,182
Noncurrent Assets			
Capital assets	192,747,699	642,659	193,390,358
Assets held for capital projects	107,919,474	-	107,919,474
Total noncurrent assets	300,667,173	642,659	301,309,832
Total assets	376,265,873	12,861,141	389,127,014
Deferred Outflows of Resources			
Pension	44,581,078	-	44,581,078
Other postemployment benefits	2,711,500	-	2,711,500
Total deferred outflows of resources	47,292,578	-	47,292,578
Total assets and deferred outflows of resources	\$ 423,558,451	\$ 12,861,141	\$ 436,419,592
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)			
Liabilities			
Current liabilities:			
Accounts payable	\$ 15,503,967	\$ 558,781	\$ 16,062,748
Current maturities of:			
Bonds and note payable	2,886,190	-	2,886,190
Financed purchase agreements payable	143,328	-	143,328
Authority obligation	244,878	-	244,878
Accrued salaries and benefits	28,457,643	-	28,457,643
Accrued interest payable	1,315,600	-	1,315,600
Other current liabilities	10,251	-	10,251
Current portion of compensated absences	207,593	-	207,593
Current portion of special termination benefits	271,526	-	271,526
Unearned revenues	-	14,677	14,677
Total current liabilities	49,040,976	573,458	49,614,434
Bonds and note payable	178,150,016	-	178,150,016
Authority obligation	5,071,181	-	5,071,181
Compensated absences	2,621,049	-	2,621,049
Special termination benefits	555,027	-	555,027
Other postemployment benefits	15,682,441	-	15,682,441
Net pension liability	252,971,000	-	252,971,000
Total liabilities	504,091,690	573,458	504,665,148
Deferred Inflows of Resources			
Pension	5,943,000	-	5,943,000
Other postemployment benefits	9,647,361	-	9,647,361
Total deferred inflows of resources	15,590,361	-	15,590,361
Net Position (Deficit)			
Net investment in capital assets	76,433,569	642,659	77,076,228
Restricted	36,554,367	-	36,554,367
Unrestricted	(209,111,536)	11,645,024	(197,466,512)
Total net position (deficit)	(96,123,600)	12,287,683	(83,835,917)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 423,558,451	\$ 12,861,141	\$ 436,419,592

See notes to financial statements

Upper Darby School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities						
Instruction	\$ 161,443,257	\$ 263,203	\$ 52,578,645	\$ (108,601,409)		\$ (108,601,409)
Instructional student support	20,090,688	-	4,528,088	(15,562,600)		(15,562,600)
Administrative and financial support services	19,699,042	-	2,724,221	(16,974,821)		(16,974,821)
Operation and maintenance of plant services	17,229,407	-	6,276,488	(10,952,919)		(10,952,919)
Pupil transportation	11,566,692	-	4,256,960	(7,309,732)		(7,309,732)
Student activities	2,226,966	-	565,201	(1,661,765)		(1,661,765)
Community service	1,659,691	206,061	-	(1,453,630)		(1,453,630)
Interest on long-term debt	4,968,714	-	285,208	(4,683,506)		(4,683,506)
Depreciation	8,849,243	-	-	(8,849,243)		(8,849,243)
Total governmental activities	247,733,700	469,264	71,214,811	(176,049,625)		(176,049,625)
Business-Type Activity, Food Service	8,790,973	38,151	9,938,213	-	\$ 1,185,391	1,185,391
Total	<u>\$ 256,524,673</u>	<u>\$ 507,415</u>	<u>\$ 81,153,024</u>	<u>(176,049,625)</u>	<u>1,185,391</u>	<u>(174,864,234)</u>
General Revenues (Expense)						
Real estate and transfer taxes levied for general purposes, net				114,450,917	-	114,450,917
Grants, subsidies and contributions not restricted				63,940,481	-	63,940,481
Miscellaneous expense				1,290,158	-	1,290,158
Investment earnings				6,605,500	381,733	6,987,233
Transfers				929,845	(929,845)	-
Total general revenues				<u>187,216,901</u>	<u>(548,112)</u>	<u>186,668,789</u>
Change in net position				11,167,276	637,279	11,804,555
Net Position (Deficit), Beginning				<u>(107,290,876)</u>	<u>11,650,404</u>	<u>(95,640,472)</u>
Net Position (Deficit), Ending				<u>\$ (96,123,600)</u>	<u>\$ 12,287,683</u>	<u>\$ (83,835,917)</u>

See notes to financial statements

Upper Darby School District

Balance Sheet - Governmental Funds
June 30, 2025

	Major Funds			Nonmajor Fund	Totals
	General	Capital Projects	Capital Reserve		
Assets					
Cash and cash equivalents	\$ 6,382,335	\$ -	\$ -	\$ -	\$ 6,382,335
Restricted cash	162,424	-	-	217,420	379,844
Investments	47,207,579	-	-	-	47,207,579
Assets held for capital projects	-	71,582,527	36,336,947	-	107,919,474
Taxes receivable, net	6,913,052	-	-	-	6,913,052
Due from other governments	10,405,564	-	-	-	10,405,564
Other receivables	1,886,852	-	-	-	1,886,852
Due from other funds	929,845	-	-	-	929,845
Prepaid expenses	1,075,336	137,331	-	-	1,212,667
Inventories	280,961	-	-	-	280,961
Total	<u>\$ 75,243,948</u>	<u>\$ 71,719,858</u>	<u>\$ 36,336,947</u>	<u>\$ 217,420</u>	<u>\$ 183,518,173</u>
Liabilities					
Accounts payable	\$ 8,649,512	\$ 6,854,454	\$ -	\$ -	\$ 15,503,966
Accrued salaries and benefits	28,457,643	-	-	-	28,457,643
Other current liabilities	10,251	-	-	-	10,251
Total liabilities	<u>37,117,406</u>	<u>6,854,454</u>	<u>-</u>	<u>-</u>	<u>43,971,860</u>
Deferred Inflows of Resources					
Unavailable revenues, real estate taxes	<u>6,621,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,621,497</u>
Fund Balances					
Nonspendable	1,356,297	-	-	-	1,356,297
Restricted	-	64,865,404	36,336,947	217,420	101,419,771
Committed	5,633,890	-	-	-	5,633,890
Assigned	16,444,988	-	-	-	16,444,988
Unassigned	<u>8,069,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,069,870</u>
Total fund balances	<u>31,505,045</u>	<u>64,865,404</u>	<u>36,336,947</u>	<u>217,420</u>	<u>132,924,816</u>
Total	<u>\$ 75,243,948</u>	<u>\$ 71,719,858</u>	<u>\$ 36,336,947</u>	<u>\$ 217,420</u>	<u>\$ 183,518,173</u>

See notes to financial statements

Upper Darby School District

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Deficit)

June 30, 2025

Total Fund Balances, Governmental Funds \$ 132,924,816

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds 192,747,699

Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds 6,621,497

Accrued interest payable is included in the statement of net position (deficit) (1,315,600)

Deferred outflows of resources related to the net pension liability is included in the statement of net position (deficit) 44,581,078

