



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

**AUDIT REPORT**

**JUNE 30, 2013**

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WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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November 25, 2013

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 (the "District"), Wallingford, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 District'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 District'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.

Board of School Directors  
Wallingford-Swarthmore School District

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, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedule for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, 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." Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2012 statements have been restated to reflect the implementation of GASB Statement No. 65 and to correct an error. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated November 15, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 16 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.

Board of School Directors  
Wallingford-Swarthmore School District

*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 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 schedule of expenditures of federal awards 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2013**

**INTRODUCTION**

The discussion and analysis of Wallingford-Swarthmore School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

The District's net position increased by \$2.5 million due to the completion of the addition and renovations to the Wallingford Elementary School. The actual results of operations in the General Fund were consistent with the approved budget and resulted in a net increase in fund balance of \$769,805.

**DATA ANALYSIS: THE BASIC FINANCIAL STATEMENT**

Management's Discussion and Analysis introduces the District's basic financial statements that consist of a series of financial statements and notes to those statements. These statements are organized so that the reader, by considering the government-wide financial statements, can understand the Wallingford-Swarthmore School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the entity-wide statements. The governmental funds statements relate how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. These activities consist of our Food Service operation. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District these cover and the types of information these contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

**Figure A-1  
Major Features of Wallingford-Swarthmore School District's  
Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Net Position - Fiduciary Funds Statement of Changes Net Position - Fiduciary Funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

**ENTITY-WIDE REPORTING PROCESS:**

The MD&A is only one of the required components of the District's financial statements. Two statements that provide comprehensive information about the entire District are the following:

**Statement of Net Position** – which identifies what kinds of assets the District owns, what debts it owes and the composition of the net position that remain.

**Statement of Activities** – identifies the costs of providing public school services and the resources obtained to finance the services.

The basis of accounting used in these entity-wide statements is full accrual with an economic resources focus. All assets and liabilities, both financial and capital, and short-term and long-term are presented. This basis of accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type Activities** - The District operates a food service operation through a food management company contract and charges fees to staff and students to cover some of the costs of the food service operation. State and federal breakfast and lunch programs further subsidize the cost of operation.

**DISTRICT FUND REPORTING:**

Fund financial statements provide the next level of detail about a district's funds. These statements focus on the District's most significant funds. There are three kinds of fund financial statements – governmental, proprietary and fiduciary funds.

**Governmental funds** - The District's major governmental funds are the general fund, capital reserve fund and capital projects fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements include only short-term information: the most readily available assets and currently due liabilities, and the resources that flow into and out of a school district during the year. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

**Proprietary funds** - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. The District's proprietary fund reports the finances of the food services operation. This fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match entity-wide statement reporting of business-type activities we report in the entity-wide statements, but provide more detail and additional information, such as cash flows.

**Fiduciary funds** - The District is the trustee, or fiduciary, for some scholarship funds. In addition, the District is an agent for funds held on behalf of students of the District. All of the District's fiduciary activities are reported in separate Statements of Net Position - Fiduciary Funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT**

The Statement of Net Position contains information about what the District owns and owes, i.e., assets and liabilities, and what is left after assets are used to satisfy liabilities. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$29,682,476 as of June 30, 2013. Assets exceeded liabilities by \$27,190,026 as of June 30, 2012.

A comparative analysis of fiscal years 2013 to 2012 follows:

**Table 1  
June 30, 2013 and 2012  
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>ASSETS:</b>						
Current and other assets	\$ 29,522,464	\$ 22,963,415	\$ 186,762	\$ 165,265	\$ 29,709,226	\$ 23,128,680
Capital assets	100,029,427	96,593,956	85,455	108,256	100,114,882	96,702,212
<b>TOTAL ASSETS</b>	<b>\$ 129,551,891</b>	<b>\$ 119,557,371</b>	<b>\$ 272,217</b>	<b>\$ 273,521</b>	<b>\$ 129,824,108</b>	<b>\$ 119,830,892</b>
<b>LIABILITIES:</b>						
Current liabilities	\$ 9,582,703	\$ 8,599,620	\$ 137,589	\$ 138,113	\$ 9,720,292	\$ 8,737,733
Long-term liabilities	90,421,340	83,903,133	-	-	90,421,340	83,903,133
<b>TOTAL LIABILITIES</b>	<b>100,004,043</b>	<b>92,502,753</b>	<b>137,589</b>	<b>138,113</b>	<b>100,141,632</b>	<b>92,640,866</b>
<b>NET POSITION:</b>						
Net Investment in capital assets	17,215,293	10,667,485	85,455	108,256	17,300,748	10,775,741
Restricted	4,813,581	9,520,459	-	-	4,813,581	9,520,459
Unrestricted	7,518,974	6,866,674	49,173	27,152	7,568,147	6,893,826
<b>TOTAL NET POSITION</b>	<b>29,547,848</b>	<b>27,054,618</b>	<b>134,628</b>	<b>135,408</b>	<b>29,682,476</b>	<b>27,190,026</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 129,551,891</b>	<b>\$ 119,557,371</b>	<b>\$ 272,217</b>	<b>\$ 273,521</b>	<b>\$ 129,824,108</b>	<b>\$ 119,830,892</b>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

The largest portion of the District's total assets (77 percent) reflects its investment in capital assets. The District uses capital assets to provide services; 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. The District's net investment in capital assets increased by \$6,525,007 as a result of the work in progress and debt incurred for the addition and renovations to the Nether Providence Elementary School ("NPE") as well as the completion of the addition and renovations to the Wallingford Elementary School ("WES").

Unrestricted accumulated net position represents resources to be used for unanticipated fluctuations in expenditures and/or revenues that can occur after the Board of School Directors approves an annual budget. Such fluctuations can result in expenditures that are greater than current year revenues. At such times, the District must rely on its accumulated fund balance (unrestricted accumulated net position) to make up the difference. Additionally, for certain categories of expenses, the District may realize cost saving opportunities if it prepays these expenses. If these prepayments are greater than currently realized revenues, then the District must rely on its unrestricted accumulated net position in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net position as an important criterion when establishing the bond rating for a public school district.

The results of this year's operations as a whole are reported in the Statement of Activities. Table 2 is a summary of changes in net position for the years ended June 30, 2013 and 2012. Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. General revenues include the local taxes assessed to community taxpayers, the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and other general revenues the District uses to finance the total net cost of programs.

**Table 2  
Fiscal Years Ended June 30, 2013 and 2012  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 233,622	\$ 342,091	\$ 841,531	\$ 894,515	\$ 1,075,153	\$ 1,236,606
Operating grants	6,948,035	6,556,849	347,942	352,125	7,295,977	6,908,974
Total Program Revenues	7,181,657	6,898,940	1,189,473	1,246,640	8,371,130	8,145,580
<i>General Revenues:</i>						
Property and other taxes	52,278,898	51,174,798	-	-	52,278,898	51,174,798
Grants and entitlements	4,890,624	4,893,674	-	-	4,890,624	4,893,674
Other	448,981	458,016	-	-	448,981	458,016
Total General Revenues	57,618,503	56,526,488	-	-	57,618,503	56,526,488
<b>TOTAL REVENUES</b>	64,800,160	63,425,428	1,189,473	1,246,640	65,989,633	64,672,068

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

**Table 2  
Fiscal Years Ended June 30, 2013 and 2012  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<i>(continued)</i>						
EXPENSES						
Program Expenses:						
Instruction	39,970,047	38,934,197	-	-	39,970,047	38,934,197
Instructional student support	5,329,474	5,016,495	-	-	5,329,474	5,016,495
Administrative and financial support services	5,536,455	5,321,850	-	-	5,536,455	5,321,850
Operation and maintenance of plant services	4,828,234	4,676,843	-	-	4,828,234	4,676,843
Pupil transportation	3,296,203	3,284,903	-	-	3,296,203	3,284,903
Student activities	1,315,259	1,232,860	-	-	1,315,259	1,232,860
Community services	-	28	-	-	-	28
Interest on long-term debt	2,015,160	3,269,976	-	-	2,015,160	3,269,976
SWAP termination cost	-	4,693,000	-	-	-	4,693,000
Food service	-	-	1,206,351	1,247,431	1,206,351	1,247,431
TOTAL EXPENSES	<u>62,290,832</u>	<u>66,430,152</u>	<u>1,206,351</u>	<u>1,247,431</u>	<u>63,497,183</u>	<u>67,677,583</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	2,509,328	(3,004,724)	(16,878)	(791)	2,492,450	(3,005,515)
Transfers	<u>(16,098)</u>	<u>(14,980)</u>	<u>16,098</u>	<u>14,980</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 2,493,230</u>	<u>\$ (3,019,704)</u>	<u>\$ (780)</u>	<u>\$ 14,189</u>	<u>\$ 2,492,450</u>	<u>\$ (3,005,515)</u>

Operating Grants increased by \$387,003 due to the increase in the state retirement subsidy. A two percent increase in the real estate tax millage was the reason for the \$1,104,100 increase in property and other taxes.

