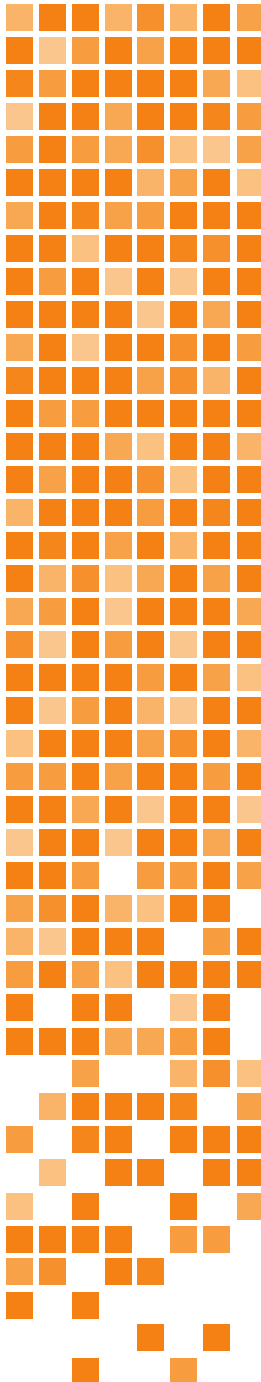


CERTIFIED PUBLIC ACCOUNTANTS



**WALLINGFORD-SWARTHMORE  
SCHOOL DISTRICT  
WALLINGFORD, PENNSYLVANIA  
DELAWARE COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Wallingford-Swarthmore School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Summarized Comparative Information**

The financial statements of Wallingford-Swarthmore School District as of and for the year ended June 30, 2013, were audited by other auditors whose report dated November 25, 2013 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund and other post-employment benefits schedule of funding progress on pages 3 through 13 and 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wallingford-Swarthmore School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental data is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Wallingford-Swarthmore School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wallingford-Swarthmore School District's internal control over financial reporting and compliance.

*BBD, LLP*

**Philadelphia, Pennsylvania  
December 9, 2014**

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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Management's discussion and analysis ("**MD&A**") of the financial performance of the Wallingford-Swarthmore School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2014. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of three elementary schools, one middle school and one high school consisting of approximately 3,516 students. The District which covers 6.9 square miles is located in Delaware County, west of Philadelphia, in southeastern Pennsylvania and is comprised the boroughs of Swarthmore, Rutledge and Rose Valley and the Township of Nether Providence. During 2013-2014, there were 507 full and part-time employees in the District consisting of 305 teachers and professional staff, 23 administrators, including general administration, principals and supervisors, and 179 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff and classroom assistants.

### DISTRICT MISSION STATEMENT

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

### FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business activities, the assets of the District exceeded liabilities resulting in total net position at the close of the 2013-2014 fiscal year of \$31,911,160. During the 2013-2014 fiscal year, the District had an increase in total net position of \$2,228,684. The net position of governmental activities increased by \$2,224,072 and net position of business-type activities increased by \$4,612.
- The General Fund reported an increase in fund balance of \$1,793,815, bringing the cumulative balance to \$10,425,688 at the conclusion of the 2013-2014 fiscal year.
- At June 30, 2014, the General Fund fund balance includes \$484,451 which is considered nonspendable, \$4,278,316 committed to capital for student transportation, retirement rate stabilization and to balance 2014-2015 budget and unassigned amounts of \$5,662,921 or 7.94% of the \$71,357,888 2014-2015 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- Total General Fund revenues and other financing sources were \$704,417 or 1.05% more than budgeted amounts and total General Fund expenditures and other financing uses were \$2,526,692 or 3.70% less than budgeted amounts resulting in a net positive variance of \$3,231,109.

### 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 a private-sector business.

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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

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

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

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

### **Governmental Activities**

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

### **Business-Type Activities**

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

The government-wide financial statements can be found on Pages 14 and 15 of this report.

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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

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

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

### ***Proprietary Funds***

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

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

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

### ***Fiduciary Funds***

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The Fiduciary Fund financial statements can be found on Pages 23 and 24 of this report.

### ***Notes to the Financial Statements***

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

The notes to the financial statements can be found on Pages 25 through 41 of this report.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund and a schedule concerning the District's progress in funding its obligation to provide other post-employment benefits.

The required supplementary information can be found on Pages 42 and 43 of this report.



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2013-2014 fiscal year the District's assets exceeded liabilities by \$31,911,160. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2014 and 2013.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current assets	\$ 22,754,446	\$ 29,522,464	\$228,512	\$186,762	\$ 22,982,958	\$ 29,709,226
Noncurrent assets	<u>110,580,154</u>	<u>100,029,427</u>	<u>83,052</u>	<u>85,455</u>	<u>110,663,206</u>	<u>100,114,882</u>
<b>Total assets</b>	<u>133,334,600</u>	<u>129,551,891</u>	<u>311,564</u>	<u>272,217</u>	<u>133,646,164</u>	<u>129,824,108</u>
<b>LIABILITIES</b>						
Current liabilities	7,231,452	5,272,855	172,324	137,589	7,403,776	5,410,444
Noncurrent liabilities	<u>94,331,228</u>	<u>94,731,188</u>	<u>-</u>	<u>-</u>	<u>94,331,228</u>	<u>94,731,188</u>
<b>Total liabilities</b>	<u>101,562,680</u>	<u>100,004,043</u>	<u>172,324</u>	<u>137,589</u>	<u>101,735,004</u>	<u>100,141,632</u>
<b>NET POSITION</b>						
Net investment in capital assets	20,746,148	17,215,293	83,052	85,455	20,829,200	17,300,748
Restricted	3,582,164	4,813,581	-	-	3,582,164	4,813,581
Unrestricted	<u>7,443,608</u>	<u>7,518,974</u>	<u>56,188</u>	<u>49,173</u>	<u>7,499,796</u>	<u>7,568,147</u>
<b>Total net position</b>	<u>\$ 31,771,920</u>	<u>\$ 29,547,848</u>	<u>\$139,240</u>	<u>\$134,628</u>	<u>\$ 31,911,160</u>	<u>\$ 29,682,476</u>

The District's total assets as of June 30, 2014 were \$133,646,164 of which \$19,126,237 or 14.31% consisted of cash and \$110,663,206 or 82.80% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2014 were \$101,735,004 of which \$91,541,393 or 89.98% consisted of general obligation debt used to acquire and construct capital assets.

The District had unrestricted net position of \$7,499,796 at June 30, 2014. The District's unrestricted net position decreased by \$68,351 during 2013-2014 primarily due to the results of current year operations.

A portion of the District's net position reflects its restricted net position which totaled \$3,582,164 as of June 30, 2014. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2014, the District's net investment in capital assets increased by \$3,528,452 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

The following table presents condensed information for the *Statement of Activities* of the District for 2014 and 2013:

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 693,103	\$ 233,622	\$ 861,643	\$ 841,531	\$ 1,554,746	\$ 1,075,153
Operating grants and contributions	7,734,876	6,948,035	350,138	347,942	8,085,014	7,295,977
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	52,731,452	51,601,545	-	-	52,731,452	51,601,545
Other taxes levied for General purposes	765,348	677,353	-	-	765,348	677,353
Grants and entitlements not restricted to specific programs	5,014,892	4,890,624	-	-	5,014,892	4,890,624
Investment earnings	55,961	51,233	24	-	55,985	51,233
<b>Total revenues</b>	<u>66,995,632</u>	<u>64,402,412</u>	<u>1,211,805</u>	<u>1,189,473</u>	<u>68,207,437</u>	<u>65,591,885</u>
<b>EXPENSES</b>						
Instruction	41,633,834	39,572,299	-	-	41,633,834	39,572,299
Instructional student support services	5,592,301	5,329,474	-	-	5,592,301	5,329,474
Administrative and financial support services	6,149,438	5,536,455	-	-	6,149,438	5,536,455
Operation and maintenance of plant services	4,052,588	4,828,234	-	-	4,052,588	4,828,234
Pupil transportation	3,330,752	3,296,203	-	-	3,330,752	3,296,203
Student activities	1,375,150	1,315,259	-	-	1,375,150	1,315,259
Interest and amortization expense related to noncurrent liabilities	2,597,438	2,015,160	-	-	2,597,438	2,015,160
Food service	-	-	1,247,252	1,206,351	1,247,252	1,206,351
<b>Total expenses</b>	<u>64,731,501</u>	<u>61,893,084</u>	<u>1,247,252</u>	<u>1,206,351</u>	<u>65,978,753</u>	<u>63,099,435</u>
<b>Change in net position before transfers</b>	2,264,131	2,509,328	(35,447)	(16,878)	2,228,684	2,492,450
Transfers	(40,059)	(16,098)	40,059	16,098	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 2,224,072</u>	<u>\$ 2,493,230</u>	<u>\$ 4,612</u>	<u>\$ (780)</u>	<u>\$ 2,228,684</u>	<u>\$ 2,492,450</u>

