



AUDIT REPORT

Wallingford-Swarthmore School District
Wallingford, Pennsylvania

June 30, 2011

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

October 31, 2011

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wallingford-Swarthmore School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2010 financial statements and, in our report dated November 15, 2010, we expressed an unqualified opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in its financial position and its cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of Wallingford-Swarthmore School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of School Directors
Wallingford-Swarthmore School District

The management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2011**

INTRODUCTION

The discussion and analysis of the financial performance of Wallingford-Swarthmore School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers also should review the transmittal letter, financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board in its 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 Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$2.47 million. This was due in large part to the increase in the amount invested in capital assets net of related debt of \$1.14 million attributed to the construction and renovation of the Wallingford Elementary School.

DATA ANALYSIS: THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements, which consist of a series of financial statements and notes to those statements. These statements are organized so that the reader, by considering the entity-wide financial statements, can understand the 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 entity-wide financial statements - the Statement of Net Assets 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 the District's Food Service operation. Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District these statements cover and the types of information they 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-2
Major Features of Wallingford-Swarthmore School District's
Entity-wide and Fund Financial Statements**

	Entity-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 assets; Statement of activities	Balance sheet; Statement of revenues, expenditures and changes in fund balance	Statement of net assets; Statement of revenues, expenses and changes in net assets; Statement of cash flows	Statement of fiduciary net assets; Statement of changes in fiduciary net assets
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, 2011**

ENTITY-WIDE REPORTING PROCESS

The Management's Discussion and Analysis 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 Assets - identifies what kinds of assets the District owns, what debts it owes and the composition of the net assets 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 Assets 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 the modified accrual accounting method, 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 Assets 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, 2011**

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 reported 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 assets that belong to others, such as scholarship funds or student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded 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 Assets 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$30,712,151 as of June 30, 2011. Assets exceeded liabilities by \$28,238,806 as of June 30, 2010.

A comparative analysis of fiscal years 2011 to 2010 follows:

**Table 1
Net Assets
June 30, 2011 And 2010**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
ASSETS:						
Current and other assets	\$ 25,471,184	\$ 27,514,033	\$ 102,640	\$ 140,433	\$ 25,573,824	\$ 27,654,466
Capital assets	86,862,356	87,508,745	131,761	159,309	86,994,117	87,668,054
TOTAL ASSETS	<u>\$ 112,333,540</u>	<u>\$ 115,022,778</u>	<u>\$ 234,401</u>	<u>\$ 299,742</u>	<u>\$ 112,567,941</u>	<u>\$ 115,322,520</u>
LIABILITIES:						
Current liabilities	\$ 5,730,313	\$ 7,397,613	\$ 113,182	\$ 121,253	\$ 5,843,495	\$ 7,518,866
Long-term liabilities	76,012,295	79,564,848	-	-	76,012,295	79,564,848
TOTAL LIABILITIES	<u>81,742,608</u>	<u>86,962,461</u>	<u>113,182</u>	<u>121,253</u>	<u>81,855,790</u>	<u>87,083,714</u>
NET ASSETS:						
Invested in capital assets, net of debt	14,182,996	13,014,790	131,761	159,309	14,314,757	13,174,099
Capital projects	8,841,334	7,066,296	-	-	8,841,334	7,066,296
Unrestricted	7,566,602	7,979,231	(10,542)	19,180	7,556,060	7,998,411
TOTAL NET ASSETS	<u>30,590,932</u>	<u>28,060,317</u>	<u>121,219</u>	<u>178,489</u>	<u>30,712,151</u>	<u>28,238,806</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 112,333,540</u>	<u>\$ 115,022,778</u>	<u>\$ 234,401</u>	<u>\$ 299,742</u>	<u>\$ 112,567,941</u>	<u>\$ 115,322,520</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

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 investment in capital assets net of related debt increased by \$1,140,658 as a result of the construction-in-progress on the Strath Haven Middle School. Restricted net assets increased by \$1,775,038 due largely to transfers from the General Fund to the legally restricted capital reserve fund.

Unrestricted accumulated net assets represent 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 assets) 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 assets in order to realize these savings. Finally, financial analysts view maintenance of adequate unrestricted accumulated net assets 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 assets for the years ended June 30, 2011 and 2010. 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, 2011 and 2010
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
REVENUES						
<i>Program Revenues:</i>						
Charges for services	\$ 290,482	\$ 306,357	\$ 887,377	\$ 853,644	\$ 1,177,859	\$ 1,160,001
Operating grants	6,955,752	7,565,799	272,206	264,793	7,227,958	7,830,592
Total Program Revenues	<u>7,325,156</u>	<u>7,872,156</u>	<u>1,159,583</u>	<u>1,118,437</u>	<u>8,484,739</u>	<u>8,990,593</u>
<i>General Revenues:</i>						
Property and other taxes	50,398,513	49,045,254	-	-	50,398,513	49,045,254
Grants and entitlements	4,459,075	4,576,435	-	-	4,459,075	4,576,435
Other	811,491	1,084,380	-	-	811,491	1,084,380
Total General Revenues	<u>55,669,079</u>	<u>54,706,069</u>	<u>-</u>	<u>-</u>	<u>55,669,079</u>	<u>54,706,069</u>
TOTAL REVENUES	<u>62,994,235</u>	<u>62,578,225</u>	<u>1,159,583</u>	<u>1,118,437</u>	<u>64,153,818</u>	<u>63,696,662</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