Total expenses for all categories decreased by \$4.2 million in 2012-2013, due mostly to the one-time cost of \$4.7 million to terminate the SWAP in 2011-2012. Instruction expenses increased by \$1.0 million over 2011-2012. Salaries and benefits comprised a large portion of the expense increase, as they increased by 1.43 percent, or approximately \$600,000 over 2011-2012. The primary cause for this increase was the change in the Pennsylvania State Employees Retirement System rate from 8.65 percent to 12.36 percent. Also contributing to the increase in Instruction was approximately \$200,000 in increased tuition costs. Increases in salaries and benefits contributed to the increases in administrative and financial support services, operation and maintenance of plant services, and pupil transportation. The District realized savings of \$1.3 million in interest on long-term debt due to the refunding of several debt issues in 2011-2012.

The tables on the following page present the expenses of both the Governmental Activities and the Business-type Activities of the District.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2013**

Table 3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table 3  
Fiscal Years Ended June 30, 2013 and 2012  
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$ 39,970,047	\$ 35,109,751	\$ 38,934,197	\$ 34,443,881
Instructional student support	5,329,474	4,992,369	5,016,495	4,687,672
Administrative and financial support services	5,536,455	5,252,124	5,321,850	5,096,330
Operation and maintenance of plant services	4,828,234	4,578,364	4,676,843	4,477,784
Pupil transportation	3,296,203	2,452,852	3,284,903	2,476,950
Student activities	1,315,259	1,186,247	1,232,860	1,127,281
Community services	-	(91,620)	28	(173,779)
Interest on long-term debt	2,015,160	1,629,088	3,269,976	2,702,093
SWAP termination cost	-	-	4,693,000	4,693,000
<b>Total Expenses</b>	<b>\$ 62,290,832</b>	<b>55,109,175</b>	<b>\$ 66,430,152</b>	<b>59,531,212</b>
Less: Unrestricted grants, subsidies		<u>4,890,624</u>		<u>4,893,674</u>
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>		<b>\$ 50,218,551</b>		<b>\$ 54,637,538</b>

The following table reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table 3A  
Business-type Activities**

	Total Cost of Services 2013	Net (Revenue) Expense 2013	Total Cost of Services 2012	Net (Revenue) Expense 2012
Change in Net Position - Food Service	\$ 1,206,351	\$ (16,878)	\$ 1,247,431	\$ (791)



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

The food services operation is run by ARAMARK Educational Services, Inc. With the change in federal law, ARAMARK must show a break-even or profit on its operating costs. If a deficit occurs, ARAMARK must reimburse the District for the amount of revenue guaranteed in the contract. All aspects of food services are analyzed on a regular basis, including staffing, food choices, and quality of product and dining environment.

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will further detail the actual results of operations.

**REVIEW OF GOVERNMENTAL FUNDS**

The development, review and consideration of the 2012-2013 Comprehensive General Fund Operating Budget was completed in a manner consistent with past practice. The budget is also prepared to reflect the programs and services to be provided by the various revenue sources. We believe that all data presented in the budget was accurate in all material respects, that it was presented in a manner designed to set forth fairly the financial position and plan of operations of the District as measured by the financial activity of its various accounts, and that all disclosures necessary to maximize, and simplify, user comprehension were included.

The District's governmental funds reported a combined fund balance of \$23,378,654 as of June 30, 2013 and \$17,382,527 as of June 30, 2012, which is an increase of \$5,996,127.

Governmental funds, which include the general fund, capital projects fund and capital reserve fund, had total revenues of \$64.7 million at June 30, 2013 and \$63.2 million at June 30, 2012. Total expenditures were \$69.5 million for the year ended June 30, 2013 and \$74.8 million for the year ended June 30, 2012.

The general fund revenues exceeded expenditures by \$769,805, after a \$1.35 million transfer to Capital Reserve for the year ended June 30, 2013. Total revenues were consistent with the budget. Federal and state revenues were lower than the budget due to reductions in the Federal Medical ACCESS program and the PA Rental Reimbursements subsidy.

Total expenditures, not including transfers, were \$2,856,134 better than the budget due primarily to the savings realized on the refunding of several debt issues in 2011-2012 (\$987,000); and budgeted debt service for the NPE project (\$850,000) which had been issued, but no payments were due during 2012-2013; and savings on variable rate debt (\$260,000). Transfers were higher than the budget due to the transfer of an additional \$1,350,000 to the Capital Reserve Fund. Refunds of prior year expenditures were higher than budgeted due largely to more favorable reconciliations of the Delaware County Intermediate Unit reconciliations for Special Education services.



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

**General Fund Budget Information**

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the general fund.

The final budget for expenditures reflects required changes in functional categories due to spending patterns. The Board of School Directors ("the Board") authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District.

<b>Spending Review</b>					
		2012-2013 Original Budget	2012-2013 Actual Expenditures	Variance Positive (Negative)	Percent Change
<b>Instructional Services:</b>					
Regular programs	1100	\$ 27,002,164	\$ 27,619,221	\$ (617,057)	-2.3%
Special programs	1200	10,809,698	10,014,105	795,593	7.4%
Vocational programs	1300	361,117	375,615	(14,498)	-4.0%
Other instructional programs	1400	310,424	231,391	79,033	25.5%
Non-public programs	1500	-	4,016	(4,016)	N/A
Community college	1600	169,733	167,850	1,883	1.1%
Pupil personnel	2100	2,244,401	2,253,982	(9,581)	-0.4%
Instructional staff services	2200	2,177,774	2,059,573	118,201	5.4%
Administrative services	2300	2,893,632	3,049,330	(155,698)	-5.4%
Pupil health	2400	722,736	681,613	41,123	5.7%
Business services	2500	890,925	827,373	63,552	7.1%
Operation and maintenance of plant	2600	4,483,396	4,378,274	105,122	2.3%
Student transportation services	2700	3,305,467	3,089,440	216,027	6.5%
Central services	2800	1,354,276	1,263,953	90,323	6.7%
Other support services	2900	49,926	48,509	1,417	2.8%
Student activities	3200	1,297,792	1,232,756	65,036	5.0%
Community services	3300	350	-	350	100.0%
Non-recurring maintenance projects	4600	125,000	194,507	(69,507)	-55.6%
Debt service	5100	8,033,572	5,962,707	2,070,865	25.8%
Interfund transfers	5200	15,000	1,366,098	(1,351,098)	-9007.3%
		<u>\$ 66,247,383</u>	<u>\$ 64,820,313</u>	<u>\$ 1,427,070</u>	<u>2.15%</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

Below is a summary of the significant changes from the original budget to the final budget.