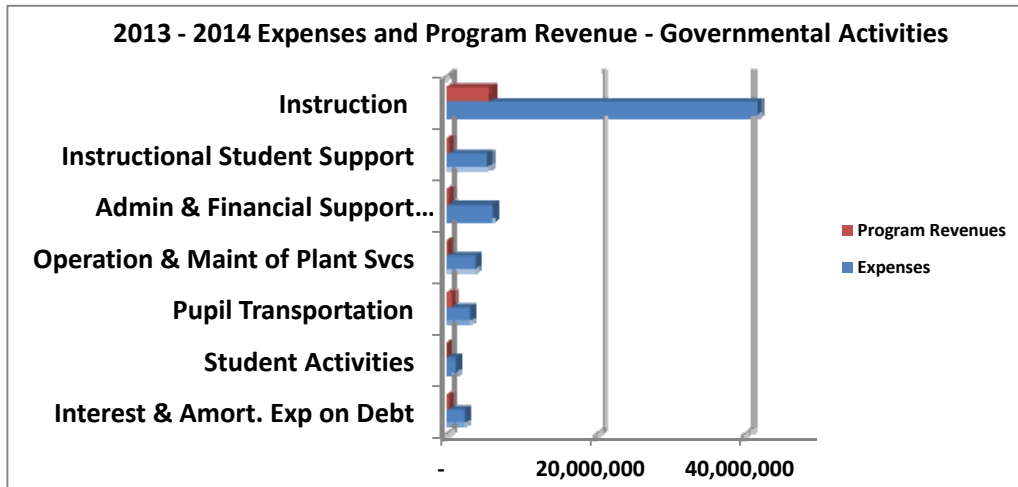
Overall, the District's financial position has been improving, but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement 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. Since the District is almost exclusively a residential community, with few businesses located within the District's boundaries, the tax burden is high on homeowners.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

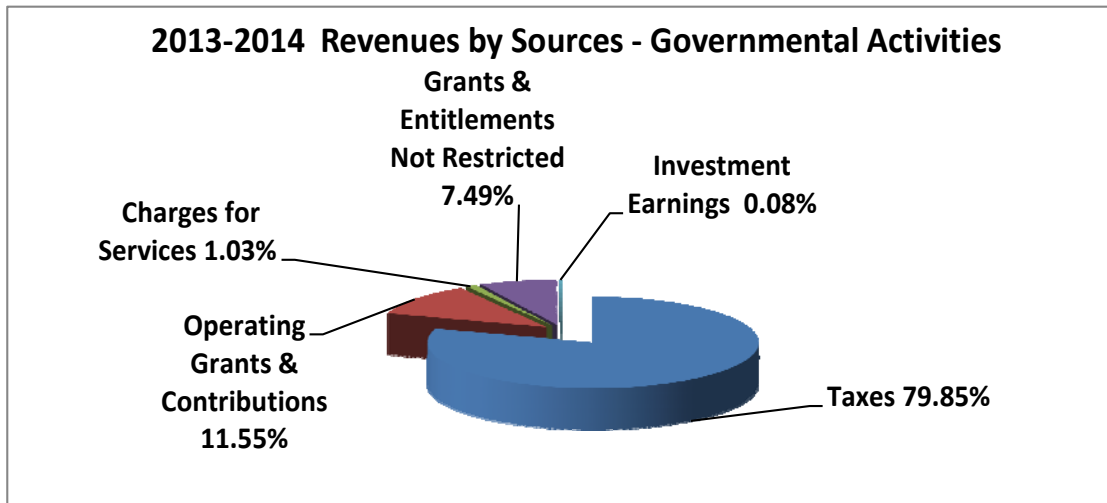
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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



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



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

### GOVERNMENTAL FUNDS

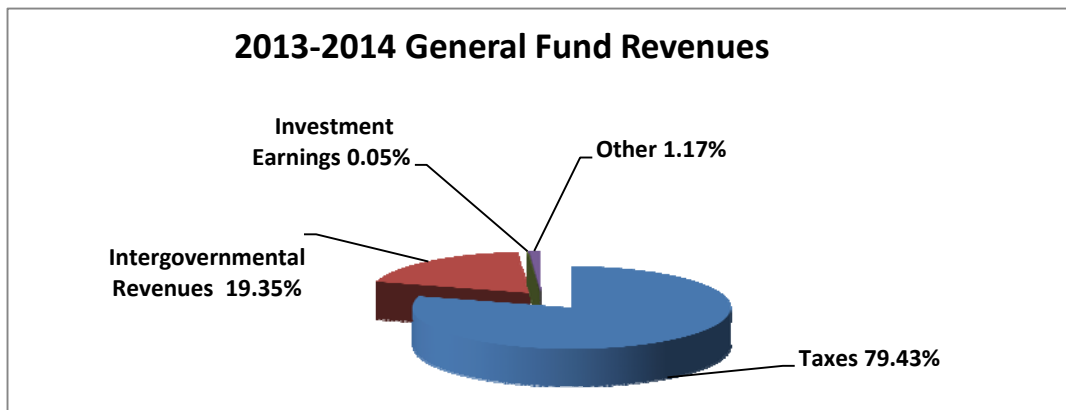
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2014, the District's governmental funds reported a combined fund balance of \$15,715,239 which is a decrease of \$7,663,415 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2014 and 2013 and the total 2014 change in governmental fund balances.

	<u>2014</u>	<u>2013</u>	<u>Change</u>
General Fund	\$10,425,688	\$ 8,631,873	\$ 1,793,815
Capital Projects Fund	<u>5,289,551</u>	<u>14,846,781</u>	<u>(9,457,230)</u>
	<u>\$15,715,239</u>	<u>\$23,378,654</u>	<u>\$(7,663,415)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2013-2014 fiscal year, the General Fund fund balance was \$10,425,688 representing an increase of \$1,793,815 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2013-2014 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 79.43% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$53,700,305	\$52,167,474	\$1,532,831	2.94
Intergovernmental revenues	13,082,648	12,143,988	938,660	7.73
Investment earnings	35,884	41,134	(5,250)	12.76
Other	<u>787,866</u>	<u>554,489</u>	<u>233,377</u>	<u>42.09</u>
	<u>\$67,606,703</u>	<u>\$64,907,085</u>	<u>\$2,699,618</u>	<u>4.16</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

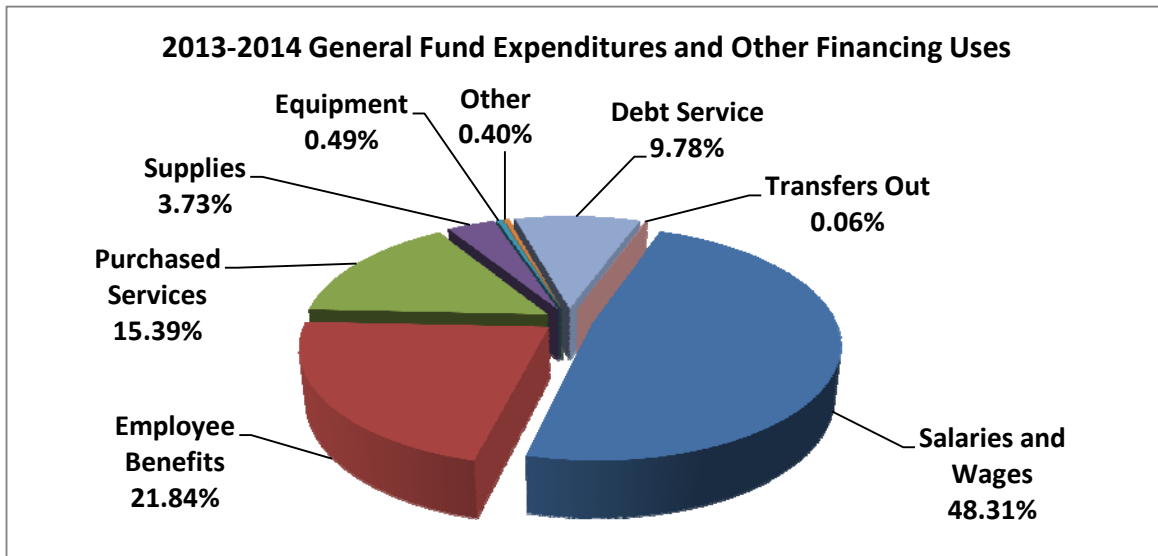
June 30, 2014

Net tax revenues increased by \$1,532,831 or 2.94% due to several factors. A millage increase of 2.10% in 2013-2014 and an increase in transfer taxes and delinquent real estate taxes primarily in Nether Providence Township accounted for a majority of the current year increase in tax revenues. The following table summarizes changes in the District's tax revenues for 2014 compared to 2013:

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$51,483,294	\$50,212,023	\$1,271,271	2.53
Interim real estate tax	86,525	84,216	2,309	2.74
PURTA tax	64,710	69,217	(4,507)	(6.51)
Per capita tax	114,103	116,235	(2,132)	(1.83)
Transfer tax	586,534	491,901	94,633	19.24
Delinquent real estate tax	<u>1,365,139</u>	<u>1,193,882</u>	<u>171,257</u>	<u>14.34</u>
	<u>\$53,700,305</u>	<u>\$52,167,474</u>	<u>\$1,532,831</u>	<u>2.94</u>

Intergovernmental revenues increased as a direct result of the state retirement subsidy which increased commensurate with the employer annual contributions percentage.