Deferred outflows of resources related to the other postretirement benefits liability is included in the statement of net position (deficit) 2,711,500

Deferred inflows of resources related to the net pension liability is included in the statement of net position (deficit) (5,943,000)

Deferred inflows of resources related to the other postretirement benefits liability is included in the statement of net position (deficit) (9,647,361)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Bonds and note payable (181,036,206)

Financed purchase agreements payable (143,328)

Authority obligation (5,316,059)

Compensated absences (2,828,642)

Special termination benefits (826,553)

Other postretirement benefits (15,682,441)

Net pension liability (252,971,000)

Total Net Deficit, Governmental Activities \$ (96,123,600)

Upper Darby School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	Major Funds				Total Governmental Funds
	General	Capital Projects	Capital Reserve	Nonmajor Fund	
Revenues					
Local sources	\$ 130,301,539	\$ 1,592,962	\$ 1,670,366	\$ 129,773	\$ 133,694,640
State sources	119,298,366	-	-	-	119,298,366
Federal sources	16,369,712	-	-	-	16,369,712
Total revenues	265,969,617	1,592,962	1,670,366	129,773	269,362,718
Expenditures					
Instruction	169,646,339	-	-	-	169,646,339
Support services	73,530,827	915,481	-	-	74,446,308
Noninstructional services	3,963,739	-	-	103,196	4,066,935
Capital outlay	16,220,891	29,319,620	-	-	45,540,511
Refund of prior year receipts	831,051	-	-	-	831,051
Debt service	8,050,329	-	-	-	8,050,329
Total expenditures	272,243,176	30,235,101	-	103,196	302,581,473
Revenues over (under) expenditures before other financing sources (uses)	(6,273,559)	(28,642,139)	1,670,366	26,577	(33,218,755)
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	76,645,000	-	-	76,645,000
Bond premium	-	4,084,789	-	-	4,084,789
Proceeds from sale of assets	8,100	-	-	-	8,100
Transfers in	929,845	-	-	-	929,845
Other financing sources (uses), net	937,945	80,729,789	-	-	81,667,734
Change in fund balances	(5,335,614)	52,087,650	1,670,366	26,577	48,448,979
Fund Balances, Beginning	36,840,659	12,777,754	34,666,581	190,843	84,475,837
Fund Balances, Ending	\$ 31,505,045	\$ 64,865,404	\$ 36,336,947	\$ 217,420	\$ 132,924,816

See notes to financial statements

Upper Darby School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds **\$ 48,448,979**

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

Capital outlays are reported in the governmental funds as expenditures.

However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense. The amount of capital outlay exceeding depreciation expense in the period is:

Capital outlay	\$ 47,585,289	
Less depreciation expense	<u>(8,849,243)</u>	38,736,046

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in real estate tax revenue accrued between the prior and current year (10,568,636)

Bond premiums are reported in the funds when the debt is issued. However, premiums are deferred and amortized in the statement of activities. Activity during the period is as follows:

Issuance of bond premiums	(4,084,789)	
Amortization of bond premiums	<u>424,911</u>	(3,659,878)

Proceeds from bond and note issuances are considered a current financial resource and are reported in the funds but not in the statement of activities (76,645,000)

Authority obligation adjustment for change in proportionate share 96,871

Repayment of long-term obligations use current financial resources and are reported in the funds but not the statement of activities. Principal repayments were as follows:

Bonds and notes	2,801,190	
Financed purchase agreements payable	266,289	
Authority obligation	<u>237,358</u>	3,304,837

Change in accrued interest payable (381,845)

In the statement of activities, certain expenses are measured by the amounts incurred during the year. In the funds, these items are measured by the amounts paid. The net differences between these amounts are as follows:

Retirement	10,737,454	
Compensated absences	270,704	
Special termination benefits	(46,669)	
Other postretirement benefits	<u>874,413</u>	<u>11,835,902</u>

Change in Net Position of Governmental Activities **\$ 11,167,276**

Upper Darby School District

Statement of Revenues, Expenditures and Change in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2025

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues			
Local sources	\$ 120,012,346	\$ 130,301,539	\$ 10,289,193
State sources	117,942,753	119,298,366	1,355,613
Federal sources	20,672,220	16,369,712	(4,302,508)
Total revenues	258,627,319	265,969,617	7,342,298
Expenditures			
Instruction	155,496,885	169,646,339	(14,149,454)
Support services	70,660,198	73,530,827	(2,870,629)
Noninstructional services	4,313,796	3,963,739	350,057
Capital outlay	19,451,701	16,220,891	3,230,810
Refund of prior year receipts	-	831,051	(831,051)
Debt service	9,402,135	8,050,329	1,351,806
Total expenditures	259,324,715	272,243,176	(12,918,461)
Revenues over (under) expenditures before other financing sources (uses)	(697,396)	(6,273,559)	(5,576,163)
Other Financing Sources (Uses)			
Transfers in	750,000	929,845	179,845
Proceeds from sale of assets	-	8,100	8,100
Budgetary reserve	(4,151,428)	-	4,151,428
Total other financing sources (uses), net	(3,401,428)	937,945	4,339,373
Change in fund balances	(4,098,824)	(5,335,614)	(1,236,790)
Fund Balances, Beginning	36,840,659	36,840,659	-
Fund Balances, Ending	\$ 32,741,835	\$ 31,505,045	\$ (1,236,790)

See notes to financial statements

Upper Darby School District

Balance Sheet - Proprietary Fund

June 30, 2025

Assets

Current Assets

Cash and cash equivalents	\$ 5,567,742
Investments	6,776,307
Due from other governments	308,795
Other receivables	430,000
Inventories	65,483

Total current assets 13,148,327

Capital Assets

642,659

Total assets \$ 13,790,986

Liabilities and Net Position

Liabilities

Current liabilities:

Accounts payable	\$ 558,781
Other current liabilities	14,677
Due to other funds	929,845

Total liabilities 1,503,303

Net Position

Net investment in capital assets	642,659
Unrestricted net position	11,645,024

Total net position 12,287,683

Total liabilities and net position \$ 13,790,986

See notes to financial statements

Upper Darby School District

Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund
Year Ended June 30, 2025

Operating Revenues

Food service revenue	\$ 38,151
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Operating Expenses

Purchased services	8,025,357
Donated commodities	580,803
Other	18,900
Depreciation	165,913

Total operating expenses	8,790,973
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Operating loss	(8,752,822)
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Nonoperating Revenues (Expenses)

Federal subsidies	9,643,580
State subsidies	294,633
Earnings on investments	381,733
Transfers out	(929,845)

Nonoperating revenues, net	9,390,101
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Increase in net position	637,279
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Net Position, Beginning	11,650,404
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Net Position, Ending	\$ 12,287,683
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See notes to financial statements

Upper Darby School District

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2025

Cash Flows From Operating Activities

Receipts from customers	\$ 38,151
Payments to suppliers	<u>(7,962,370)</u>
Net cash used in operating activities	<u>(7,924,219)</u>

Cash Flows From Noncapital Financing Activities

State subsidies	293,494
Federal subsidies	9,015,223
Transfers out	<u>(1,308,234)</u>
Net cash provided by noncapital financing activities	<u>8,000,483</u>