		2012-2013 Original Budget	2012-2013 Actual	\$ Lower (Higher) than Original Budget	Diff %
<b>Instructional Services:</b>					
Regular Programs	1100	\$ 27,002,164	\$ 27,619,221	\$ (617,057)	-2.3%
Special programs	1200	10,809,698	10,014,105	795,593	7.4%
Other instructional programs	1400	310,424	231,391	79,033	25.5%
Business services	2500	890,925	827,373	63,552	7.1%
Student transportation services	2700	3,305,467	3,089,440	216,027	6.5%
Central services	2800	1,354,276	1,263,953	90,323	6.7%
Debt service	5100	8,033,572	5,962,707	2,070,865	25.8%
Interfund transfers	5200	15,000	1,366,098	(1,351,098)	-9007.3%
<b>Summary of Significant Spending Changes</b>		<b>\$ 51,721,526</b>	<b>\$ 50,374,288</b>	<b>\$ 1,347,238</b>	<b>2.60%</b>

Regular Programs (1100) expenditures were higher than the budget due to the capitalization of the new computer leases in the amount of \$683,033.

Special Programs (1200) expenditures were lower than the budget due primarily to much lower costs for services provided by the Delaware County Intermediate Unit.

Other Instructional Programs (1400) were lower than the original budget due to lower costs for homebound instructors and the reclassification of an instructional assistant.

Business Services (2500) expenditures were lower than the original budget due to lower copy center supplies and use charges, as well as a reduction in bank charges.

Student Transportation (2700) expenditures were lower than the budget due to lower than expected costs for automobile insurance, fuel and bus repairs.

Central Services (2800) expenditures were lower than the original budget due to decreased workers' compensation insurance costs.

Debt Service (5100) expenditures were lower than the budget because the District realized interest savings on refunded debt as well as lower interest costs on variable rate debt.

Transfers (5200) were higher than the budget due to a transfer to the Capital Reserve Fund.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
JUNE 30, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2013, the District had \$100,114,882 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

**Table 4  
Investment in Capital Assets  
As of June 30, 2013 and 2012  
Capital Assets - Net of Accumulated Depreciation**

	2013	2012
Land and land improvements	\$ 128,010	\$ 128,010
Building and building improvements, net of accumulated depreciation	94,159,385	80,456,912
Furniture and equipment, net of accumulated depreciation	3,275,987	3,051,739
Construction-in-progress	2,551,500	13,065,551
Total	<u>\$ 100,114,882</u>	<u>\$ 96,702,212</u>

**Table 5  
Outstanding Debt  
As of June 30, 2013 and 2012**

	2013	2012
General Obligation Bonds and Notes:		
Series of 2004	\$ 1,803,000	\$ 2,022,000
Series of 2006	275,000	275,000
Series A of 2011	26,535,000	26,555,000
Series B of 2011	9,795,000	10,210,000
Series C of 2011	14,280,000	14,540,000
Series A of 2012	10,000,000	10,000,000
Series B of 2012	7,395,000	9,800,000
Series C of 2012	8,955,000	8,960,000
Series of 2013	9,995,000	-
Total General Obligation Bonds and Notes	<u>\$ 89,033,000</u>	<u>\$ 82,362,000</u>

As of June 30, 2013, the District had total outstanding bond principal of \$89,033,000. During the year, the District made bond principal payments of \$3,324,000.

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about Wallingford-Swarthmore School District's long-term liabilities is included in Note 7 to the financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2013**

**EXTERNAL ECONOMIC FACTORS:**

**ACT 1**

Act 1 of 2006 changed the way schools are funded. The law mandated the appointment of a Local Tax Study Commission whose charge was to review the current tax structure and District demographics to formulate a recommendation for a personal income tax or an earned income tax to replace some of the District's real estate taxes through a homestead/farmstead exclusion. The Local Tax Study Commission ("LTSC") recommended a .8 percent Personal Income Tax. The Board was then required to either accept or reject the LTSC's recommendation. The Board accepted the LTSC's recommendation and approved the question to be placed on the May ballot. The voters rejected the referendum issue in the May 2007 primary. Act 1 also accelerated the budget schedule and subjected all districts to a state calculated index. Wallingford-Swarthmore's index for 2012-2013 was 1.7 percent. The Act provides for some exceptions which are required to be approved by the Pennsylvania Department of Education. The District utilized a portion of the retirement exception in the 2012-2013 budget. There is also a provision for the districts to receive Sterling Tax Credits and state gaming funds as they become available. During 2012-2013, the District received \$1,837,890 in State Property Tax Reduction funds.

**Common Level Ratio**

The Common Level Ratio in Delaware County is 72 percent for the 2013 tax year. When the Common Level Ratio drops below 85 percent, this increases the probability of assessment appeals by taxpayers. The problem can only be solved by a County-wide reassessment which the District has no power to mandate.

**INTERNAL ECONOMIC FACTORS:**

**Impact on Budget Development**

Immediate and envisioned District disbursements, projected over a five-year period, are and will continue to be impacted by the poor U.S. economy, unfunded state and federal mandates, strategic planning, special education costs, and long-range facilities and capital improvements.

**Nether Providence Elementary School**

The Nether Providence Elementary School addition and renovations project began during spring 2013. Completion is planned for fall 2014.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2013**

**Budget 2013-2014**

The revenue budget for fiscal year 2013-2014 includes a property tax increase of .778 mills (a 2.0 percent increase), from 38.915 mills in Nether Providence and Rose Valley and 39.334 mills in Swarthmore and Rutledge to 39.693 mills in Nether Providence and Rose Valley and 40.112 mills in Swarthmore and Rutledge. The difference in the millage rates is the result of municipal participation in the Community College. Total budgeted revenue for fiscal year 2013-2014 is \$66,902,286.

The Board of School Directors approved the property tax increase in order to meet the projected expenditure increase of \$1,292,197 over the prior year's budgeted expenditures. Total budgeted expenditures for fiscal year 2013-2014 are \$68,339,580.

The unassigned fund balance is projected to absorb \$1,437,294 of the budgeted shortfall in General Fund revenues over expenditures for fiscal year 2013-2014. The budgeted projected General Fund unassigned fund balance as of June 30, 2014 is \$7,976,560.

**PUBLIC ACCESS TO DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Lisa Palmer, Ed.D., Business Administrator, 200 S. Providence Road, Wallingford, PA 19086, (610) 892-3470, ext. 1301.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
**(With Summarized Comparative Data for June 30, 2012)**

	Governmental Activities	Business-type Activities	Totals	
			2013	2012*
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,082,390	\$ 85,814	\$ 26,168,204	\$ 19,768,167
Taxes receivable	1,530,227	-	1,530,227	1,439,318
Due from other governments	1,194,124	96,825	1,290,949	1,297,239
Other receivables	598,961	4,123	603,084	485,922
Prepaid expenses	116,762	-	116,762	138,034
Land	128,010	-	128,010	128,010
Construction-in-progress	2,551,500	-	2,551,500	13,065,551
Buildings and improvements	117,823,168	-	117,823,168	102,337,603
Furniture and equipment	10,824,007	495,392	11,319,399	10,928,596
Accumulated depreciation	(31,297,258)	(409,937)	(31,707,195)	(29,757,548)
<b>TOTAL ASSETS</b>	<b>\$129,551,891</b>	<b>\$ 272,217</b>	<b>\$129,824,108</b>	<b>\$119,830,892</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,790,534	\$ 101,709	\$ 1,892,243	\$ 2,369,509
Accrued salaries and benefits	2,750,133	-	2,750,133	1,904,822
Unearned revenue	179,834	35,880	215,714	108,270
Other liabilities	82,073	-	82,073	7,459
Accrued interest payable	430,919	-	430,919	357,671
Judgment payable	39,362	-	39,362	126,677
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	3,692,995	-	3,692,995	3,410,135
Note payable	228,000	-	228,000	219,000
Capital leases payable	357,093	-	357,093	190,617
Accumulated compensated absences/ early retirement incentive	31,760	-	31,760	43,573
Portion due or payable after one year:				
Bonds payable, net	86,366,393	-	86,366,393	79,930,384
Note payable	1,575,000	-	1,575,000	1,803,000
Capital leases payable	527,853	-	527,853	372,671
Accumulated compensated absences/ early retirement incentives	906,601	-	906,601	934,173
Other post-employment benefits	1,045,493	-	1,045,493	862,905
<b>TOTAL LIABILITIES</b>	<b>100,004,043</b>	<b>137,589</b>	<b>100,141,632</b>	<b>92,640,866</b>
<b>NET POSITION:</b>				
Net investment in capital assets	17,215,293	85,455	17,300,748	10,775,741
Restricted for capital purposes	4,813,581	-	4,813,581	9,520,459
Unrestricted	7,518,974	49,173	7,568,147	6,893,826
<b>TOTAL NET POSITION</b>	<b>29,547,848</b>	<b>134,628</b>	<b>29,682,476</b>	<b>27,190,026</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$129,551,891</b>	<b>\$ 272,217</b>	<b>\$129,824,108</b>	<b>\$119,830,892</b>

\* - Restated (see Note 15)

The accompanying notes are an integral part of these financial statements.