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



### General Fund Expenditures and Other Financing Uses

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$31,793,898	\$31,583,426	\$ 210,472	0.67
Employee benefits	14,374,070	12,485,725	1,888,345	15.12
Purchased services	10,131,562	9,711,007	420,555	4.33
Supplies	2,452,383	2,672,974	(220,591)	(8.25)
Equipment	321,280	194,841	126,439	64.89
Other	265,300	238,467	26,833	11.25
Debt service	6,434,336	5,884,741	549,595	9.34
Transfers out	<u>40,059</u>	<u>1,366,098</u>	<u>(1,326,039)</u>	<u>(97.07)</u>
	<u>\$65,812,888</u>	<u>\$64,137,279</u>	<u>\$ 1,675,609</u>	<u>2.61</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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Employee benefits increased primarily due to an increase in the required employer annual retirement contribution to 16.93% from 12.36%, which represents a 36.97% increase over the prior year.

Additional debt service in 2013-2014 is related to general obligation bonds Series of 2013 which was issued at the end of the 2012-2013 year. Proceeds from the Series of 2013 were used for the addition and renovations at the Nether Providence Elementary School.

Transfers out in 2012-2013 included a \$1,350,000 appropriation to the Capital Reserve Fund.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2013-2014, the Capital Projects Fund reported a decrease in fund balance of \$9,457,230 due to capital expenditures in excess of proceeds received from general obligation debt. The remaining fund balance of \$5,289,551 is restricted for future capital expenditures.

### GENERAL FUND BUDGET INFORMATION

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

Actual revenues and other financing sources were \$704,417 more than budgeted amounts and actual expenditures and other financing uses were \$2,526,692 less than budgeted amounts resulting in a net overall positive variance of \$3,231,109. The 2013-2014 General Fund budget included the use of approximately \$1.4 million of fund balance. Major budgetary highlights for 2013-2014 were as follows:

- Actual local revenues received were \$462,849 more than budgeted amounts primarily due to real estate taxes, transfer taxes and delinquent real estate taxes received in excess of budgeted amounts, which is an indicator of an improved economy in the local community.
- Total actual expenditures were \$1,798,567 or 2.66% less than budgeted amounts. The most notable budget variances within major expenditure functions are as follows:
  - ◆ Regular Programs expenditures were higher than the budget by \$840,052 due to a reclassification of items incorrectly budgeted to Special Programs.
  - ◆ Special Programs expenditures were lower than the budget by \$1,173,240 due primarily to two factors: 1) the reclassification of items to Regular Programs mentioned above and 2) less needs and lower costs for related services during the 2013-2014 fiscal year.
  - ◆ Debt service expenditures were lower than the budget by \$1,088,635 because the District realized savings on refunded debt as well as lower interest costs on variable rate debt.
- The District budgeted an \$800,000 budgetary reserve to fund unexpected expenditures; however, it was not utilized during the 2013-2014 fiscal year.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2013-2014, the net position of business-type activities and Food Service Fund increased by \$4,612. As of June 30, 2014, the business-type activities and Food Service Fund had net position of \$139,240.

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$110,663,206 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total net increase in the District's investment in capital assets for the current fiscal year was \$10,548,324 or 10.54%.

Current year capital additions were \$14,539,674 and depreciation expense was \$3,991,350.

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

• Construction in progress – Nether Providence Elementary addition and renovations	\$11,422,427
• Construction in progress – Swarthmore – Rutledge School HVAC Project	\$ 1,328,370
• High school field renovations	\$ 214,294
• Capital leases – IT equipment	\$ 282,131
• Middle school turf field	\$ 692,340

### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$91,541,393 consisting of \$87,405,000 in bonds payable \$1,575,000 in notes payable, and net deferred credits from bond premiums of \$2,561,393. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$320,995 or .35% during the fiscal year. During 2013-2014, the District issued general obligation bonds, Series of 2014, in the amount of \$17,650,000, the proceeds from which were used to currently refund general obligation bonds, Series of 2011C, and for the completion of the Nether Providence Elementary School addition and renovations project.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$91,541,393 is within the current debt limitation of the District which was \$146,342,696 as of June 30, 2014.

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

Other noncurrent liabilities consist of the District's liabilities for capital leases, compensated absences and its net obligation for post-employment benefits, which totaled \$2,789,835 as of June 30, 2014. These liabilities decreased by \$78,965 or 2.75% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District adopted a balanced 2014-2015 budget totaling \$71,357,888 which used \$2,518,316 of General Fund fund balance as of June 30, 2014 and the real estate tax millage rate was increased by 2.10%
- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant, as was seen during the 2014-2015 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania only accounted for approximately 18% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2013-2014. Local sources of revenue, primarily property taxes, now support approximately 81% of the costs of educational programs and services in the District.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2014

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- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the state level. The intent of this legislation was to provide a mechanism to relieve the burden of funding public education from property owners. This legislation put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
  - ◆ In the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (2.10% for Wallingford-Swarthmore School District for 2014-2015), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
  - ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
  - ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.
- On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**Act 120 of 2010**") into law. Act 120 of 2010 includes a series of actuarial and funding changes to the public school employees' retirement system ("**PSERS**") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. Act 120 of 2010 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation the employer contribution rate for 2015-2016 is projected at 25.84%. Currently, the employer contribution rate for 2014-2015 is 21.40%, which is an increase of 26.40% from the 2013-2014 employer contribution rate of 16.93%. It is estimated that the increase in the employer contribution rate for 2014-2015 will increase the District's retirement expense by approximately \$1,400,000, \$700,000 of which is the state's share.

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2014 with summarized comparative totals for 2013

	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 12,187,358	\$171,751	\$ 12,359,109	\$ 26,168,204
Investments	6,767,128	-	6,767,128	-
Taxes receivable	1,288,111	-	1,288,111	1,530,227
Due from other governments	1,514,142	56,030	1,570,172	1,290,949
Other receivables	513,256	731	513,987	603,084
Prepaid expenses	<u>484,451</u>	<u>-</u>	<u>484,451</u>	<u>116,762</u>
<b>Total current assets</b>	<u>22,754,446</u>	<u>228,512</u>	<u>22,982,958</u>	<u>29,709,226</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>110,580,154</u>	<u>83,052</u>	<u>110,663,206</u>	<u>100,114,882</u>
<b>Total assets</b>	<u>133,334,600</u>	<u>311,564</u>	<u>133,646,164</u>	<u>129,824,108</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,746,564	130,790	2,877,354	1,892,243
Accrued salaries, payroll withholdings and benefits	3,958,301	-	3,958,301	2,750,133
Unearned revenue	64,428	41,534	105,962	215,714
Other liabilities	2,400	-	2,400	121,435
Accrued interest payable	<u>459,759</u>	<u>-</u>	<u>459,759</u>	<u>430,919</u>
<b>Total current liabilities</b>	<u>7,231,452</u>	<u>172,324</u>	<u>7,403,776</u>	<u>5,410,444</u>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	5,214,322	-	5,214,322	4,309,848
Due in more than one year	<u>89,116,906</u>	<u>-</u>	<u>89,116,906</u>	<u>90,421,340</u>
<b>Total noncurrent liabilities</b>	<u>94,331,228</u>	<u>-</u>	<u>94,331,228</u>	<u>94,731,188</u>
<b>Total liabilities</b>	<u>101,562,680</u>	<u>172,324</u>	<u>101,735,004</u>	<u>100,141,632</u>
<b>NET POSITION</b>				
Net investment in capital assets	20,746,148	83,052	20,829,200	17,300,748
Restricted	3,582,164	-	3,582,164	4,813,581
Unrestricted	<u>7,443,608</u>	<u>56,188</u>	<u>7,499,796</u>	<u>7,568,147</u>
<b>Total net position</b>	<u>\$ 31,771,920</u>	<u>\$139,240</u>	<u>\$ 31,911,160</u>	<u>\$ 29,682,476</u>