Cash Flows From Investing Activities

Purchase of investments	(6,214,316)
Interest on investments	381,733
Purchase of capital assets	<u>(193,180)</u>
Net cash used in investing activities	<u>(6,025,763)</u>

Net change in cash	(5,949,499)
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Cash and Cash Equivalent, Beginning	<u>11,517,241</u>
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Cash and Cash Equivalent, Ending	<u><u>\$ 5,567,742</u></u>
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Supplemental Disclosure of Noncash Transactions

USDA donated commodities	<u><u>\$ 536,652</u></u>
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Reconciliation of Operating Loss to Net Cash

Used in Operating Activities

Operating loss	\$ (8,752,822)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	165,913
USDA donated commodities	580,803
Changes in:	
Inventories	44,151
Accounts payable	<u>37,736</u>
Net cash used in operating activities	<u><u>\$ (7,924,219)</u></u>

Upper Darby School District

Statement of Fiduciary Net Position

June 30, 2025

	Custodial Funds
Assets	
Cash	\$ 782,110
Net Position	
Restricted for general welfare	\$ 370,092
Restricted for scholarships	412,018
Total net position	\$ 782,110

See notes to financial statements

Upper Darby School District

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Custodial Funds
Additions	
Contribution income	\$ 463,052
Interest income	20,628
Total additions	<u>483,680</u>
Deductions	
Employee groups and District programs	180,167
Scholarships awarded	<u>314,676</u>
Total deductions	<u>494,843</u>
Change in net position	(11,163)
Net Position, Beginning	<u>793,273</u>
Net Position, Ending	<u><u>\$ 782,110</u></u>

See notes to financial statements

Upper Darby School District

Notes to Financial Statements
June 30, 2025

1. Nature of Operations and Summary of Significant Accounting Policies

The major accounting principles and practices followed by the Upper Darby School District (the District) are summarized below:

Nature of Operations

The District provides elementary and secondary education to the residents of Upper Darby Township and the Boroughs of Clifton Heights and Millbourne, Pennsylvania. The District assesses taxpayers based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB) Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

Based on these criteria, the District has determined that there are no related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

Basis of Presentation, Government-Wide Financial Statements

The government-wide financial statements include the statement of net position (deficit) and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, supported by taxes and District general revenues, from business-type activities, financed in whole or in part with fees charged to customers. The District's General, Capital Projects, Capital Reserve and Student Activity Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation, Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/ expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent.

Upper Darby School District

Notes to Financial Statements
June 30, 2025

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental funds:

General Fund (Major)

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

Capital Projects Fund

Capital Projects fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The District uses the following Capital Project sub-funds which it has elected to report as major funds:

Capital Reserve Fund (Major)

The Capital Reserve Fund was established under the Pennsylvania Municipal Code to account for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the District at the end of a fiscal year, and (3) interest earnings of the fund itself. Bond proceeds and other local, state and federal revenue may not be deposited in this fund. No transfers out of this fund are allowable for any purpose. Expenditures from this fund are limited to: capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase or replacement of school buses and for no other purpose.

Other Capital Projects Fund (Major)

The Other Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation, or construction of major capital facilities which are financed through the issuance of bonds or notes.

Student Activity Fund (Nonmajor)

The Student Activity Fund accounts for the collections and disbursements of assets of various student activities and clubs.

Proprietary Fund Type

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Type

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The fund included in this category is:

Custodial Funds

The Custodial Funds include a Scholarship Fund which account for the activity of various scholarship accounts that provide scholarship grants to students of the District and the General Welfare Fund which accounts for the collections and disbursements of assets of various programs administered for the general welfare of students. The District does not control how the assets in these funds are spent.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position (deficit).

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Proprietary funds are accounted for using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

Upper Darby School District

Notes to Financial Statements
June 30, 2025

Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures, other than principal and interest on bonds and notes payable, compensated absences, pension and other postemployment obligations, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds and notes payable, compensated absences, pension and other postemployment obligations, and claims and judgments are recorded as fund liabilities when due and unpaid.

The District reports unearned revenue in both the government-wide and fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

The District allocates certain building-related and operative and administrative costs to the Food Service Fund and the Food Service Fund reimburses the General Fund for these expenses. It does not allocate any other indirect costs, including depreciation.

Budgetary Data

An operating budget is prepared each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the superintendent, together with the business office, to prepare and submit a plan of financial operation to the School Board.

Cash and Cash Equivalents

The District considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are held in money market funds and liquid asset funds and are reported at cost, which approximates fair value.

Assets Held for Capital Projects

Assets held for capital purposes consist of cash and liquid asset funds restricted for the acquisition of capital assets.

Upper Darby School District

Notes to Financial Statements

June 30, 2025

Inventories

General Fund inventories are valued at the lower of cost (first-in, first-out method) or market. A fund balance reserve equal to the value of the inventories is established to indicate that the inventories do not constitute expendable financial resources available for appropriation.

Food Service Fund inventories consist entirely of donated commodities, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the Food Service Fund are reported both in the business-type activity column of the government-wide statement of net position and in the fund financial statements due to the measurement focus of the proprietary fund.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method (1/2 month convention) over the following estimated useful lives:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Land improvements	20 years	N/A
Buildings and improvements	45 years	N/A
Furniture and equipment	5-20 years	10 years

The District does not have any infrastructure capital assets.

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

Compensated Absences

The District's collective bargaining agreements with its professional, administrative and support personnel specify the sick and vacation leave policies. The agreements provide for payment of accumulated sick leave, at retirement, based on years of service and days accumulated. The rate varies by position in accordance with collective bargaining agreements, compensation plans and individual employment agreements. Vacation leave is available only to administrative and 12-month support employees. Vacation leave is earned in the year in which the service has been performed and generally must be used in the year earned.

The District calculates its compensated absences obligation based on the estimated value of the sick and vacation leave in accordance with policies on a last-in, first out basis. The compensated absences obligation is calculated based on the associated employees' pay rate, adjusted for probability of use of such time and/or probability of payment upon retirement.

Pensions/Other Postemployment Benefits (OPEB)

The District provides eligible employees with retirement and OPEB benefits through the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343. In addition, the District provides eligible employees with OPEB benefits through a single employer defined benefit plan sponsored by the District (District Plan).

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

Governmental Fund Balance Classifications

Fund balances are classified based on the level of constraints placed on the usage of fund resources.

- *Nonspendable* fund balances are amounts that cannot be spent because they are either not in spendable form or, are legally or contractually required to be maintained intact. Nonspendable fund balance consists entirely of prepaid expenses and inventories which are not considered to be in spendable form.
- *Restricted* fund balances are amounts that are restricted to specific purposes by constraints placed on their use that are externally imposed by creditors, grantors, contributions, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- *Committed* fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the District's School Board of Directors. These amounts cannot be used for any other purpose unless the School Board of Directors removes or changes the specific use by taking the same action it employed to previously commit the amounts. In June 2025, the Board of School Directors committed \$5,633,890 of General Fund balance to balance the 2025-2026 budget.
- *Assigned* fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. The District's School Board of Directors has designated the Chief Financial Officer to assign fund balance amounts as deemed financially necessary and appropriate. At June 30, 2025, the Chief Financial Officer has assigned General Fund balance for a reserve for open encumbrances - \$2,116,346, compensated absences/OPEB - \$2,828,642, special education - \$1,000,000, PSERS retirement rate stabilization - \$1,500,000, technology and educational resources - \$1,000,000, emergency capital replacement - \$6,500,000 and future revenue impacts - \$1,500,000.
- *Unassigned* fund balance is a residual classification and represents amounts that have not been assigned to other funds, and has not been restricted, committed or assigned to a specific purpose within the General Fund.

Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net position.

Upper Darby School District

Notes to Financial Statements

June 30, 2025

Use of Restricted Net Position/Fund Balances

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to use restricted amounts first, and then unrestricted amounts as needed.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, the District has an item that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes not yet collected which are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position in this category.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Joint Ventures

The District participates with other school districts in Delaware County in the following joint ventures:

Delaware County Community College and Community College Authority

The District, along with other Delaware County school districts, sponsor the Delaware Community College (the College) and the Delaware Community College Authority (Authority). The sponsoring districts pay a portion of the College's operating and debt service costs, which fluctuate based on each district's certified real estate market values. In return, residents of each district pay reduced fees for College programs. The sponsoring districts have entered into agreements to provide payments sufficient to retire the College's outstanding debt related to the College's facilities. At June 30, 2025, the Authority has no outstanding debt. The District's share of the College's operating costs and debt service was \$1,438,787 in 2025.

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

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

The District and the other Delaware County school districts participate in the Delaware County Vocational Technical School (the Vo-Tech School) which provides vocational-technical training and education to students of the participating districts. The Vo-Tech School is controlled by a joint board comprised of representatives from each of the participating districts. The participating districts pay a share of the Vo-Tech School's operating costs based on the percentage of enrollment. The District's share of the Vo-Tech School operating costs was \$2,123,322 in 2025.

Upper Darby School District

Notes to Financial Statements
June 30, 2025

The same districts also participate in the Delaware County Vocational-Technical School Authority (the Authority). The Authority is responsible for acquiring holding, constructing, improving and maintaining the Vo-Tech School's buildings. The Authority is controlled by a joint board comprised of representatives from each of the districts. The District is responsible for an allocated portion of the outstanding debt of the Authority. At June 30, 2025, there is no allocated outstanding debt.

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

Adoption of New Accounting Principles

The District adopted GASB Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. GASB Statement No. 101 defines what should be accrued for compensated absences differently, as both what is more likely than not to be used and what is more likely than not to be paid out or converted. The adoption of this Statement had no material effect on the financial statements as of June 30, 2025.

The District adopted GASB Statement No. 102, *Certain Risk Disclosures* for the year ended June 30, 2025. GASB Statement No. 102 requires disclosure of information about risks from vulnerabilities due to certain lack of diversity in a significant resource inflow/outflow as concentrations and limitations on resources or spending as constraints. The District must disclose information about a concentration or constraint if it's known, makes the government vulnerable to a substantial impact, and events associated with it are likely to occur within 12 months. The adoption of this Statement had no effect on the financial statements as of June 30, 2025.

2. Deposits and Investments

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to these statutes.

Deposits With Financial Institutions and PSDLAF

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District does not have a formal policy for custodial credit risk. At June 30, 2025, the bank balance of the District's deposits with financial institutions, including cash equivalents and money market funds, was \$76,738,754 compared to the carrying amount of \$69,536,849. This includes \$14,250,041 of money market funds reported as investments in the General Fund. The difference is caused by items in-transit and outstanding checks. \$76,388,754 of the District's deposits were exposed to custodial credit risk at June 30, 2025 and were uninsured but collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

The Pennsylvania School District Liquid Asset Fund (PSDLAF) contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each school district owns shares of PSDLAF, which invests the pooled assets. Since PSDLAF has the characteristics of a mutual fund, it is not subject to the disclosure requirements noted above. Due to the short-term nature and liquidity of the investments held within these pools, the fair value of the underlying investments approximates amortized cost. Shares with PSDLAF can be withdrawn at any time in any amount, with no liquidity fees or redemption gates.

At June 30, 2025, the carrying amount of amounts with the PSDLAF was \$105,478,541. This includes \$32,957,538 reported as investments in the General Fund, \$12,043,701 and \$53,700,995 reported as assets held for capital projects in the Capital Reserve and Capital Projects Funds, respectively, and \$6,776,307 reported as investments in the Food Service Fund.

Upper Darby School District

Notes to Financial Statements

June 30, 2025

3. Real Estate Taxes

The tax on real estate, as levied by the Board of School Directors, was 25.8761 mills (\$25.8761 per \$1,000 of assessed valuation) for fiscal year 2025. Delaware County determines the assessed value of property and the tax collector is responsible for collection. The District's Chief Financial Officer is the tax collector. The schedule for real estate taxes levied for each fiscal year is as follows:

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

In accordance with Act 1 of 2006, the District offers its taxpayers an installment option for paying real estate taxes. Under this option, taxpayers are allowed to pay the face amount (no discount allowed) of the tax bill in three installments: August 31, September 30 and October 31. If the taxpayer elects the installment option and then fails to make an installment by the required due date noted above, a 10% penalty is assessed on any delinquent installment.

The District does not maintain or participate in any tax abatement programs.

Delinquent real estate taxes receivable at June 30, 2025 totaled \$5,713,011 and are included in taxes receivable. The amount of real estate taxes receivable is reported net of an allowance for doubtful collections of \$12,354,191, which includes an allowance of \$11,624,000 related to a property acquired by the District after the fiscal year end and the associated tax liability was terminated (see Note 13). Taxes receivable also includes \$211,123 of real estate transfer taxes receivable, and \$988,918 of delinquent real estate taxes collected by Delaware County but not yet remitted to the District.

4. Due From Other Governments

Due from other governments consists of the following at June 30, 2025:

Governmental activities:	
Pennsylvania Department of Education:	
State source revenues	\$ 6,618,178
Federal source revenues	3,514,490
Other school districts:	
Local source revenues	<u>272,896</u>
Total governmental activities	<u>\$ 10,405,564</u>
Business-type activity:	
Pennsylvania Department of Education:	
State source revenues	\$ 9,631
Federal source revenues	<u>299,164</u>
Total business-type activity	<u>\$ 308,795</u>

Upper Darby School District

Notes to Financial Statements

June 30, 2025

5. Capital Assets

The changes in the District's capital assets in 2025 are summarized as follows:

	Balance, July 1, 2024	Additions	Retirements	Transfers	Balance, June 30, 2025
Governmental activities:					
Cost:					
Land	\$ 680,000	\$ -	\$ -	\$ -	\$ 680,000
Land improvements	25,452,005	552,750	-	3,136,633	29,141,388
Buildings and improvements	191,063,936	1,503,712	-	15,038,881	207,606,529
Buildings and improvements - leased	1,604,295	-	-	-	1,604,295
Furniture and equipment	39,609,128	2,717,341	-	1,356,566	43,683,035
Construction in progress	16,363,134	42,811,486	-	(19,532,080)	39,642,540
Total cost	274,772,498	47,585,289	-	-	322,357,787
Less accumulated depreciation:					
Land improvements	(7,260,737)	(1,591,397)	-	-	(8,852,134)
Buildings and improvements	(83,386,568)	(5,671,234)	-	-	(89,057,802)
Buildings and improvements - leased	(1,604,294)	(1)	-	-	(1,604,295)
Furniture and equipment	(28,509,246)	(1,587,611)	-	-	(30,096,857)
Total accumulated depreciation	(120,760,845)	(8,850,243)	-	-	(129,611,088)
Net	\$ 154,011,653	\$ 38,735,046	\$ -	\$ -	\$ 192,746,699
Business-type activity:					
Furniture and equipment	\$ 2,392,398	\$ 193,180	\$ -	\$ -	\$ 2,585,578
Less accumulated depreciation	(1,777,006)	(165,913)			(1,942,919)
Net	\$ 615,392	\$ 27,267	\$ -	\$ -	\$ 642,659

The District is engaged in various capital projects. As of June 30, 2025, the District had awarded approximately \$104.2 million of contracts related to these projects. As of June 30, 2025, the District has approximately \$68.6 million in remaining commitments on these contracts.

Upper Darby School District

Notes to Financial Statements

June 30, 2025

6. Bonds and Notes Payable/Subsequent Event

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

	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Balance, July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2025</u>
Series of 2010 note, matures March 2026	5.00%	\$ 339,333	\$ 678,666	\$ -	\$ (339,333)	\$ 339,333
Series A of 2011 note matures September 2025	5.09%	26,857	53,714	-	(26,857)	26,857
Series of 2018 bonds, mature April 2027	1.65% - 3.00%	2,490,000	4,975,000	-	(2,410,000)	2,565,000
Series of 2019 bonds, mature April 2030	1.85% - 3.00%	5,000	6,060,000	-	(5,000)	6,055,000
Series of 2020 bonds, mature April 2045	0.45% - 2.25%	5,000	26,490,000	-	(5,000)	26,485,000
Series of 2021A bonds, mature April 2051	1.00% - 4.00%	5,000	36,540,000	-	(5,000)	36,535,000
Series of 2022 bonds, mature April 2052	4.00% - 4.125%	5,000	9,990,000	-	(5,000)	9,985,000
Series of 2023 bonds, mature April 2053	4.25% - 5.00%	5,000	9,995,000	-	(5,000)	9,990,000
Series of 2024 bonds, mature April 2054	5.00%	5,000	-	32,755,000	-	32,755,000
Series of 2025 bonds, mature April 2055	5.00%	-	-	43,890,000	-	43,890,000
Total		<u>\$ 2,886,190</u>	94,782,380	76,645,000	(2,801,190)	168,626,190
Premiums			<u>8,750,138</u>	<u>4,084,789</u>	<u>(424,911)</u>	<u>12,410,016</u>
Total			<u>\$ 103,532,518</u>	<u>\$ 80,729,789</u>	<u>\$ (3,226,101)</u>	<u>\$ 181,036,206</u>

Total interest paid on these bonds and notes in 2025 was \$3,921,084. No interest is reported as a direct expense in the statement of activities.

Interest on the Series of 2010 and Series A of 2011 general obligation notes is subsidized by the federal government. The subsidy rate for 2024 was 90.96% on the Series of 2010 and 96.11% on the Series A of 2011. In 2025, the District received \$250,957 in interest subsidies which is included in federal source revenues.

In September 2024, the District issued \$32,755,000 of general obligation bonds to finance capital improvements. The bonds are due in varying installments ranging from \$5,000 to \$7,250,000 bear interest at 5.00% and mature through April 2054.

In April 2025, the District issued \$43,890,000 of general obligation bonds to finance capital improvements. The bonds are due in varying installments ranging from \$600,000 to \$9,895,000 bear interest at 5.00% and mature through April 2055.

Upper Darby School District

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The Series of 2020, Series of 2021A, Series of 2022, Series of 2023, Series 2024 and Series 2025 bonds are considered direct placement borrowings.

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

	Direct Placement Bonds		Other Bonds and Notes		Total
	Principal	Interest	Principal	Interest	
Years ending June 30:					
2026	\$ 25,000	\$ 7,065,848	\$ 2,861,190	\$ 355,310	\$ 10,307,348
2027	1,565,000	8,259,132	1,465,000	182,484	11,471,616
2028	1,615,000	8,227,057	1,505,000	139,800	11,486,857
2029	1,680,000	8,211,457	1,555,000	104,650	11,551,107
2030	1,760,000	8,196,582	1,600,000	48,000	11,604,582
2031-2035	18,990,000	40,017,134	-	-	59,007,134
2036-2040	23,510,000	37,412,096	-	-	60,922,096
2041-2045	29,160,000	34,241,059	-	-	63,401,059
2046-2050	36,205,000	30,367,034	-	-	66,572,034
2051-2055	45,130,000	36,771,988	-	-	81,901,988
Total	<u>\$ 159,640,000</u>	<u>\$ 218,769,387</u>	<u>\$ 8,986,190</u>	<u>\$ 830,244</u>	<u>\$ 388,225,821</u>

7. Financed Purchase Agreements Payable

The District has purchased equipment under extended term financing agreements. These agreements require semi-annual or annual payments ranging from \$31,992 to \$125,842, bear interest at rates ranging from 1.13% to 1.433%, and mature through March 2026. The following summarizes the changes in financed purchase agreements payable:

	Balance, July 1, 2024	Additions	Reductions	Balance, June 30, 2025
Equipment	\$ 409,617	\$ -	\$ (266,289)	\$ 143,328

Interest expense on financed purchase agreements payable was \$4,256 in 2025.

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

	Principal	Interest	Total
Years ending June 30:			
2026	\$ 143,328	\$ 1,496	\$ 144,824

Upper Darby School District

Notes to Financial Statements
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8. Authority Obligation

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

	Balance, July 1, 2024	Additions	Reductions	Balance, June 30, 2025
Delaware County Community College	\$ 5,650,288	\$ -	\$ (334,229)	\$ 5,316,059

Interest expense on authority obligations was \$96,812 in 2025.

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

	Principal	Interest	Total
Years ending June 30:			
2026	\$ 244,878	\$ 230,124	\$ 475,002
2027	256,885	217,594	474,479
2028	270,038	204,449	474,487
2029	272,333	202,157	474,490
2030	284,847	189,053	473,900
2031-2035	1,396,582	736,526	2,133,108
2036-2040	993,581	464,727	1,458,308
2041-2045	1,074,947	223,926	1,298,873
2046-2049	521,968	42,518	564,486
Total	<u>\$ 5,316,059</u>	<u>\$ 2,511,074</u>	<u>\$ 7,827,133</u>

9. Retirement Plan

Plan Description

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

Benefits Provided

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

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

Benefits are generally equal to 1% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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 (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

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

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 5.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 8.30% and 12.30%.