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Summarized Comparative Data for the Year Ended June 30, 2012)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>	<b>Expenses</b>					
Instruction	\$ 39,970,047	\$ 78,858	\$ 4,781,438	\$ -	\$ -	\$ (35,109,751)
Instructional student support	5,329,474	-	337,105	(4,992,369)	-	(4,992,369)
Administrative and financial support services	5,536,455	-	284,331	(5,252,124)	-	(5,252,124)
Operation and maintenance of plant services	4,828,234	-	249,870	(4,578,364)	-	(4,578,364)
Pupil transportation	3,296,203	-	843,351	(2,452,852)	-	(2,452,852)
Student activities	1,315,259	63,144	65,868	(1,186,247)	-	(1,186,247)
Community services	-	91,620	-	91,620	-	91,620
Interest on long-term debt	2,015,160	-	386,072	(1,629,088)	-	(1,629,088)
SWAP termination costs	-	-	-	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>62,290,832</b>	<b>233,622</b>	<b>6,948,035</b>	<b>(55,109,175)</b>	<b>-</b>	<b>(55,109,175)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food service	1,206,351	841,531	347,942	-	(16,878)	(791)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,206,351</b>	<b>841,531</b>	<b>347,942</b>	<b>-</b>	<b>(16,878)</b>	<b>(791)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 63,497,183</b>	<b>\$ 1,075,153</b>	<b>\$ 7,295,977</b>	<b>(55,109,175)</b>	<b>(16,878)</b>	<b>(59,532,003)</b>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				51,601,545	-	51,601,545
Taxes levied for specific purposes				677,353	-	677,353
Grants and entitlements not restricted to specific programs				4,890,624	-	4,890,624
Investment earnings				51,233	-	51,233
Miscellaneous				397,748	-	397,748
<b>TRANSFERS</b>				(16,098)	16,098	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>57,602,405</b>	<b>16,098</b>	<b>57,618,503</b>
<b>CHANGE IN NET POSITION</b>				<b>2,493,230</b>	<b>(780)</b>	<b>2,492,450</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>27,054,618</b>	<b>135,408</b>	<b>27,190,026</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 29,547,848</b>	<b>\$ 134,628</b>	<b>\$ 29,682,476</b>

\* - Restated (see Note 15)

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**  
**(With Summarized Comparative Data for June 30, 2012)**

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	
				2013
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,751,870	\$ 4,397,320	\$ 9,933,200	\$ 26,082,390
Taxes receivable	1,530,227	-	-	1,530,227
Due from other funds	-	1,350,000	-	1,350,000
Due from other governments	1,194,124	-	-	1,194,124
Other receivables	598,961	-	-	598,961
Prepaid expenses	116,762	-	-	116,762
<b>TOTAL ASSETS</b>	<b>\$ 15,191,944</b>	<b>\$ 5,747,320</b>	<b>\$ 9,933,200</b>	<b>\$ 30,872,464</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 856,795	\$ 78,790	\$ 854,949	\$ 1,790,534
Due to other funds	1,350,000	-	-	1,350,000
Accrued salaries and benefits	2,750,133	-	-	2,750,133
Compensated absences payable	31,760	-	-	31,760
Judgment payable	39,362	-	-	39,362
Unearned revenue	179,834	-	-	179,834
Other current liabilities	82,073	-	-	82,073
<b>TOTAL LIABILITIES</b>	<b>\$ 5,289,957</b>	<b>\$ 78,790</b>	<b>\$ 854,949</b>	<b>\$ 6,223,696</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	1,270,114	-	-	1,270,114
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,270,114</b>	<b>-</b>	<b>-</b>	<b>1,270,114</b>
<b>FUND BALANCES:</b>				
Nonspendable	116,762	-	-	116,762
Restricted for capital projects	-	5,668,530	9,078,251	14,746,781
Committed	1,060,000	-	-	1,060,000
Unassigned	7,455,111	-	-	7,455,111
<b>TOTAL FUND BALANCES</b>	<b>8,631,873</b>	<b>5,668,530</b>	<b>9,078,251</b>	<b>23,378,654</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,191,944</b>	<b>\$ 5,747,320</b>	<b>\$ 9,933,200</b>	<b>\$ 30,872,464</b>
				<b>\$ 22,988,415</b>

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 23,378,654
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 128,010	
Construction-in-progress	2,551,500	
Buildings and improvements	117,823,168	
Furniture and equipment	10,824,007	
Accumulated depreciation	<u>(31,297,258)</u>	100,029,427

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable, net	(90,059,388)	
Note payable	(1,803,000)	
Capital leases payable	(884,946)	
Accumulated compensated absences/early retirement incentive	(906,601)	
Post-employment benefits	(1,045,493)	
Accrued interest payable	<u>(430,919)</u>	(95,130,347)

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds

1,270,114

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 29,547,848</u></u>
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The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Summarized Comparative Data for the Year Ended June 30, 2012)**

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2013	2012*
<b>REVENUES</b>					
Local sources	\$ 52,848,372	\$ 11,343	\$ 701	\$ 52,860,416	\$ 51,780,755
State sources	11,067,736	-	-	11,067,736	10,599,084
Federal sources	760,585	-	-	760,585	851,439
<b>TOTAL REVENUES</b>	<b>64,676,693</b>	<b>11,343</b>	<b>701</b>	<b>64,688,737</b>	<b>63,231,278</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	38,412,198	-	-	38,412,198	37,012,287
Support services	17,652,047	-	-	17,652,047	17,271,470
Operation of noninstructional services	1,232,756	-	-	1,232,756	1,163,590
Capital outlay	194,507	4,235,168	1,915,919	6,345,594	12,961,837
Debt service	5,884,741	-	-	5,884,741	6,406,419
<b>TOTAL EXPENDITURES</b>	<b>63,376,249</b>	<b>4,235,168</b>	<b>1,915,919</b>	<b>69,527,336</b>	<b>74,815,603</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,300,444</b>	<b>(4,223,825)</b>	<b>(1,915,218)</b>	<b>(4,838,599)</b>	<b>(11,584,325)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	1,350,000	-	1,350,000	1,525,000
Transfers out	(1,366,098)	-	-	(1,366,098)	(1,539,980)
Refund of prior year expenditures	230,392	-	-	230,392	329,462
Refund of prior year receipts	(77,966)	-	-	(77,966)	(25,606)
Proceeds from extended term financing	683,033	-	-	683,033	755,219
Bond proceeds	-	-	9,995,000	9,995,000	10,490,000
Bond interest	-	-	-	-	(126,463)
Bond issuance costs	-	-	(65,958)	(65,958)	(331,322)
SWAP termination costs	-	-	-	-	(4,693,000)
Bond premiums	-	-	151,291	151,291	3,812,916
Bond discounts	-	-	(64,968)	(64,968)	(649,621)
Issuance of debt - refunding	-	-	-	-	70,245,000
Payment of debt - refunding	-	-	-	-	(88,320,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(530,639)</b>	<b>1,350,000</b>	<b>10,015,365</b>	<b>10,834,726</b>	<b>11,471,605</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>769,805</b>	<b>(2,873,825)</b>	<b>8,100,147</b>	<b>5,996,127</b>	<b>(112,720)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>7,862,068</b>	<b>8,542,355</b>	<b>978,104</b>	<b>17,382,527</b>	<b>17,495,247</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 8,631,873</b>	<b>\$ 5,668,530</b>	<b>\$ 9,078,251</b>	<b>\$ 23,378,654</b>	<b>\$ 17,382,527</b>