See accompanying notes

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2014 with summarized comparative totals for 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
							<u>2014</u>	<u>2013</u>
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$41,633,834	\$ 404,629	\$5,479,626	\$ -	\$(35,749,579)	\$ -	\$(35,749,579)	\$(34,712,003)
Instructional student support	5,592,301	-	454,077	-	(5,138,224)	-	(5,138,224)	(4,992,369)
Administrative and financial support services	6,149,438	65,031	353,862	-	(5,730,545)	-	(5,730,545)	(5,252,124)
Operation and maintenance of plant services	4,052,588	172,668	122,783	-	(3,757,137)	-	(3,757,137)	(4,486,744)
Pupil transportation	3,330,752	-	795,051	-	(2,535,701)	-	(2,535,701)	(2,452,852)
Student activities	1,375,150	50,775	85,559	-	(1,238,816)	-	(1,238,816)	(1,186,247)
Interest and amortization expense related to noncurrent liabilities	<u>2,597,438</u>	<u>-</u>	<u>443,918</u>	<u>-</u>	<u>(2,153,520)</u>	<u>-</u>	<u>(2,153,520)</u>	<u>(1,629,088)</u>
<b>Total governmental activities</b>	<u>64,731,501</u>	<u>693,103</u>	<u>7,734,876</u>	<u>-</u>	<u>(56,303,522)</u>	<u>-</u>	<u>(56,303,522)</u>	<u>(54,711,427)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	<u>1,247,252</u>	<u>861,643</u>	<u>350,138</u>	<u>-</u>	<u>-</u>	<u>(35,471)</u>	<u>(35,471)</u>	<u>(16,878)</u>
<b>Total primary government</b>	<u>\$65,978,753</u>	<u>\$1,554,746</u>	<u>\$8,085,014</u>	<u>\$ -</u>	<u>(56,303,522)</u>	<u>(35,471)</u>	<u>(56,338,993)</u>	<u>(54,728,305)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					52,731,452	-	52,731,452	51,601,545
Other taxes levied for general purposes					765,348	-	765,348	677,353
Grants and entitlements not restricted to specific programs					5,014,892	-	5,014,892	4,890,624
Investment earnings					55,961	24	55,985	51,233
<b>TRANSFERS</b>					<u>(40,059)</u>	<u>40,059</u>	<u>-</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>58,527,594</u>	<u>40,083</u>	<u>58,567,677</u>	<u>57,220,755</u>
<b>CHANGE IN NET POSITION</b>					2,224,072	4,612	2,228,684	2,492,450
<b>NET POSITION</b>								
Beginning of year					<u>29,547,848</u>	<u>134,628</u>	<u>29,682,476</u>	<u>27,190,026</u>
<b>End of year</b>					<u>\$ 31,771,920</u>	<u>\$139,240</u>	<u>\$ 31,911,160</u>	<u>\$ 29,682,476</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014 with summarized comparative totals for 2013

	General Fund	Capital Projects Fund	Totals	
			2014	2013
<b>ASSETS</b>				
Cash	\$ 5,184,206	\$ 7,003,152	\$ 12,187,358	\$ 26,082,390
Investments	6,767,128	-	6,767,128	-
Taxes receivable	1,288,111	-	1,288,111	1,530,227
Due from other governments	1,514,142	-	1,514,142	1,194,124
Other receivables	513,256	-	513,256	598,961
Prepaid items	484,451	-	484,451	116,762
<b>Total assets</b>	<b>\$15,751,294</b>	<b>\$7,003,152</b>	<b>\$22,754,446</b>	<b>\$29,522,464</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,032,963	\$ 1,713,601	\$ 2,746,564	\$ 1,790,534
Accrued salaries, payroll withholdings and benefits	3,159,206	-	3,159,206	2,781,893
Unearned revenue	64,428	-	64,428	179,834
Other liabilities	2,400	-	2,400	121,435
<b>Total liabilities</b>	<b>4,258,997</b>	<b>1,713,601</b>	<b>5,972,598</b>	<b>4,873,696</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues – property taxes	1,066,609	-	1,066,609	1,270,114
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	484,451	-	484,451	116,762
Restricted for				
Capital projects	-	5,289,551	5,289,551	14,746,781
Committed to				
Employer retirement rate stabilization	1,410,000	-	1,410,000	710,000
Capital for student transportation	350,000	-	350,000	350,000
Balance 2013-2014 budget	-	-	-	1,437,294
Balance 2014-2015 budget	2,518,316	-	2,518,316	-
Unassigned	5,662,921	-	5,662,921	6,017,817
<b>Total fund balances</b>	<b>10,425,688</b>	<b>5,289,551</b>	<b>15,715,239</b>	<b>23,378,654</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$15,751,294</b>	<b>\$7,003,152</b>	<b>\$22,754,446</b>	<b>\$29,522,464</b>

See accompanying notes

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

June 30, 2014

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 15,715,239</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	110,580,154
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	1,066,609
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(94,331,228)
Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	(459,759)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities on the government-wide statement of net position.	<u>(799,095)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 31,771,920</u></b>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

Year ended June 30, 2014 with summarized comparative totals for 2013

	General Fund	Capital Projects Fund	Totals	
			2014	2013
<b>REVENUES</b>				
Local sources	\$54,433,394	\$ 20,417	\$ 54,453,811	\$52,860,416
State sources	11,981,013	-	11,981,013	11,067,736
Federal sources	768,756	-	768,756	760,585
<b>Total revenues</b>	<u>67,183,163</u>	<u>20,417</u>	<u>67,203,580</u>	<u>64,688,737</u>
<b>EXPENDITURES</b>				
Current				
Instruction	39,132,553	279,082	39,411,635	38,412,198
Support services	18,514,919	77,507	18,592,426	17,718,005
Operation of noninstructional services	1,414,955	-	1,414,955	1,232,756
Facilities acquisition, construction and improvement services	229,250	12,994,749	13,223,999	6,345,594
Debt service	6,434,336	-	6,434,336	5,884,741
<b>Total expenditures</b>	<u>65,726,013</u>	<u>13,351,338</u>	<u>79,077,351</u>	<u>69,593,294</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,457,150</u>	<u>(13,330,921)</u>	<u>(11,873,771)</u>	<u>(4,904,557)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year expenditures	423,540	-	423,540	230,392
Refund of prior year receipts	(46,816)	-	(46,816)	(77,966)
Issuance of debt	-	3,532,614	3,532,614	9,995,000
Issuance of debt – refunding	-	14,117,386	14,117,386	-
Payment of debt – refunding	-	(14,055,391)	(14,055,391)	-
Bond premiums	-	-	-	151,291
Bond discounts	-	-	-	(64,968)
Proceeds from extended term financing	-	279,082	279,082	683,033
Transfers in	-	10	10	1,350,000
Transfers out	(40,059)	(10)	(40,069)	(1,366,098)
<b>Total other financing sources (uses)</b>	<u>336,665</u>	<u>3,873,691</u>	<u>4,210,356</u>	<u>10,900,684</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,793,815	(9,457,230)	(7,663,415)	5,996,127
<b>FUND BALANCES</b>				
Beginning of year	<u>8,631,873</u>	<u>14,746,781</u>	<u>23,378,654</u>	<u>17,382,527</u>
<b>End of year</b>	<u>\$10,425,688</u>	<u>\$ 5,289,551</u>	<u>\$ 15,715,239</u>	<u>\$23,378,654</u>

See accompanying notes

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

Year ended June 30, 2014

**NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS** \$ (7,663,415)

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

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

Capital outlay expenditures	\$ 14,519,324	
Depreciation expense	<u>(3,968,597)</u>	\$10,550,727

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

Deferred inflows of resources June 30, 2013	(1,270,114)	
Deferred inflows of resources June 30, 2014	<u>1,066,609</u>	(203,505)

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

Issuance of debt	(17,650,000)	
Repayment of bonds and note payable	17,703,000	
Proceeds from extended term financing	(282,131)	
Repayment of extended term financing	390,089	
Amortization of discounts and premiums	<u>267,995</u>	428,953