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

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Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 33.90%* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were approximately \$33,855,000 for the year ended June 30, 2025.

*This includes the defined contribution rate of 0.27% which is an estimated rate.

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

At June 30, 2025, the District reported a liability of \$252,971,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2023 to June 30, 2024.

The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion of the PSERS net pension liability was 0.6044%, which was an increase of 0.0202% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$22,458,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 4,187,000	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	6,539,000	1,966,000
Difference between expected and actual experience	-	3,977,000
District contributions subsequent to the measurement date	33,855,078	-
Total	<u>\$ 44,581,078</u>	<u>\$ 5,943,000</u>

The \$33,855,078 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the net pension liability measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Years ending June 30	
2026	\$ (5,612,000)
2027	7,949,000
2028	3,295,000
2029	<u>(849,000)</u>
Total	<u>\$ 4,783,000</u>

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2025 (the 2024 measurement date) was determined by rolling forward the PSERS' total pension liability as of the June 30, 2023 actuarial valuation to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay;
- Investment return - 7.00%, includes inflation at 2.50%;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% to 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2024 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0 %	4.8 %
Private equity	12.0	6.7
Fixed income	33.5	3.9
Commodities	5.0	2.5
Infrastructure/MLPs	10.0	6.4
Real estate	9.5	5.9
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 333,240,000	\$ 252,971,000	\$ 185,190,000

Pension Plan Fiduciary Net Position

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

Upper Darby School District

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10. Compensated Absences and Special Termination Benefits

Compensated Absences

The changes in compensated absences in 2025 are summarized as follows:

Balance, July 1, 2024	\$ 3,099,346
Increases	-
Decreases	(270,704)
	<u> </u>
Balance, June 30, 2025	<u>\$ 2,828,642</u>

Special Termination Benefits

The District's current agreement with its administrators includes a retirement incentive provision (must be employed as an administrator prior to July 1, 2012 and must retire with a minimum 10 years of service as an administrator to the District) equal to 75% of the administrator's final salary. Payments made under this provision are nonelective employer contributions to the employees' 403(b) accounts in accordance with IRS regulations. The District has recorded a liability for this benefit based on the present value of the expected retirement incentive amount and the probability that the administrator will receive such incentive. The benefit is funded on a pay-as-you-go basis.

Changes in the special termination benefits liability in 2025 were as follows:

Balance, July 1, 2024	\$ 779,884
Increases	379,478
Payments and other decreases	(332,809)
	<u> </u>
Balance, June 30, 2025	<u>\$ 826,553</u>

11. Other Postemployment Benefits (OPEB)

District OPEB Plan

Plan Description and Benefits

The District provides postemployment healthcare benefits for certain administrative employees who qualify to retire under PSERS and for all other administrative employees who meet minimum District and PSERS service requirements under a plan that is considered a single employer plan. For certain specified administrative employees, benefits include payment of 100% of the premiums for medical, prescription drug, dental and vision for the employees and their spouses for the earlier of 12 years or until employee is age 65. Afterwards, coverage may be continued by paying 102% of the cost of such coverage. For the other administrative employees who meet the minimum District and PSERS service requirements, the District pays 100% of the employee's premiums for medical, prescription drug, dental and vision until age 65. The employee must pay 102% of any additional premium for spouse and dependent coverage. If the administrative employee does not meet the specified service requirement, the employee and spouse may continue coverage by paying 100% of the premium as determined for the purposes of COBRA. In addition, under Act 110 of 1998 and Act 43 of 1989, retired teachers and support staff may participate by paying 102% of the cost of such coverage until age 65.

The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. As such, the plan is unfunded, there is no underlying trust, and no financial report is prepared.

Upper Darby School District

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Employees Covered by District Plan

At July 1, 2024, the following employees were covered by the District Plan:

Active employees	1,329
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees currently receiving benefit payments	<u>302</u>
Total	<u><u>1,631</u></u>

District Plan Total OPEB Liability

The District Plan's total OPEB liability of \$4,926,441 as of June 30, 2025 was measured as of July 1, 2024.

District Plan Actuarial Assumptions

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

- Discount rate - 4.29% based on the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2024.
- Salary increases - 2.5% cost of living adjustment, 1.5% real wage growth and for teachers and administrators, a merit increase which varies by age from 2.75% to 0.0%
- Withdrawal - Rates of withdrawal are based on PSERS plan experience and vary by age, gender, years of service and PSERS Pension Class. Rates for new employees start at 25.93% for men and 27.46% for women and decrease with age and service. Rates for employees with more than 10 years of service ranges from 1.42% to 5.94% based on gender and years of service.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally Scale MP-2021 to reflect mortality improvement.
- Healthcare cost trend rates - 7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

Changes in the District Plan Total OPEB Liability

Balance at July 1, 2024	\$ 6,748,311
Service cost	346,731
Interest	285,349
Change of benefit terms	-
Differences between expected and actual experience	(2,100,544)
Changes in assumptions	(10,277)
Benefit payments	<u>(343,129)</u>
Balance at June 30, 2025	<u><u>\$ 4,926,441</u></u>

The changes in assumptions amount results from a change in the discount rate from 4.13% to 4.29%.

Upper Darby School District

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Sensitivity to Changes in the Discount Rate

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated using a discount rate that is 1% lower and higher than the current discount rate:

	1% Decrease (3.29%)	Discount Rate (4.29%)	1% Increase (5.29%)
Total District Plan OPEB Liability	\$ 5,335,791	\$ 4,926,441	\$ 4,541,841

Sensitivity to Changes in the Healthcare Cost Trend Rates

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total District Plan OPEB Liability	\$ 4,382,726	\$ 4,926,441	\$ 5,566,694

District Plan OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, the District recognized OPEB expense of \$(546,823) for the District Plan. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the District Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 223,237	\$ -
Net differences between expected and actual experience	-	4,330,556
Changes in assumptions	767,812	3,221,805
Total	<u>\$ 991,049</u>	<u>\$ 7,552,361</u>

The \$223,327 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the District Plan's total OPEB liability in the year ended June 30, 2026.

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

Years ending June 30:	
2026	\$ (955,683)
2027	(955,683)
2028	(955,683)
2029	(955,683)
2030	(618,715)
Thereafter	<u>(2,343,092)</u>
Total	<u>\$ (6,784,539)</u>

PSERS Health Insurance Premium Assistance Program

General Information About the PSERS Health Insurance Premium Assistance Program

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

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

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

District Contributions

The District's contractually required contribution rate for the year ended June 30, 2025 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$651,000 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$10,756,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.6055%, which was an increase of 0.0197% from its proportion measured at June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expense of \$321,000.

Upper Darby School District

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At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 656,000	\$ 1,642,000
Difference between expected and actual experience	41,000	161,000
Net differences between projected and actual investment earnings	11,000	-
Changes in proportion	361,000	292,000
District contributions subsequent to the measurement date	651,451	-
Total	<u>\$ 1,720,451</u>	<u>\$ 2,095,000</u>

The \$651,451 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the PSERS Plan's total OPEB liability in the year ended June 30, 2026.