\* - Restated (see Note 15)

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,996,127

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

Capital outlays are reported in governmental funds as expenditures recorded as either District-wide (capital outlay) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$7,272,053) exceeded depreciation (\$3,679,641) in the period.	3,592,412
Loss on sale of capital assets	(156,941)
Because some property taxes 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. Unavailable tax revenues increased by this amount this year.	111,423
Issuance of debt is an other financing source in the governmental funds but increases liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which debt proceeds exceeded debt repayments during the year.	(6,992,658)
Governmental funds report bond discounts and deferred amounts on refunding as expenditures and bond premiums as revenue. However, these amounts are reported on the statement of net position as netting items against bonds payable and amortized over the life of the debt. This is the amount by which current bond premium and bond discounts exceeded net	171,131
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave), special termination benefits (early retirement), and post-employment benefits – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which compensated absences, special termination benefits, and post-employment benefits earned exceeded amounts paid.	(155,016)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(73,248)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,493,230</u>

The accompanying notes are an integral part of these financial statements.



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 52,921,783	\$ 52,921,783	\$ 52,848,372	\$ (73,411)
State sources	11,261,048	11,261,048	11,067,736	(193,312)
Federal sources	977,220	977,220	760,585	(216,635)
<b>TOTAL REVENUES</b>	<u>65,160,051</u>	<u>65,160,051</u>	<u>64,676,693</u>	<u>(483,358)</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	27,002,164	27,199,420	27,619,221	(419,801)
Special programs	10,809,698	10,734,198	10,014,105	720,093
Vocational programs	361,117	361,117	375,615	(14,498)
Other instructional programs	310,424	296,080	231,391	64,689
Non-public programs	-	-	4,016	(4,016)
Higher education programs	169,733	169,733	167,850	1,883
Total Instruction	<u>38,653,136</u>	<u>38,760,548</u>	<u>38,412,198</u>	<u>348,350</u>
Support services:				
Pupil personnel services	2,244,401	2,243,096	2,253,982	(10,886)
Instructional staff services	2,177,774	2,210,846	2,059,573	151,273
Administrative services	2,893,632	2,987,705	3,049,330	(61,625)
Pupil health	722,736	722,736	681,613	41,123
Business services	890,925	890,925	827,373	63,552
Operation and maintenance of plant services	4,483,396	4,491,096	4,378,274	112,822
Student transportation services	3,305,467	3,268,367	3,089,440	178,927
Central and other support services	1,354,276	1,282,789	1,263,953	18,836
Other support services	49,926	49,926	48,509	1,417
Total Support Services	<u>18,122,533</u>	<u>18,147,486</u>	<u>17,652,047</u>	<u>495,439</u>
Operation of noninstructional activities:				
Student activities	1,297,792	1,297,792	1,232,756	65,036
Community services	350	350	-	350
Total Operation of Noninstructional Activities	<u>1,298,142</u>	<u>1,298,142</u>	<u>1,232,756</u>	<u>65,386</u>
Capital outlay	<u>125,000</u>	<u>152,305</u>	<u>194,507</u>	<u>(42,202)</u>
Debt service	<u>8,033,572</u>	<u>7,873,902</u>	<u>5,884,741</u>	<u>1,989,161</u>
<b>TOTAL EXPENDITURES</b>	<u>66,232,383</u>	<u>66,232,383</u>	<u>63,376,249</u>	<u>2,856,134</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,072,332)</u>	<u>(1,072,332)</u>	<u>1,300,444</u>	<u>2,372,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,000)	(15,000)	(1,366,098)	(1,351,098)
Proceeds from extended term financing	-	-	683,033	683,033
Refund of prior year expenditures	100,000	100,000	230,392	130,392
Refund of prior year receipts	-	-	(77,966)	(77,966)
Budgetary reserve	(800,000)	(800,000)	-	800,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(715,000)</u>	<u>(715,000)</u>	<u>(530,639)</u>	<u>184,361</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,787,332)</u>	<u>(1,787,332)</u>	<u>769,805</u>	<u>2,557,137</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>7,862,068</u>	<u>7,862,068</u>	<u>7,862,068</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,074,736</u>	<u>\$ 6,074,736</u>	<u>\$ 8,631,873</u>	<u>\$ 2,557,137</u>

The accompanying notes are an integral part of these financial statements.



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2013**  
**(With Comparative Data for June 30, 2012)**

	Major Fund	
	Food Service Fund	
	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 85,814	\$ 151,584
Other receivables	4,123	-
Due from other governments	96,825	49,460
Total Current Assets	<u>186,762</u>	<u>201,044</u>
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	495,392	495,392
Accumulated depreciation	(409,937)	(387,136)
Capital Assets, Net	<u>85,455</u>	<u>108,256</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 272,217</u></u>	<u><u>\$ 309,300</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 101,709	\$ 100,262
Unearned revenue	35,880	37,851
Due to other funds	-	35,779
Total Current Liabilities	<u>137,589</u>	<u>173,892</u>
<b>NET POSITION:</b>		
Net investment in capital assets	85,455	108,256
Unrestricted	49,173	27,152
Total Net Position	<u>134,628</u>	<u>135,408</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 272,217</u></u>	<u><u>\$ 309,300</u></u>

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Comparative Data for the Year Ended June 30, 2012)**

	Major Fund	
	Food Service Fund	
	2013	2012
OPERATING REVENUES		
Food service revenues	\$ 841,531	\$ 894,515
Total Operating Revenues	<u>841,531</u>	<u>894,515</u>
OPERATING EXPENSES		
Contract services	523,213	562,262
Supplies	613,576	614,803
Depreciation	22,801	23,505
Other operating expenses	46,761	46,861
Total Operating Expenses	<u>1,206,351</u>	<u>1,247,431</u>
OPERATING LOSS	<u>(364,820)</u>	<u>(352,916)</u>
NONOPERATING REVENUES		
State sources	11,978	42,960
Federal sources	335,964	309,165
Total Nonoperating Revenues	<u>347,942</u>	<u>352,125</u>
LOSS BEFORE TRANSFERS	(16,878)	(791)
Transfers in	<u>16,098</u>	<u>14,980</u>
CHANGE IN NET POSITION	(780)	14,189
NET POSITION, BEGINNING OF YEAR	<u>135,408</u>	<u>121,219</u>
NET POSITION, END OF YEAR	<u>\$ 134,628</u>	<u>\$ 135,408</u>

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Comparative Data for the Year Ended June 30, 2012)**

	Major Fund	
	Food Service Fund	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 839,559	\$ 900,241
Payments for contract services	(523,213)	(562,262)
Payments to suppliers	(602,939)	(507,954)
Payments for other operating expenses	(46,761)	(46,861)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(333,354)</b>	<b>(216,836)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	20,404	30,928
Federal sources	231,082	255,056
Transfer from general fund	16,098	14,980
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>267,584</b>	<b>300,964</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(65,770)</b>	<b>84,128</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>151,584</b>	<b>67,456</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 85,814</b>	<b>\$ 151,584</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (364,820)	\$ (352,916)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	22,801	23,505
Donated commodities	49,091	51,865
Increase in:		
Other receivables	(4,123)	-
Increase (Decrease) in:		
Accounts payable	1,447	19,205
Unearned revenue	(1,971)	5,726
Due to other funds	(35,779)	35,779
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (333,354)</b>	<b>\$ (216,836)</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	\$ 49,091	\$ 51,865