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

Current year change in accrued interest payable	(28,840)	
Current year change in compensated absences	95,251	
Current year change in net post-employment benefit (OPEB) obligation	<u>(156,004)</u>	(89,593)

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

(799,095)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 2,224,072

See accompanying notes

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT****STATEMENT OF NET POSITION – PROPRIETARY FUNDS**

June 30, 2014 with summarized comparative totals for 2013

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$171,751	\$ -	\$ 171,751	\$ 85,814
Due from other governments	56,030	-	56,030	96,825
Other receivables	<u>731</u>	<u>-</u>	<u>731</u>	<u>4,123</u>
<b>Total current assets</b>	<u>228,512</u>	<u>-</u>	<u>228,512</u>	<u>186,762</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>83,052</u>	<u>-</u>	<u>83,052</u>	<u>85,455</u>
<b>Total assets</b>	<u>311,564</u>	<u>-</u>	<u>311,564</u>	<u>272,217</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	130,790	-	130,790	101,709
Insurance claims payable	-	799,095	799,095	-
Unearned revenue	<u>41,534</u>	<u>-</u>	<u>41,534</u>	<u>35,880</u>
<b>Total liabilities</b>	<u>172,324</u>	<u>799,095</u>	<u>971,419</u>	<u>137,589</u>
<b>NET POSITION</b>				
Net investment in capital assets	83,052	-	83,052	85,455
Unrestricted	<u>56,188</u>	<u>(799,095)</u>	<u>(742,907)</u>	<u>49,173</u>
<b>Total net position</b>	<u>\$139,240</u>	<u>\$(799,095)</u>	<u>\$(659,855)</u>	<u>\$134,628</u>

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*See accompanying notes*

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

Year ended June 30, 2014 with summarized comparative totals for 2013

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2014</u>	<u>2013</u>
	<u>Fund</u>	<u>Fund</u>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 861,643	\$5,235,303	\$ 6,096,946	\$ 841,519
<b>OPERATING EXPENSES</b>				
Employee benefits	-	5,581,540	5,581,540	-
Purchased professional and technical services	30,795	455,066	485,861	30,661
Purchased property services	19,709	-	19,709	16,098
Other purchased services	727,182	-	727,182	668,620
Supplies	446,813	-	446,813	468,169
Depreciation	<u>22,753</u>	<u>-</u>	<u>22,753</u>	<u>22,803</u>
<b>Total operating expenses</b>	<u>1,247,252</u>	<u>6,036,606</u>	<u>7,283,858</u>	<u>1,206,351</u>
<b>Operating loss</b>	<u>(385,609)</u>	<u>(801,303)</u>	<u>(1,186,912)</u>	<u>(364,832)</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	24	2,208	2,232	12
State sources	22,520	-	22,520	11,978
Federal sources	<u>327,618</u>	<u>-</u>	<u>327,618</u>	<u>335,964</u>
<b>Total nonoperating revenues</b>	<u>350,162</u>	<u>2,208</u>	<u>352,370</u>	<u>347,954</u>
<b>Net income (loss) before transfers</b>	(35,447)	(799,095)	(834,542)	(16,878)
<b>Transfers</b>	<u>40,059</u>	<u>-</u>	<u>40,059</u>	<u>16,098</u>
<b>CHANGE IN NET POSITION</b>	4,612	(799,095)	(794,483)	(780)
<b>NET POSITION</b>				
Beginning of year	<u>134,628</u>	<u>-</u>	<u>134,628</u>	<u>135,408</u>
<b>End of year</b>	<u>\$ 139,240</u>	<u>\$ (799,095)</u>	<u>\$ (659,855)</u>	<u>\$ 134,628</u>

See accompanying notes



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30, 2014 with summarized comparative totals for 2013

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2014</u>	<u>2013</u>
	<u>Fund</u>	<u>Fund</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 870,689	\$ -	\$ 870,689	\$ 839,547
Cash received for assessments made to other fund	-	5,235,303	5,235,303	-
Cash payments to suppliers for goods and services	(1,139,159)	-	(1,139,159)	(1,172,913)
Cash payments for insurance claims	-	(4,782,445)	(4,782,445)	-
Cash payments for other operating expenses	-	(455,066)	(455,066)	-
<b>Net cash used for operating activities</b>	<u>(268,470)</u>	<u>(2,208)</u>	<u>(270,678)</u>	<u>(333,366)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	25,312	-	25,312	20,404
Federal sources	309,362	-	309,362	231,082
Transfers in	40,059	-	40,059	16,098
<b>Net cash provided by noncapital financing activities</b>	<u>374,733</u>	<u>-</u>	<u>374,733</u>	<u>267,584</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(20,350)	-	(20,350)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	24	2,208	2,232	12
<b>Net increase (decrease) in cash</b>	85,937	-	85,937	(65,770)
<b>CASH</b>				
Beginning of year	85,814	-	85,814	151,584
<b>End of year</b>	<u>\$ 171,751</u>	<u>\$ -</u>	<u>\$ 171,751</u>	<u>\$ 85,814</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>				
Operating loss	\$ (385,609)	\$ (801,303)	\$(1,186,912)	\$ (364,832)
<b>Adjustments to reconcile operating loss to net cash used for operating activities</b>				
Depreciation	22,753	-	22,753	22,801
Donated commodities used	56,259	-	56,259	49,091
(Increase) decrease in Other receivables	3,392	-	3,392	(4,123)
Increase (decrease) in Accounts payable	29,081	-	29,081	1,447
Insurance claims payable	-	799,095	799,095	-
Due to other funds	-	-	-	(35,779)
Unearned revenue	5,654	-	5,654	(1,971)
<b>Net cash used for operating activities</b>	<u>\$ (268,470)</u>	<u>\$ (2,208)</u>	<u>\$ (270,678)</u>	<u>\$ (333,366)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	<u>\$ 56,259</u>	<u>\$ -</u>	<u>\$ 56,259</u>	<u>\$ 49,091</u>

See accompanying notes

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**

June 30, 2014

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	<b>Private- Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash	\$94,663	\$120,636
Other receivables	<u>1,238</u>	<u>-</u>
<b>Total assets</b>	<u>95,901</u>	<u>120,636</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>\$120,636</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	<u>\$95,901</u>	

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See accompanying notes

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND**

Year ended June 30, 2014 with summarized comparative totals for 2013

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	<b>Private-Purpose Trust Fund</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>ADDITIONS</b>		
Local contributions	\$ 7,086	\$12,016
<b>DEDUCTIONS</b>		
Scholarships awarded and fees paid	<u>6,421</u>	<u>8,628</u>
<b>CHANGE IN NET POSITION</b>	665	3,388
<b>NET POSITION</b>		
Beginning of year	<u>95,236</u>	<u>91,848</u>
<b>End of year</b>	<b><u>\$95,901</u></b>	<b><u>\$95,236</u></b>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

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

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

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

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

### ***Revenue Recognition***

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

### ***Expenditure Recognition***

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### ***Proprietary Funds***

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

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

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

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

### ***Fiduciary Funds***

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a Private-Purpose Trust Fund and Agency Fund. The Private-Purpose Trust Fund accounts for activities in various scholarship accounts, the sole purpose of which is to provide annual scholarships to particular students as described by donor stipulations. The Agency Fund accounts for funds held on behalf of the students in the district. The measurement focus and basis of accounting for the Private-Purpose Trust Fund is the same as for Proprietary Funds, while the Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments are stated at fair value based upon quoted market prices.

### **Interfund Receivables and Payables**

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

### **Property Taxes**

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

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2013-2014 was 39.963 mills (\$39.69 for \$1,000 of assessed valuation) for Rose Valley Borough and Nether Providence Township and 40.112 mills (\$40.11 for \$1,000 of assessed valuation) for the Boroughs of Swarthmore and Rutledge (includes additional levy for the sponsorship of the Delaware County Community College). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

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

### **Prepaid Items and Inventories**

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

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

### **Unearned Revenues**

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

### **Capital Assets**

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

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

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

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

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2014.

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### **Compensated Absences**

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

### **Long-Term Obligations**

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

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

### **Fund Equity**

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

#### ***Nonspendable***

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

#### ***Restricted***

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

#### ***Committed***

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

#### ***Assigned***

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

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



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### ***Unassigned***

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

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

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

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

### **Use of Estimates**

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

### **Implementation of New Accounting Pronouncements**

Effective July 1, 2012, the District adopted the provision of GASB Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements"*, GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"*, GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Announcements"*, GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements ("**SCAs**") which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 had no impact on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends Statement No. 14, *"The Financial Reporting Entity"*, and the related financial reporting requirements of Statement No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments"*. The implementation of GASB Statement No. 61 had no impact on the financial statements of the District.