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

Years ending June 30	
2026	\$ (296,000)
2027	(345,000)
2028	(405,000)
2029	(14,000)
2030	34,000
Total	<u>\$ (1,026,000)</u>

Actuarial Assumptions

The PSERS Total OPEB Liability as of June 30, 2025 (the 2024 measurement date), was determined by rolling forward PSERS's Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay;
- Investment return - 4.21% - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- Participation rate - Eligible retirees will elect to participate pre age 65 at 50%. Eligible retirees will elect to participate post age 65 at 70%

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Notes to Financial Statements

June 30, 2025

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024;
- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date;
- Asset valuation method: Market Value;
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees;
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. 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, 2024.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100 %	1.7 %

Discount Rate

The discount rate used to measure the PSERS Total OPEB Liability was 4.21%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a pay-as-you-go plan. A discount rate of 4.21% which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Upper Darby School District

Notes to Financial Statements
June 30, 2025

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (3.21%)	Discount Rate (4.21%)	1% Increase (5.21%)
District's proportionate share of the PSERS net OPEB liability	\$ 12,152,000	\$ 10,756,000	\$ 9,588,000

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2025, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents PSERS net OPEB liability for June 30, 2025, calculated using current healthcare cost trends as well as what PSERS net OPEB liability would be if health cost trends were 1% lower or 1% higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS net OPEB Liability	\$ 10,755,000	\$ 10,756,000	\$ 10,757,000

OPEB Plan Fiduciary Net Position

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

12. Internal Balances/Interfund Balances and Transfers

Interfund balances are summarized as follows:

	Due From	Due To
General Fund:		
Food Service Fund	\$ 929,845	\$ -
Food Service Fund:		
General Fund	-	929,845
Total	\$ 929,845	\$ 929,845

Upper Darby School District

Notes to Financial Statements

June 30, 2025

The Food Service Fund reports a balance due to the General Fund for maintenance, utility, insurance, operating and administrative salaries and benefits of \$929,845 for 2025.

Interfund transfers for 2025 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Food Service Fund	\$ 929,845	\$ -
Food Service Fund:		
General Fund	<u>-</u>	<u>929,845</u>
Total	<u>\$ 929,845</u>	<u>\$ 929,845</u>

13. Subsequent Events

In August 2025, the District bought a vacant hospital property that is adjacent to the high school. The property was acquired for \$600,000. The District's outstanding delinquent taxes balance on the property of \$11,624,000 is reserved as uncollectible as of June 30, 2025 (see Note 3).

Upper Darby School District

Schedule of the District's Proportionate Share of the PSERS Net Pension Liability
Years Ended June 30
(Unaudited)
(Dollars in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the PSERS net pension liability	<u>0.6044%</u>	<u>0.5842%</u>	<u>0.5922%</u>	<u>0.5939%</u>	<u>0.6133%</u>	<u>0.6087%</u>	<u>0.6086%</u>	<u>0.6252%</u>	<u>0.6088%</u>	<u>0.5946%</u>
District's proportionate share of the PSERS net pension liability	<u>\$ 252,971</u>	<u>\$ 259,889</u>	<u>\$ 263,285</u>	<u>\$ 243,836</u>	<u>\$ 301,983</u>	<u>\$ 284,766</u>	<u>\$ 292,158</u>	<u>\$ 308,776</u>	<u>\$ 301,702</u>	<u>\$ 257,552</u>
District's covered-employee payroll	<u>\$ 96,112</u>	<u>\$ 89,743</u>	<u>\$ 87,225</u>	<u>\$ 84,241</u>	<u>\$ 86,212</u>	<u>\$ 83,951</u>	<u>\$ 81,951</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>	<u>\$ 76,505</u>
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	<u>263.20%</u>	<u>289.59%</u>	<u>301.85%</u>	<u>289.45%</u>	<u>350.28%</u>	<u>339.21%</u>	<u>356.50%</u>	<u>370.96%</u>	<u>382.68%</u>	<u>336.65%</u>
PSERS plan fiduciary net position as a percentage of the total PSERS pension liability	<u>64.63%</u>	<u>61.85%</u>	<u>61.34%</u>	<u>63.67%</u>	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>

Upper Darby School District

Schedule of District PSERS Pension Contributions
Years Ended June 30
(Unaudited)
(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PSERS contractually required contribution	\$ 33,855	\$ 32,467	\$ 31,682	\$ 29,779	\$ 28,575	\$ 28,944	\$ 27,368	\$ 26,069	\$ 23,638	\$ 19,836
Contributions in relation to the contractually required contribution	<u>33,855</u>	<u>32,467</u>	<u>31,682</u>	<u>29,779</u>	<u>28,575</u>	<u>28,944</u>	<u>27,368</u>	<u>26,069</u>	<u>23,638</u>	<u>19,836</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 98,507</u>	<u>\$ 97,072</u>	<u>\$ 91,228</u>	<u>\$ 89,432</u>	<u>\$ 84,716</u>	<u>\$ 86,610</u>	<u>\$ 83,898</u>	<u>\$ 81,357</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>
Contributions as a percentage of covered-employee payroll	<u>34.37%</u>	<u>33.45%</u>	<u>34.73%</u>	<u>33.30%</u>	<u>33.73%</u>	<u>33.42%</u>	<u>32.62%</u>	<u>32.04%</u>	<u>28.40%</u>	<u>25.16%</u>

Upper Darby School District

Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the PSERS net OPEB liability	<u>0.6055%</u>	<u>0.5858%</u>	<u>0.5932%</u>	<u>0.5942%</u>	<u>0.6142%</u>	<u>0.6133%</u>	<u>0.6086%</u>	<u>0.6252%</u>	<u>0.6088%</u>
District's proportionate share of the PSERS net OPEB liability	<u>\$ 10,756</u>	<u>\$ 10,598</u>	<u>\$ 10,919</u>	<u>\$ 14,084</u>	<u>\$ 13,271</u>	<u>\$ 12,946</u>	<u>\$ 12,689</u>	<u>\$ 12,738</u>	<u>\$ 13,113</u>
District's covered-employee payroll	<u>\$ 96,112</u>	<u>\$ 89,743</u>	<u>\$ 87,225</u>	<u>\$ 84,241</u>	<u>\$ 86,212</u>	<u>\$ 83,951</u>	<u>\$ 81,951</u>	<u>\$ 83,236</u>	<u>\$ 78,840</u>
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	<u>11.19%</u>	<u>11.81%</u>	<u>12.52%</u>	<u>16.72%</u>	<u>15.39%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>	<u>16.63%</u>
PSERS plan fiduciary net position as a percentage of the total PSERS OPEB liability	<u>7.13%</u>	<u>7.22%</u>	<u>6.86%</u>	<u>5.30%</u>	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>	<u>5.47%</u>

Information for years prior to 2017 is not available.