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2013**

	Private - Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 94,042	\$ 138,770
Accounts receivable	1,194	-
<b>TOTAL ASSETS</b>	<u><u>\$ 95,236</u></u>	<u><u>\$ 138,770</u></u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 138,770
Total Liabilities	-	138,770
 <b>NET POSITION:</b>		
Reserved for trust	<u>95,236</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 95,236</u></u>	<u><u>\$ 138,770</u></u>

The accompanying notes are an integral part of these financial statements.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(With Comparative Data for the Year Ended June 30, 2012)**

	Private-Purpose Trust	
	<u>2013</u>	<u>2012</u>
ADDITIONS		
Local contributions	<u>\$ 12,016</u>	<u>\$ 19,487</u>
TOTAL ADDITIONS	<u>12,016</u>	<u>19,487</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>8,628</u>	<u>6,514</u>
TOTAL DEDUCTIONS	<u>8,628</u>	<u>6,514</u>
CHANGE IN NET POSITION	3,388	12,973
NET POSITION, BEGINNING OF YEAR	<u>91,848</u>	<u>78,875</u>
NET POSITION, END OF YEAR	<u><u>\$ 95,236</u></u>	<u><u>\$ 91,848</u></u>

The accompanying notes are an integral part of these financial statements.

## WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wallingford-Swarthmore School District (the "District") operates three elementary schools, one middle school and one senior high school to provide education and related services to the residents of Swarthmore, Rutledge and Rose Valley Boroughs and Nether Providence Township. 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 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.

#### Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 and GASB Statement No. 61, 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 financial 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

##### ***Entity-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. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. 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. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-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 program. Expenses are those that are specifically associated with a service or



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 program 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.

The entity-wide financial statements report net position 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 borrowings attributable to acquiring, constructing or improving those assets, net of cash from the borrowing which has not yet been spent. Net position is reported as restricted when constraints placed on net position use are 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. Those restrictions affect net position arising from the capital projects fund and the capital reserve fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

#### ***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 enterprise 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 Reserve Fund** and the **Capital Projects Fund** are used to account for the acquisition, construction and renovation of major capital facilities and their related capital assets.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific 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 revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are 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, principal and interest on general long-term debt, which has not matured, are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

*Proprietary Funds*

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. 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 does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the enterprise fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

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 fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*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 and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the private-purpose trust 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.

Implementation of GASB Statements

During the current year, the District implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the balance sheet (deferred outflows and deferred inflows) and revises other proprietary fund and entity-wide terminology as a result of this change. The District's proprietary fund and entity-wide balance sheets have been revised to reflect the new terminology.

During the current year, the School elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/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 entity-wide financial statements as "internal balances."

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Real estate taxes for the District are collected from the Nether Providence Township and Rose Valley Borough. The tax on real estate for public school purposes for fiscal 2012-2013 was 38.92 mills (\$38.92 per \$1,000 of assessed valuation) as levied by the Board. Real estate taxes also are collected from Rutledge and Swarthmore Boroughs, and their tax on real estate for public school purposes for fiscal 2012-2013 was 39.33 mills (\$39.33 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Delaware County Board of Assessments, and the District is responsible for collection.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, composite assets of more than \$10,000 and critical control assets as defined by District policy. 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 the lives of the assets are not capitalized.

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

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

School buildings	40 years
Equipment	5-20 years
Vehicles	7-15 years
Library books	7 years



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

#### Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized 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. 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 uses.

#### Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has one type of item that qualifies for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting, are reflected as deferred inflows of resources - unavailable revenues on the general fund balance sheet.

#### Fund Balances

As of June 30, 2013, fund balances of the governmental funds are classified, if applicable, as follows:

*Nonspendable* – amounts that would be associated with inventory, prepaids, long-term receivables, property held for sale and the corpus of a permanent fund. In essence, nonspendable is the fund balance term to indicate that the respective resources are not available to be spent in any way due to their very nature and/or their lack of availability.

*Restricted* – carries the same definition as set forth relative to net position. This would include any fund balance that is restricted in its use by: a) external parties; b) constitutional provisions; or, c) enabling legislation (i.e., Capital Reserve Funds).

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Committed* – amounts for which the governing board imposes constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the governing board.

*Assigned* – amounts intended to be used for specific purposes with the intent being expressed by the governing board or the Business Manager as authorized by the governing board. With the exception of the General Fund, amounts in all other governmental funds that are not nonspendable, restricted or committed will be assigned.

*Unassigned* – all other spendable amounts.

	General Fund	Capital Reserve Funds	Capital Projects Funds	Total Governmental Funds
Nonspendable	\$ 116,762	\$ -	\$ -	\$ 116,762
Restricted:				
Bond funds	-		9,078,251	9,078,251
Capital reserve	-	5,668,530	-	5,668,530
Committed:				
PSERS	710,000	-	-	710,000
Bus fleet	350,000	-	-	350,000
Unassigned	7,455,111	-	-	7,455,111
Total Fund Balances	<u>\$ 8,631,873</u>	<u>\$ 5,668,530</u>	<u>\$ 9,078,251</u>	<u>\$ 23,378,654</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

### 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, 2012, from which the comparative data was derived.

### Use of Estimates in the Preparation of Financial Statements

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.



WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the 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 all capital projects funds.

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 Board.

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

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2013:

Regular programs	\$ 419,801
Vocational programs	\$ 14,498
Non-public programs	\$ 4,016
Pupil personnel services	\$ 10,886
Administrative services	\$ 61,625
Capital outlay	\$ 42,202

The excess of expenditures over appropriations was financed by current year revenue sources.

NOTE 3 DEPOSITS

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, the State Treasurer's investment pool or mutual funds.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

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. The District does not have a policy for custodial credit risk but adheres to Commonwealth of Pennsylvania law (Act 72) for the collateralization requirements governing public funds. At June 30, 2013, the carrying amount of the District's deposits was \$26,401,016 and the bank balance was \$26,770,347. Of the bank balance, \$11,886 was covered by federal depository insurance. The remaining cash deposits in the amount of \$26,758,461 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 asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2013, PSDLAF and PLGIT were rated as AAAM by a nationally recognized statistical rating agency.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received, but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represent resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Reclass/ Decreases	Ending Balance
Government-type activities:				
Capital assets not being depreciated:				
Land	\$ 128,010	\$ -	\$ -	\$ 128,010
Construction-in-progress	13,065,551	6,258,188	16,772,239	2,551,500
Total Capital Assets Not Being Depreciated	13,193,561	6,258,188	16,772,239	2,679,510
Capital assets being depreciated:				
Buildings and improvements	102,337,603	16,605,958	1,120,393	117,823,168
Furniture and equipment	10,433,204	1,180,146	789,343	10,824,007
Total Capital Assets Being Depreciated	112,770,807	17,786,104	1,909,736	128,647,175
Less accumulated depreciation for:				
Buildings and improvements	21,880,691	2,808,874	1,025,780	23,663,785
Furniture and equipment	7,489,721	870,767	727,015	7,633,473
Total accumulated depreciation	29,370,412	3,679,641	1,752,795	31,297,258
Total Capital Assets Being Depreciated, Net	83,400,395	14,106,463	156,941	97,349,917
Governmental Activities, Net	\$ 96,593,956	\$ 20,364,651	\$ 16,929,180	\$100,029,427

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(continued)	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 495,392	\$ -	\$ -	\$ 495,392
Total Capital Assets Being Depreciated	495,392	-	-	495,392
Less accumulated depreciation for:				
Furniture and equipment	387,136	22,801	-	409,937
Total accumulated depreciation	387,136	22,801	-	409,937
Business-type Activities, Net	\$ 108,256	\$ (22,801)	\$ -	\$ 85,455

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

Governmental activities:

Instruction	\$ 2,466,850
Instructional student support	320,792
Administrative and financial support services	333,251
Operation and maintenance of plant services	281,175
Pupil transportation	198,405
Student activities	79,168
Total Depreciation Expense - Governmental Activities	<u>\$ 3,679,641</u>
Business-type Activities - Food Service	<u>\$ 22,801</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Reserve	\$ 1,350,000	General Fund	\$ 1,350,000
	<u>\$ 1,350,000</u>		<u>\$ 1,350,000</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

Interfund transfers for the year ended June 30, 2013 are as follows:

Transfer In	Transfer Out	
Food Service Fund	General Fund	\$ 16,098
Capital Reserve Fund	General Fund	\$ 1,350,000

Transfers represent funds transferred from the general fund to subsidize food service operations and funds set aside for capital needs.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

**NOTE 7      GENERAL LONG-TERM DEBT**

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Bonds payable, net	\$ 83,340,519	\$ 10,081,323	\$ 3,362,454	\$ 90,059,388
Note payable	2,022,000	-	219,000	1,803,000
Capital leases payable	563,288	683,033	361,375	884,946
Accumulated compensated absences/early retirement incentive	977,746	-	39,385	938,361
Other post-employment benefits	862,905	182,588	-	1,045,493
<b>TOTALS</b>	<u>\$ 87,766,458</u>	<u>\$ 10,946,944</u>	<u>\$ 3,982,214</u>	<u>\$ 94,731,188</u>

Bonds payable, net is comprised of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Bonds payable, at face	\$ 87,230,000	\$ 80,340,000
Unamortized discount	(636,155)	(639,081)
Unamortized premium	3,465,543	3,639,600
<b>Bonds payable, net</b>	<u>\$ 90,059,388</u>	<u>\$ 83,340,519</u>

Payments of long-term debt are expected to be funded by the general fund.

***General Obligation Bonds***

Series of 2006, maturing through May 1, 2027, bearing interest at 4.375%, interest payable semi-annually on May 2 and November 2.

\$ 275,000

Series of 2011A, maturing through May 1, 2028, bearing interest ranging from 1.00% to 5.25%, interest payable semi-annually on May 1 and November 1. The Series of 2011A was used to (1) advance refund the Series of 2008, to (2) pay the swap termination fees of \$4,693,000, and (3) pay the costs of issuing the bonds.

26,535,000

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Series of 2011B, maturing through May 1, 2031, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 1 and November 1. The Series of 2011B was used to (1) finance renovations and additions to Wallingford Elementary School and to (2) pay the costs of issuing the bonds.

9,795,000

Series of 2011C, maturing through May 1, 2026, bearing interest of 2.50%, interest payable semi-annually on May 1 and November 1. The Series of 2011C was used to (1) advance refund the Series of 2008 and to (2) pay the costs of issuing the bonds.

14,280,000

Series of 2012A, maturing through May 15, 2027, bearing interest ranging from 2.30% to 2.65%, interest payable semi-annually on May 15 and November 15. The Series of 2012A was used to (1) advance refund the Series of 2006 and to (2) pay the costs of issuing the bonds.

10,000,000

Series of 2012B, maturing through May 15, 2016, bearing interest ranging from 1.00% to 3.00%, interest payable semi-annually on May 15 and November 15. The Series of 2012B was used to (1) advance refund the Series of 2007 and to (2) pay the costs of issuing the bonds.

7,395,000

Series of 2012C, maturing through May 15, 2022, bearing interest ranging from 0.5% to 3.00%, interest payable semi-annually on May 15 and November 15. The Series of 2012C was used to (1) advance refund the Series of 2005 and to (2) pay the costs of issuing the bonds.

8,955,000

Series of 2013, maturing through May 15, 2034, bearing interest ranging from 0.5% to 4.0%, interest payable semi-annually on May 15 and November 15. The Series of 2013 was used to (1) finance renovations and additions to Nether Providence Elementary School and to (2) pay the costs of issuing the bonds.

9,995,000

Total Bonds

87,230,000

***General Obligation Note***

Series of 2004, maturing through October 19, 2025, with interest at variable rates, interest payable on the 25th of each month. Interest rates change on a weekly basis and are determined by the Bond Market Association Index.

1,803,000

TOTAL

\$ 89,033,000



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2014	\$ 2,603,000	\$ 3,277,493	\$ 5,880,493
2015	3,107,000	3,164,650	6,271,650
2016	4,552,000	3,017,461	7,569,461
2017	7,432,000	2,863,517	10,295,517
2018	5,042,000	2,724,490	7,766,490
2019-2023	27,912,000	10,608,751	38,520,751
2024-2028	32,715,000	4,902,494	37,617,494
2029-2033	5,015,000	697,034	5,712,034
2034	655,000	26,200	681,200
	<u>\$ 89,033,000</u>	<u>\$ 31,282,090</u>	<u>\$ 120,315,090</u>

### NOTE 8 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, P.O. Box 125, Harrisburg, PA 17108-0125.

#### 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 6.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2011, 2012 and 2013 were \$1,746,079, \$2,720,839 and \$3,912,913, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.



# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9 JOINT VENTURES

The District participates in a joint venture with the other school districts of Delaware County, Pennsylvania in the operation of a Vocational-Technical School Authority ("DCVTSA"). The DCVTSA is governed by seven members. Each member must be a citizen of a school district where the DCVTSA leases a project. The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the public area vocational-technical school buildings. The financial statements of the Vocational-Technical School Authority are available from the DCVTSA located at 200 Yale Avenue, Morton, Pennsylvania 19070.

The District also participates in a joint venture with other school districts of Delaware County, Pennsylvania to support the Delaware County Community College. The financial statements of the Community College Authority are available from the Delaware County Community College Authority ("DCCCA") located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District has entered into lease agreements with the DCCCA and the DCVTSA to provide rental payments to retire the Authority's outstanding debt obligations. The lease agreements generally provide that in the event the individual Authorities either retire all of their outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulate sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. Inasmuch as the annual rentals include reserve funds which either are invested by Authorities or used for advance retirement of obligations, it is anticipated that less than scheduled rentals will eventually be paid.

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>
2014	\$ 28,135
2015	28,135
2016	22,509
2017	22,509
2018	22,509
2019-2033	<u>310,238</u>
Total	434,035
Less: Interest requirements	<u>(130,268)</u>
Outstanding rental payments	<u>\$ 303,767</u>

The District has no future rental payments due to DCVTSA as of June 30, 2013.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 LEASES

Operating Leases

The District is committed under various noncancelable operating leases, primarily for equipment, modular classrooms and transportation. Future minimum operating lease commitments are as follows:

Year Ending June 30,

2014	\$ 454,985
2015	432,023
2016	432,023
2017	<u>123,456</u>
Total	<u>\$ 1,442,487</u>

Rental expenditures were \$823,198 for the year ended June 30, 2013.

Capital Leases

The District is also committed under various noncancelable leases for computers which qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of asset value or present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Asset

Computers	\$ 1,438,252
Less: Accumulated depreciation	<u>(553,306)</u>
Total	<u>\$ 884,946</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	
2014	\$ 363,015
2015	352,502
2016	<u>169,643</u>
	885,160
Less: Amount representing interest	<u>(214)</u>
Total	<u>\$ 884,946</u>

Capital lease payments for the year ended June 30, 2013 totaled \$363,016.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11 POST-EMPLOYMENT HEALTHCARE PLAN

#### Plan Description

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. 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 contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2013, the District contributed \$38,369 to the plan. Retirees paid group premiums of \$348,972 in fiscal 2013.

#### 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 in accordance with the parameters of GASB Statement No. 45. 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. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 306,591
Interest on net OPEB obligation	38,831
Adjustment to annual required contribution	<u>(52,975)</u>
Annual OPEB cost (expense)	292,447
Contributions made	<u>(109,859)</u>
Increase in net OPEB obligation	182,588
Net OPEB obligation - beginning of year	<u>862,905</u>
Net OPEB obligation - end of year	<u>\$ 1,045,493</u>

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

#### Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2/1/2012	\$ -	\$2,428,589	\$2,428,589	0.00%	\$30,840,192	7.87%
2/1/2010	\$ -	\$2,520,547	\$2,520,547	0.00%	\$28,898,612	8.72%
2/1/2009	\$ -	\$2,701,580	\$2,701,580	0.00%	\$26,566,272	10.17%

Actuarial valuations of an ongoing plan 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members 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 the calculations.