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of GASB Statement No. 62 had no impact on the financial statements of the District.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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GASB Statement No. 63 standardizes the presentation of deferred balances and their effects on a government's net position. As a result of the implementation of GASB Statement No. 63 the District reports deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and reports net position instead of net assets in its financial statements.

GASB Statement No. 65 clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources and when to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). As a result of the implementation of GASB Statement No. 65, the District reports debt issuance costs, which were previously reported as assets, as outflows of resources in its financial statements.

Effective July 1, 2013, the District adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. GASB Statement No. 67 improves financial reporting by state and local governmental pension plans. The requirements of this statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that are presented by the pension plans that are within its scope. The implementation of GASB Statement No. 67 had no impact on the financial statements of the District.

### **New Accounting Pronouncements**

GASB has issued the following statement not yet implemented by the District. The District's management has not yet determined the effect, if any, this statement will have on the District's financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No.27* will be effective for the District for the year ending June 30, 2015. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

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

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

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

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

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### (3) DEPOSITS AND INVESTMENTS

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

#### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2014, the carrying amount of the District's deposits was \$7,574,408 and the bank balance was \$8,866,460. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$11,693 was covered by federal depository insurance, and the remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net assets value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2014, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

#### **Investments**

At June 30, 2014, the District had the following investments:

Certificates of deposit due within one to two years –	
Collateral held by pledging bank's agent in the District's name	<u>\$6,767,128</u>

#### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2014.

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 128,010	\$ -	\$ -	\$ 128,010
Construction in progress	<u>2,551,500</u>	<u>12,920,690</u>	<u>90,858</u>	<u>15,381,332</u>
<b>Total capital assets not being depreciated</b>	<u>2,679,510</u>	<u>12,920,690</u>	<u>90,858</u>	<u>15,509,342</u>
Capital assets being depreciated				
Buildings and improvements	117,700,108	965,159	-	118,665,267
Furniture and equipment	<u>10,947,067</u>	<u>724,333</u>	<u>-</u>	<u>11,671,400</u>
<b>Total capital assets being depreciated</b>	<u>128,647,175</u>	<u>1,689,492</u>	<u>-</u>	<u>130,336,667</u>
Less accumulated depreciation for				
Buildings and improvements	(23,587,833)	(2,925,930)	-	(26,513,763)
Furniture and equipment	<u>(7,709,425)</u>	<u>(1,042,667)</u>	<u>-</u>	<u>(8,752,092)</u>
<b>Total accumulated depreciation</b>	<u>(31,297,258)</u>	<u>(3,968,597)</u>	<u>-</u>	<u>(35,265,855)</u>
<b>Total capital assets being depreciated, net</b>	<u>97,349,917</u>	<u>(2,279,105)</u>	<u>-</u>	<u>95,070,812</u>
<b>Governmental activities, net</b>	<u>\$100,029,427</u>	<u>\$10,641,585</u>	<u>\$90,858</u>	<u>\$110,580,154</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 495,392	\$ 20,350	\$ -	\$ 515,742
Less accumulated depreciation	<u>(409,937)</u>	<u>(22,753)</u>	<u>-</u>	<u>(432,690)</u>
<b>Business-type activities, net</b>	<u>\$ 85,455</u>	<u>\$ (2,403)</u>	<u>\$ -</u>	<u>\$ 83,052</u>

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

<b>Governmental activities</b>	
Instruction	\$2,629,444
Instructional student support	349,713
Administrative and financial support services	381,733
Operation and maintenance of plant services	304,057
Pupil transportation	208,575
Student activities	<u>95,075</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$3,968,597</u>
<b>Business-type activities</b>	
Food service	<u>\$ 22,753</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

As of June 30, 2014, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2014 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2014</u>	<u>Remaining Commitments</u>
Nether Providence Elementary School additions and renovations	\$14,802,260	\$13,110,173	\$1,692,087
Swarthmore-Rutledge Elementary School HVAC project	<u>1,449,000</u>	<u>985,490</u>	<u>463,510</u>
	<u>\$16,251,260</u>	<u>\$14,095,663</u>	<u>\$2,155,597</u>

### (5) INTERNAL TRANSFERS

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	<u>\$40,059</u>	General Fund	<u>\$40,059</u>

Transfers from General Fund to Food Service Fund represent transfers to subsidize food service operations.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$87,230,000	\$17,650,000	\$17,475,000	\$87,405,000	\$4,265,000
Notes payable	1,803,000	-	228,000	1,575,000	237,000
Bond premiums	3,465,543	-	325,348	3,140,195	325,348
Bond discounts	<u>(636,155)</u>	<u>-</u>	<u>(57,353)</u>	<u>(578,802)</u>	<u>(57,353)</u>
<b>Total general   obligation debt</b>	<u>91,862,388</u>	<u>17,650,000</u>	<u>17,970,995</u>	<u>91,541,393</u>	<u>4,769,995</u>
<b>Other noncurrent liabilities</b>					
Capital leases payable	884,946	282,131	390,089	776,988	444,327
Compensated absences	938,361	-	127,011	811,350	-
OPEB obligation	<u>1,045,493</u>	<u>289,454</u>	<u>133,450</u>	<u>1,201,497</u>	<u>-</u>
<b>Total other noncurrent   liabilities</b>	<u>2,868,800</u>	<u>571,585</u>	<u>650,550</u>	<u>2,789,835</u>	<u>444,327</u>
<b>Total noncurrent   liabilities</b>	<u>\$94,731,188</u>	<u>\$18,221,585</u>	<u>\$18,621,545</u>	<u>\$94,331,228</u>	<u>\$5,214,322</u>

Noncurrent liabilities are generally liquidated by the General Fund.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### General Obligation Debt

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

General obligation debt outstanding as of June 30, 2014 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
GOB Series of 2006	4.375%	\$10,000,000	05/01/2027	\$ 275,000
GOB Series of 2011A	1.00% - 5.25%	\$26,605,000	05/01/2028	26,520,000
GOB Series of 2011B	2.00% - 5.00%	\$10,490,000	05/01/2031	9,370,000
GOB Series of 2012A	2.30% - 2.65%	\$10,000,000	05/15/2027	10,000,000
GOB Series of 2012B	1.00% - 3.00%	\$9,800,000	05/15/2016	4,945,000
GOB Series of 2012C	0.50% - 3.00%	\$8,960,000	05/15/2022	8,685,000
GOB Series of 2013	0.50% - 4.00%	\$9,995,000	05/01/2034	9,960,000
GOB Series of 2014	2.50%	\$17,650,000	05/01/2026	<u>17,650,000</u>
<b>Total general obligation bonds</b>				<u>87,405,000</u>
<b>General obligation note</b>				
GOB Series of 2004	Variable	\$3,500,000	10/25/2019	<u>1,575,000</u>
<b>Total general obligation note</b>				<u>1,575,000</u>
<b>Total general obligation debt</b>				<u>\$88,980,000</u>

General obligation notes bear interest at a variable rate that is adjusted weekly based upon the Bond Market Association Municipal Swap Index.

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2015	\$ 4,502,000	\$ 3,012,196	\$ 7,514,196
2016	4,622,000	2,918,974	7,540,974
2017	4,932,000	2,799,726	7,731,726
2018	5,047,000	2,694,198	7,741,198
2019	5,203,000	2,545,276	7,748,276
2020-2024	28,964,000	9,929,417	38,893,417
2025-2029	31,250,000	4,078,098	35,328,098
2030-2034	<u>4,460,000</u>	<u>481,350</u>	<u>4,941,350</u>
	<u>\$88,980,000</u>	<u>\$28,459,235</u>	<u>\$117,439,235</u>

### General Obligation Bonds, Series of 2014

On June 18, 2014, the District issued \$17,650,000 of general obligation bonds, Series of 2014, the proceeds from which were used for (a) to currently refund general obligation bonds, Series of 2011C, in the amount of \$14,050,000 (b) completion of the Nether Providence Elementary School addition and renovations project (c) the Swarthmore-Rutledge Elementary School HVAC Project and (d) to pay for the costs of issuance.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### Interest Rate Management Plan

The General Obligation Note of the District has been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreements relative to the General Obligation Notes at June 30, 2014 was an asset of \$250,168. The value of the swap agreements relative to the District's General Obligation Note is not reflected on the District's statement of net position.