Upper Darby School District

Schedule of District PSERS OPEB Contributions

Years Ended June 30

(Unaudited)

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PSERS contractually required contribution	\$ 651	\$ 623	\$ 689	\$ 701	\$ 699	\$ 729	\$ 697	\$ 691	\$ 672
Contributions in relation to the contractually required contribution	<u>(651)</u>	<u>(623)</u>	<u>(689)</u>	<u>(701)</u>	<u>(699)</u>	<u>(729)</u>	<u>(697)</u>	<u>(691)</u>	<u>(672)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 98,507</u>	<u>\$ 97,072</u>	<u>\$ 91,228</u>	<u>\$ 89,432</u>	<u>\$ 84,716</u>	<u>\$ 86,610</u>	<u>\$ 83,898</u>	<u>\$ 81,357</u>	<u>\$ 83,236</u>
Contributions as a percentage of covered-employee payroll	<u>0.66%</u>	<u>0.64%</u>	<u>0.76%</u>	<u>0.78%</u>	<u>0.83%</u>	<u>0.84%</u>	<u>0.83%</u>	<u>0.85%</u>	<u>0.81%</u>

Information for years prior to 2017 is not available.

Upper Darby School District

Schedule of Changes in Total OPEB Liability for District Plan
Years Ended June 30
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 346,731	\$ 324,009	\$ 748,500	\$ 743,755	\$ 561,295	\$ 560,428	\$ 854,242	\$ 810,359
Interest cost	285,349	266,039	231,655	184,778	301,556	265,255	391,740	284,515
Change of benefit terms	-	-	940,647	-	-	-	-	-
Differences between expected and actual experience	(2,100,544)	74,460	(1,462,507)	-	(686,790)	-	(2,658,693)	-
Changes in assumptions	(10,277)	-	(3,274,093)	(304,293)	1,042,952	(260,709)	(1,427,472)	414,032
Benefit payments	(343,129)	(316,099)	(427,931)	(373,441)	(523,181)	(455,443)	(510,088)	(408,300)
Net change	(1,821,870)	348,409	(3,243,729)	250,799	695,832	109,531	(3,350,271)	1,100,606
Total OPEB Liability, Beginning	6,748,311	6,399,902	9,643,631	9,392,832	8,697,000	8,587,469	11,937,740	10,837,134
Total OPEB Liability, Ending	\$ 4,926,441	\$ 6,748,311	\$ 6,399,902	\$ 9,643,631	\$ 9,392,832	\$ 8,697,000	\$ 8,587,469	\$ 11,937,740

The Plan is unfunded; therefore, total and net OPEB liability are same.

Information for years prior to 2018 is not available.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of School Directors of
Upper Darby School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Upper Darby School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated on December 2, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Philadelphia, Pennsylvania
December 2, 2025

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

Independent Auditors' Report

To the Board of School Directors of
Upper Darby School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Upper Darby School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
December 2, 2025

Upper Darby School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor Number	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2024	Revenues Recognized	Federal Expenditure	Accrued or (Deferred) Revenue at June 30, 2025
U.S. Department of Education								
Passed-through Pennsylvania Department of Education:								
Title I Grants to Local Educational Agencies	84.010	013-240448	\$ 6,354,379	\$ 6,354,379	\$ 5,415,916	\$ 938,463	\$ 938,463	\$ -
Title I Grants to Local Educational Agencies	84.010	013-250448	6,273,617	4,037,725	-	5,573,426	5,573,426	1,535,701
Total				10,392,104	5,415,916	6,511,889	6,511,889	1,535,701
English Language Acquisition State Grants	84.365	010-240448	348,367	99,533	299,045	49,321	49,321	248,833
English Language Acquisition State Grants	84.365	010-250448	378,108	162,046	-	330,592	330,592	168,546
Total				261,579	299,045	379,913	379,913	417,379
Supporting Effective Instruction State Grants	84.367	020-240448	624,195	178,341	542,249	81,945	81,945	445,853
Supporting Effective Instruction State Grants	84.367	020-250448	585,078	333,213	-	552,910	552,910	219,697
Total				511,554	542,249	634,855	634,855	665,550
Student Support and Academic Enrichment Program	84.424	144-230448	469,314	77,677	-	77,677	77,677	-
Student Support and Academic Enrichment Program	84.424	144-240448	460,036	460,036	418,552	41,484	41,484	-
Student Support and Academic Enrichment Program	84.424	144-250448	478,534	307,629	-	454,132	454,132	146,503
Total				845,342	418,552	573,293	573,293	146,503
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425W	181-212451	160,928	94,906	94,906	-	-	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	223-210448	34,776,608	12,646,040	8,167,375	4,478,665	4,478,665	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	224-210448	193,963	102,271	72,213	30,058	30,058	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425U	225-210448	2,702,924	49,144	49,144	-	-	-
Total				12,892,361	8,383,638	4,508,723	4,508,723	-
Special Education Cluster (IDEA):								
Passed-through Delaware County Intermediate Unit:								
Special Education Grants to States	84.027	H027A220093 (2024)	2,635,632	145,412	145,412	-	-	-
Special Education Preschool Grants	84.173	H173A210090 (2024)	9,350	9,350	9,350	-	-	-
Special Education Grants to States	84.027	H027A240093 (2025)	2,572,154	2,572,154	-	2,572,154	2,572,154	-
Special Education Preschool Grants	84.173	H173A240090 (2025)	9,240	9,240	-	9,240	9,240	-
Total Special Education Cluster (IDEA)				2,736,156	154,762	2,581,394	2,581,394	-
Total U.S. Department of Education				27,639,096	15,214,162	15,190,067	15,190,067	2,765,133
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed-through Pennsylvania Department of Education:								
School Breakfast Program	10.553	365	3,486,282	3,472,631	98,719	3,486,282	3,486,282	112,370
National School Lunch Program	10.555	362	5,684,071	5,542,591	152,889	5,576,496	5,576,496	186,794
Passed-through Pennsylvania Department of Agriculture:								
Food Donation	10.555	N/A	580,803	580,803	-	580,803	580,803	-
Total Child Nutrition Cluster				9,596,025	251,608	9,643,581	9,643,581	299,164
Total U.S. Department of Agriculture				9,596,025	251,608	9,643,581	9,643,581	299,164
U.S. Department of Health and Human Services								
Passed-through Pennsylvania Emergency Management Agency:								
Disaster Grants - Public Assistance	97.036	669	39,232	39,232	-	39,232	39,232	-
Passed-through Pennsylvania Department of Public Welfare:								
Medical Assistance Program/Medicaid Cluster	93.778	044-007448	136,840	136,840	-	136,840	136,840	-
Total U.S. Department of Health and Human Services				176,072	-	176,072	176,072	-
Total				\$ 37,411,193	\$ 15,465,770	\$ 25,009,720	\$ 25,009,720	\$ 3,064,297

See notes to schedule of expenditures of federal awards

Upper Darby School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Upper Darby School District (the District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures, other than Child Nutrition Cluster expenditures, are reported on the Schedule on the modified accrual basis of accounting. Child Nutrition Cluster expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The District elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Upper Darby School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance? yes X no

Auditee qualified as low-risk auditee? X yes no

Dollar threshold used to distinguish between Type A and Type B programs: \$750,292

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.425	COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Upper Darby School District

Schedule of Prior Year Audit Findings
Year Ended June 30, 2025

Section IV - Schedule of Prior Year Audit Findings

No audit findings reported in prior year.