In the February 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of eight percent in 2012, reduced by decrements to an ultimate rate of five percent in 2015 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2013 was 25 years.

### NOTE 12 CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

# WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12 CONTINGENCIES AND COMMITMENTS (cont'd)

#### Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims would not have a materially adverse effect on the District's finances.

### NOTE 13 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 except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2012-2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### NOTE 14 COMMITMENTS

Construction commitments for the School's projects are as follows:

Item / Description	Contractor Name	Contract Amount	Completed to June 30, 2013	Commitments
<b>Nether Providence Elementary School - additions and renovations</b>				
Construction management	Reynolds Construction	\$ 554,250	\$ 169,615	\$ 384,635
Architecture	Godshall Kane Architects	657,220	538,784	118,436
Construction	E.R. Steubner	6,627,000	294,120	6,332,880
Construction	Out of Site Infrastructure	1,435,400	651,371	784,029
Fire protection	Apex Plumbing	239,000	13,320	225,680
Plumbing	Apex Plumbing	820,000	48,420	771,580
Mechanical	Goshen Mechanical	2,517,000	85,853	2,431,147
Electrical	Yates Electrical Service, Inc.	1,880,490	100,800	1,779,690
<b>TOTAL</b>		<b>\$14,730,360</b>	<b>\$ 1,902,283</b>	<b>\$12,828,077</b>

In addition, the District has incurred costs totaling \$649,217 for project costs that were not under a formal contract as of June 30, 2013.

### NOTE 15 RESTATEMENT OF NET POSITION

The District has decreased its July 1, 2011 governmental activities net position by \$516,610 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. In addition, amortization of bond issuance costs in the amount of \$199,868 has also been removed from the

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 RESTATEMENT OF NET POSITION (cont'd)

governmental activities amounts reported for the year ended June 30, 2012. The total effect as a result of implementing GASB Statement No. 65 was a decrease to the governmental activities net position in the amount of \$316,742 for the year ended June 30, 2012.

Finally, the District has revised its governmental activities statement of net position as of June 30, 2012 and statement of activities for the year ended June 30, 2012 due to a correction of error due to the method of recording certain technology leases. Governmental activities assets were increased by \$563,952, governmental activities liabilities were increased by \$563,288 and governmental activities net position was increased by \$664 as a result of this restatement.

As a result of these adjustments, the District's governmental activities net position decreased by \$316,742 as of July 1, 2011 and its governmental activities net position decreased by \$316,078 as of June 30, 2012.

NOTE 16 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 25, 2013, the date the financial statements were available to be issued.



**SINGLE AUDIT SUPPLEMENT**

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

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November 25, 2013

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, 2013, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wallingford-Swarthmore School District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Board of School Directors  
Wallingford-Swarthmore School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wallingford-Swarthmore School District's financial statements are free of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

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

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November 25, 2013

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 Wallingford-Swarthmore School District's major federal program for the year ended June 30, 2013. Wallingford-Swarthmore School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

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 Wallingford-Swarthmore School District's major federal program 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. Our audit does not provide a legal determination on Wallingford-Swarthmore School District's compliance with those requirements.

Opinion on Major Federal Program

In our opinion, Wallingford-Swarthmore School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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, 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 a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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 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. 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-13. Accordingly, this report is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Internal control over financial reporting:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?                     | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified?               | <u>      </u> Yes | <u>  X  </u> None reported |
| • Noncompliance material to financial statements noted? | <u>      </u> Yes | <u>  X  </u> No            |

*Federal Awards*

Internal control over major programs:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | <u>      </u> Yes | <u>  X  </u> None reported |

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

       Yes   X   No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.027, 84.173

IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes        No



WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2013
<b>U.S. Department of Education</b>										
Passed through PA Department of Education										
Title I - Improving Basic Programs	I	84.010	013-12-0458	07/01/11-09/30/12	\$120,083	\$ 62,746	\$ 29,014	\$ 33,732	\$ 33,732	\$ -
Title I - Improving Basic Programs	I	84.010	013-13-0458A	07/01/12-09/30/13	114,483	99,831	-	83,828	83,828	(16,003)
Total CFDA #84.010						162,577	29,014	117,560	117,560	(16,003)
Title II - Improving Teacher Quality	I	84.367	020-12-0458	07/01/11-09/30/12	67,037	31,107	25,525	5,582	5,582	-
Title II - Improving Teacher Quality	I	84.367	020-13-0458A	07/01/12-09/30/13	66,794	43,107	-	32,305	32,305	(10,802)
Total CFDA #84.367						74,214	25,525	37,887	37,887	(10,802)
ARRA - Education Jobs Fund	I	84.410	140-120458	08/10/12-09/30/13	3,331	3,331	3,174	157	157	-
<b>Subgrant from U.S. Department of Education</b>										
Passed through Delaware County I.U.										
I.D.E.A. Section 619 - Early Intervention	I	84.173	062-08-0025	07/01/12-06/30/13	7,738	-	-	7,738	7,738	7,738
I.D.E.A.	I	84.027	062-08-0025	07/01/10-06/30/11	9,669	9,669	9,669	-	-	-
I.D.E.A.	I	84.027	062-08-0025	07/01/11-06/30/12	585,335	19,753	19,753	-	-	-
I.D.E.A.	I	84.027	062-08-0025	07/01/12-06/30/13	597,091	589,812	-	597,091	597,091	7,279
Total CFDA #84.027						619,234	29,422	597,091	597,091	7,279
Total I.D.E.A. Cluster						619,234	29,422	604,829	604,829	15,017
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						859,356	87,135	760,433	760,433	(11,788)
<b>U.S. Department of Agriculture</b>										
Passed through PA Department of Agriculture										
Value of USDA Commodities	I	10.555	N/A	07/01/12-07/01/13	N/A	49,091	-	49,091	49,091	-
<b>U.S. Department of Agriculture</b>										
Passed through PA Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	21,025	21,025	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/12-06/30/13	N/A	133,361	-	195,641	195,641	62,280
Total CFDA #10.555						203,477	21,025	244,732	244,732	62,280
Breakfast Program	I	10.553	N/A	07/01/11-06/30/12	N/A	3,601	3,601	-	-	-
Breakfast Program	I	10.553	N/A	07/01/12-06/30/13	N/A	20,966	-	30,165	30,165	9,199
Total CFDA #10.553						24,567	3,601	30,165	30,165	9,199
Milk Program	I	10.556	N/A	07/01/11-06/30/12	N/A	929	929	-	-	-
Milk Program	I	10.556	N/A	07/01/12-06/30/13	N/A	3,745	-	5,259	5,259	1,514
Total CFDA #10.556						4,674	929	5,259	5,259	1,514
Total Child Nutrition Cluster						232,718	25,555	280,156	280,156	72,993
Child and Adult Care Food Program	I	10.558	N/A	07/01/11-06/30/12	N/A	8,326	8,326	-	-	-
Child and Adult Care Food Program	I	10.558	N/A	07/01/12-06/30/13	N/A	39,129	-	55,808	55,808	16,679
Total CFDA #10.558						47,455	8,326	55,808	55,808	16,679
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						280,173	33,881	335,964	335,964	89,672
<b>TOTAL FEDERAL AWARDS</b>						\$1,139,529	\$121,016	\$1,096,397	\$1,096,397	\$77,884
I - Indirect Funding										

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A      SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B      BASIS OF ACCOUNTING

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

NOTE C      NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures are reported in the schedule of expenditures of federal awards under CFDA #10.555. The Value of USDA Commodities represents surplus food consumed by the District during the 2012-2013 fiscal year.

NOTE D      ACCESS PROGRAM

The ACCESS Program 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, 2013 was \$152.