### Capital Leases

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2014 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$444,327	\$ 966	\$445,293
2016	262,405	(211)	262,194
2017	<u>70,256</u>	<u>(484)</u>	<u>69,772</u>
	<u>\$776,988</u>	<u>\$ 271</u>	<u>\$777,259</u>

### Other Post-Employment Benefits

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

### Funding Policy

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

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, 2013 and 2012 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$289,454	46.10%	\$1,201,497
2013	\$292,447	37.56%	\$1,045,493
2012	\$332,858	43.17%	\$ 862,905

The following table shows the components of the District's OPEB cost for the year, the amount actually contributed by the District and changes in the District's net OPEB obligation:

Annual required contribution	\$ 306,591
Interest on net OPEB obligation	47,047
Adjustment to annual required contribution	<u>(64,184)</u>
Annual OPEB cost (expense)	289,454
Contributions made	<u>(133,450)</u>
Increase in net OPEB obligation	156,004
Net OPEB obligation – beginning of year	<u>1,045,493</u>
Net OPEB obligation – end of year	<u>\$1,201,497</u>

### **Funded Status and Funding Progress**

As of February 1, 2012, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$2,428,589, all of which was unfunded. The covered payroll (annual payroll of active employees receiving benefits) was \$30,840,192 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 7.87%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on substantive benefits (the benefits as understood by the District and employees) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 7.50% in 2012, decreasing 0.50% per year to an ultimate rate of 5.50% in 2016. The UAAL is being amortized based on the level dollar, 30-year open period.



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### (7) PENSION PLAN

#### Plan Description

The District contributes to the Public School Employees' Retirement System ("**PSERS**"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, 5 North 5<sup>th</sup> Street, Harrisburg, PA 17101-0125; or by accessing its website at <http://www.psers.state.pa.us/publications/general/cafr.htm>.

#### Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25% and 10.30% of annual salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The District's contributions to PSERS for the years ended June 30, 2014, 2013 and 2012 were \$5,365,514, \$3,912,913 and \$2,720,839, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS reimbursing the District 50% of its contribution each year.

### (8) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

#### Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative School Board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint Board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2013-2014 was \$351,611.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint Board comprised of representative School Board members of the participating school districts in the DCVTS. During 2013-2014, the District did not have any financial transactions with the DCVTSA.

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). Only residents of the Boroughs of Swarthmore and Rutledge participate in this joint venture within the District. The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2032-2033 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2013-2014 was \$167,755.

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

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

#### Year ending June 30,

2015	\$ 25,403
2016	25,351
2017	25,298
2018	25,245
2019	25,193
2020-2024	116,748
2025-2029	100,334
2030-2033	<u>80,267</u>
	<u>\$423,839</u>

### Delaware County Intermediate Unit

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

## (9) OPERATING LEASES

The District leases office and computer equipment and school buses under non-cancelable operating leases expiring at various dates through June 2017. Rent expenses for the office and computer equipment and school buses including additional operating costs, was \$454,985 for 2013-2014.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2015	\$432,023
2016	432,023
2017	<u>123,456</u>
	<u>\$987,502</u>

### (10) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

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

#### Litigation

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

### (11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2013-2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended June 30, 2014:

Insurance claims surplus (liability) – beginning of year	\$ -
Current year insurance claims, fees and changes in estimates	(6,036,606)
Insurance claims and fees paid	<u>5,237,511</u>
Insurance claims surplus (liability) – end of year	<u>\$ (799,095)</u>

The insurance claims liability was settled after June 30, 2014.

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# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2014, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Local sources	\$53,970,545	\$53,970,545	\$54,433,394	\$ 462,849
State sources	12,026,615	12,026,615	11,981,013	(45,602)
Federal sources	<u>805,126</u>	<u>805,126</u>	<u>768,756</u>	<u>(36,370)</u>
<b>Total revenues</b>	<u>66,802,286</u>	<u>66,802,286</u>	<u>67,183,163</u>	<u>380,877</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	27,094,878	27,094,592	27,934,644	(840,052)
Special programs	11,598,646	11,598,675	10,425,435	1,173,240
Vocational programs	369,445	369,445	351,611	17,834
Other instructional programs	264,373	264,373	243,389	20,984
Nonpublic school programs	-	-	9,719	(9,719)
Higher education programs	<u>169,733</u>	<u>169,733</u>	<u>167,755</u>	<u>1,978</u>
<b>Total instruction</b>	<u>39,497,075</u>	<u>39,496,818</u>	<u>39,132,553</u>	<u>364,265</u>
<b>Support services</b>				
Pupil support services	2,412,432	2,414,043	2,284,952	129,091
Instructional staff services	2,267,764	2,260,166	2,171,228	88,938
Administrative services	3,245,064	3,259,198	3,300,486	(41,288)
Pupil health	844,727	844,727	748,407	96,320
Business services	916,258	906,218	833,368	72,850
Operation and maintenance of plant services	4,409,688	4,409,864	4,525,108	(115,244)
Student transportation services	3,303,321	3,303,640	3,104,102	199,538
Support services – central	1,494,472	1,496,127	1,497,790	(1,663)
Other support services	<u>48,509</u>	<u>48,509</u>	<u>49,478</u>	<u>(969)</u>
<b>Total support services</b>	<u>18,942,235</u>	<u>18,942,492</u>	<u>18,514,919</u>	<u>427,573</u>
<b>Operation of non-instructional services</b>				
Student activities	1,343,519	1,343,519	1,414,955	(71,436)
Community services	<u>350</u>	<u>350</u>	<u>-</u>	<u>350</u>
<b>Total operation of non-instructional services</b>	<u>1,343,869</u>	<u>1,343,869</u>	<u>1,414,955</u>	<u>(71,086)</u>
<b>Facilities acquisition, construction and improvement services</b>				
	<u>218,430</u>	<u>218,430</u>	<u>229,250</u>	<u>(10,820)</u>
<b>Debt service</b>				
	<u>7,522,971</u>	<u>7,522,971</u>	<u>6,434,336</u>	<u>1,088,635</u>
<b>Total expenditures</b>	<u>67,524,580</u>	<u>67,524,580</u>	<u>65,726,013</u>	<u>1,798,567</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(722,294)</u>	<u>(722,294)</u>	<u>1,457,150</u>	<u>2,179,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year expenditures	100,000	100,000	423,540	323,540
Refund of prior year receipts	-	-	(46,816)	(46,816)
Transfers out	(15,000)	(15,000)	(40,059)	(25,059)
Budgetary reserve	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>	<u>800,000</u>
<b>Total other financing sources (uses)</b>	<u>(715,000)</u>	<u>(715,000)</u>	<u>336,665</u>	<u>1,051,665</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,437,294)</u>	<u>\$ (1,437,294)</u>	<u>1,793,815</u>	<u>\$3,231,109</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>8,631,873</u>	
<b>End of year</b>			<u>\$10,425,688</u>	

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

**OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS**

Year ended June 30, 2014

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
02/01/2012	\$ -	\$2,428,589	\$2,428,589	0.00%	\$30,840,192	7.87%
02/01/2010	\$ -	\$2,520,547	\$2,520,547	0.00%	\$28,898,612	8.72%
02/01/2008	\$ -	\$2,701,580	\$2,701,580	0.00%	\$26,566,272	10.17%

**SINGLE AUDIT**



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2014</u>
<b><u>U.S. Department of Education</u></b>										
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>										
Title I – Improving Basic Programs	I	84.010	013-130458	07/01/12 – 09/30/13	\$114,483	\$ 14,652	\$(16,003)	\$ 30,655	\$ 30,655	\$ -
Title I – Improving Basic Programs	I	84.010	013-140458	07/01/13 – 09/30/14	104,249	41,854	-	93,186	93,186	51,332
Title II – Improving Teacher Quality	I	84.367	020-130458	07/01/12 – 09/30/13	66,794	23,687	(10,802)	34,489	34,489	-
Title II – Improving Teacher Quality	I	84.367	020-140458	07/01/13 – 09/30/14	63,528	25,433	-	30,518	30,518	5,085
<b><u>Passed Through the Delaware County I. U.</u></b>										
I.D.E.A. – Part B, Section 611	I	84.027	062-140013	07/01/13 – 06/30/14	597,091	7,279	7,279	-	-	-
I.D.E.A. – Part B, Section 611	I	84.027	062-140013	07/01/13 – 06/30/14	576,264	537,488	-	576,264	576,264	38,776
I.D.E.A. – Part B, Section 619	I	84.173	131-140013	07/01/13 – 06/30/14	7,738	7,738	7,738	-	-	-
I.D.E.A. – Part B, Section 619	I	84.173	131-140013	07/01/13 – 06/30/14	2,285	2,285	-	2,285	2,285	-
<b>Total U.S. Department of Education</b>						<b>660,416</b>	<b>(11,788)</b>	<b>767,397</b>	<b>767,397</b>	<b>95,193</b>
<b><u>U.S. Department of Agriculture</u></b>										
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>										
National School Lunch Program	I	10.555	N/A	07/01/12 – 06/30/13	N/A	62,280	62,280	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/13 – 06/30/14	N/A	151,267	-	186,375	186,375	35,108
Breakfast Program	I	10.553	N/A	07/01/12 – 06/30/13	N/A	9,199	9,199	-	-	-
Breakfast Program	I	10.553	N/A	07/01/13 – 06/30/14	N/A	20,579	-	25,455	25,455	4,876
Special Milk Program	I	10.556	N/A	07/01/12 – 06/30/13	N/A	1,514	1,514	-	-	-
Special Milk Program	I	10.556	N/A	07/01/13 – 06/30/14	N/A	4,452	-	5,424	5,424	972
Child and Adult Care Food Program	I	10.558	N/A	07/01/12 – 06/30/13	N/A	16,679	16,679	-	-	-
Child and Adult Care Food Program	I	10.558	N/A	07/01/13 – 06/30/14	N/A	43,392	-	54,106	54,106	10,714
State Matching Share	S	N/A	N/A	07/01/12 – 06/30/13	N/A	7,153	7,153	-	-	-
State Matching Share	S	N/A	N/A	07/01/13 – 06/30/14	N/A	18,160	-	22,520	22,520	4,360

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2014</u>
<b>Passed-Through the Pennsylvania Department of Agriculture</b>										
USDA Donated Commodities	I	10.555	N/A	07/01/13 – 06/30/14	N/A	<u>56,259</u>	<u>-</u>	<u>56,259</u>	<u>56,259</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>						<u>390,934</u>	<u>96,825</u>	<u>350,139</u>	<u>350,139</u>	<u>56,030</u>
<b>Total Federal Awards and Certain State Grants</b>						<u>\$1,051,350</u>	<u>\$ 85,037</u>	<u>\$1,117,536</u>	<u>\$1,117,536</u>	<u>\$151,223</u>

**Source Codes**

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

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

June 30, 2014

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### (1) FEDERAL EXPENDITURES

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

### (2) BASIS OF ACCOUNTING

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

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2013-2014 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2014 was \$1,358.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2014**

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There were no audit findings for the year ended June 30, 2013.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Wallingford-Swarthmore School District's basic financial statements, and have issued our report thereon dated December 9, 2014.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*BBD, LLP*

**Philadelphia, Pennsylvania  
December 9, 2014**



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

### ***Report on Compliance for Each Major Federal Program***

We have audited Wallingford-Swarthmore School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wallingford-Swarthmore School District's major federal programs for the year ended June 30, 2014. Wallingford-Swarthmore School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Wallingford-Swarthmore School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wallingford-Swarthmore School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Wallingford-Swarthmore School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### ***Report on Internal Control over Compliance***

Management of Wallingford-Swarthmore School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wallingford-Swarthmore School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BBD, LLP*

**Philadelphia, Pennsylvania  
December 9, 2014**



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2014

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Wallingford-Swarthmore School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Wallingford-Swarthmore School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Wallingford-Swarthmore School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Wallingford-Swarthmore School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
  - Special Education Cluster:
    - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
    - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Wallingford-Swarthmore School District did qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

## **SUPPLEMENTAL DATA**

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

**REAL ESTATE TAX LEVIES AND COLLECTIONS – UNAUDITED**

Last ten fiscal years ending June 30

<u>School Year</u>	<u>Assessed Value</u>	<u>Base Millage</u>	<u>Gross Tax Levy</u>	<u>Act 1 Property Tax Reduction Allocation</u>	<u>Gross Adjusted Tax Levy</u>	<u>Current Collections Amount</u>	<u>Current Year Collections As a Percentage of Adjusted Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections Amount (1)</u>	<u>Total Collections As a Percent</u>
2004-2005	\$1,333,028,789	27.820	\$37,420,101	\$ -	\$37,420,101	\$36,123,658	96.54%	\$ 778,612	\$36,902,270	98.62%
2005-2006	\$1,338,066,723	29.360	\$39,543,635	\$ -	\$39,543,635	\$38,103,358	96.36%	\$ 790,786	\$38,894,144	98.36%
2006-2007	\$1,341,612,163	31.710	\$42,828,583	\$ -	\$42,711,514	\$41,252,805	96.58%	\$ 948,702	\$42,201,507	98.81%
2007-2008	\$1,347,346,155	33.610	\$45,479,429	\$ -	\$45,479,429	\$43,649,587	95.98%	\$1,060,570	\$44,710,157	98.31%
2008-2009	\$1,370,636,809	35.570	\$49,009,202	\$1,838,276	\$47,170,926	\$46,147,615	97.83%	\$ 960,539	\$47,108,154	99.87%
2009-2010	\$1,377,166,116	36.566	\$50,697,054	\$1,837,983	\$48,859,071	\$47,023,107	96.24%	\$1,378,028	\$48,401,135	99.06%
2010-2011	\$1,382,206,666	37.626	\$52,366,933	\$1,838,078	\$50,528,855	\$48,644,416	96.27%	\$1,359,277	\$50,003,693	98.96%
2011-2012	\$1,387,750,702	38.153	\$52,992,852	\$1,838,078	\$51,154,774	\$49,265,110	96.31%	\$1,023,543	\$50,288,653	98.31%
2012-2013	\$1,383,176,787	38.915	\$53,996,083	\$1,837,890	\$52,158,193	\$50,212,023	96.27%	\$1,193,882	\$51,405,905	98.56%
2013-2014	\$1,386,055,199	39.693	\$55,186,485	\$1,838,174	\$53,348,311	\$51,483,294	96.50%	\$1,365,138	\$52,848,432	99.06%

(1) Includes delinquent real estate collection

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**

**TAX RATES – UNAUDITED**

**Last ten fiscal years ending June 30**

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<u>School Year</u>	<u>Base Millage</u>	<u>Real Estate Transfer</u>	<u>Wage &amp; Income Tax</u>	<u>Local Services Tax</u>
2004-2005	27.820	0.5%	\$ -	\$ -
2005-2006	29.360	0.5%	-	-
2006-2007	31.710	0.5%	-	-
2007-2008	33.610	0.5%	-	-
2008-2009	35.570	0.5%	-	-
2009-2010	36.566	0.5%	-	-
2010-2011	37.626	0.5%	-	-
2011-2012	38.153	0.5%	-	-
2012-2013	38.915	0.5%	-	-
2013-2014	39.693	0.5%	-	-

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## PRINCIPAL TAXPAYERS – UNAUDITED

Year ending June 30, 2014

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<u>Taxpayer</u>	<u>Assessed Valuation</u>
Senior Living N P LLC	\$15,000,000
Cedar Grove Associates	5,144,600
HCRA Properties, LLC	5,000,000
Springhaven Country Club	3,501,580
Swarthmore College	3,021,000
Individual	1,986,970
Dartmouth Associates	1,810,000
Greylock Apts Associates	1,800,000
Henderson Columbia Corp.	1,755,000
Swarthmore College	<u>1,463,750</u>
	<u>\$40,482,900</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## PROPERTY ASSESSMENT DATA – UNAUDITED

Last ten fiscal years ending June 30

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<u>Calendar Year</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Ratio</u>
2004-2005	\$1,333,028,789	\$2,060,322,703	64.70%
2005-2006	\$1,338,066,723	\$2,189,961,903	61.10%
2006-2007	\$1,341,612,163	\$2,301,221,549	58.30%
2007-2008	\$1,347,346,155	\$2,197,954,576	61.30%
2008-2009	\$1,370,636,809	\$2,134,948,301	64.20%
2009-2010	\$1,377,166,116	\$2,040,246,098	67.50%
2010-2011	\$1,382,206,666	\$1,919,731,481	72.00%
2011-2012	\$1,387,750,702	\$1,875,338,786	74.00%
2012-2013	\$1,383,176,787	\$2,041,226,904	67.80%
2013-2014	\$1,386,055,199	\$2,044,329,202	67.80%

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## ENROLLMENT DATA – UNAUDITED

Last ten fiscal years ending June 30

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<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2004-2005	1,688	1,846	3,534
2005-2006	1,703	1,839	3,542
2006-2007	2,002	1,572	3,574
2007-2008	1,960	1,579	3,539
2008-2009	1,437	2,088	3,525
2009-2010	1,695	1,792	3,487
2010-2011	1,707	1,728	3,435
2011-2012	1,692	1,757	3,449
2012-2013	1,510	2,034	3,544
2013-2014	1,791	1,725	3,516