**Table 2
Fiscal Years Ended June 30, 2011 and 2010
Changes in Net Assets**

(continued)	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
EXPENSES						
<i>Program Expenses:</i>						
Instruction	37,654,343	36,739,401	-	-	37,654,343	36,739,401
Instructional student support	4,957,399	4,745,713	-	-	4,957,399	4,745,713
Administrative and financial support services	5,266,474	4,903,050	-	-	5,266,474	4,903,050
Operation and maintenance of plant services	4,997,353	5,068,321	-	-	4,997,353	5,068,321
Pupil transportation	3,406,821	3,019,816	-	-	3,406,821	3,019,816
Student activities	1,208,375	1,185,693	-	-	1,208,375	1,185,693
Community services	306	-	-	-	306	-
Interest on long-term debt	2,880,058	3,046,461	-	-	2,880,058	3,046,461
Food service	-	-	1,230,422	1,158,333	1,230,422	1,158,333
TOTAL EXPENSES	<u>60,371,129</u>	<u>58,708,455</u>	<u>1,230,422</u>	<u>1,158,333</u>	<u>61,601,551</u>	<u>59,866,788</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	2,544,184	3,869,770	(70,839)	(39,896)	2,473,345	3,829,874
Transfers	(13,569)	(21,655)	13,569	21,655	-	-
CHANGE IN NET ASSETS	<u>\$ 2,530,615</u>	<u>\$ 3,848,115</u>	<u>\$ (57,270)</u>	<u>\$ (18,241)</u>	<u>\$ 2,473,345</u>	<u>\$ 3,829,874</u>

Operating grants decreased due to the Federal ARRA IDEA allocation of \$721,690 in 2009-2010 which had not been extended to 2010-2011. The rental reimbursement subsidy was lower because there had been a one-time payment of \$306,104 in 2009-2010 for PlanCon J from the SHHS project. A 2.9 percent increase in the real estate tax millage, as well as increased delinquent tax collections, contributed to the increase in property and other taxes.

Total expenses for all categories increased by \$1.7 million in 2010-2011. Salaries and benefits were a significant cause of the increase, with an increase of \$1.1 million, or 4.85 percent higher than 2009-2010. Interest on long-term debt decreased by \$.16 million due to the favorable interest rates for the variable rate debt on the Series of 2008 and 2004 bonds.

The tables on the following page present the expenses of both the governmental activities and the business-type activities of the District.

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.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

**Table 3
Fiscal Years Ended June 30, 2011 and 2010
Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$ 37,654,343	\$ 32,659,659	\$ 36,739,401	\$ 31,391,322
Instructional student support	4,957,399	4,595,161	4,745,713	4,395,843
Administrative and financial support services	5,266,474	5,083,798	4,903,050	4,737,977
Operation and maintenance of plant services	4,997,353	4,823,840	5,068,321	4,901,236
Pupil transportation	3,406,821	2,596,295	3,019,816	2,258,555
Student activities	1,208,375	1,106,472	1,185,693	1,097,696
Community services	306	(162,557)	-	(162,150)
Interest on long-term debt	2,880,058	2,422,227	3,046,461	2,215,820
Total Expenses	<u>\$ 60,371,129</u>	53,124,895	<u>\$ 58,708,455</u>	50,836,299
Less:				
Unrestricted grants, subsidies		<u>4,459,075</u>		<u>4,576,435</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		<u>\$ 48,665,820</u>		<u>\$ 46,259,864</u>

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 2011	Net Revenue (Expense) 2011	Total Cost of Services 2010	Net Revenue (Expense) 2010
Change in Net Assets - Food Service	<u>\$ 1,230,422</u>	<u>\$ (70,839)</u>	<u>\$ 1,158,333</u>	<u>\$ (39,896)</u>

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. 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. ARAMARK's contract is subject to annual renewal for five years.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

REVIEW OF GOVERNMENTAL FUNDS

The development, review and consideration of the 2010-2011 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. The District believes 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 governmental funds reported a combined fund balance of \$16,827,001 as of June 30, 2010 and \$17,495,247 as of June 30, 2011, which is an increase of \$668,246 due primarily to general fund expenditures being under budget, as more fully explained below.

Governmental funds, which include the general fund, capital projects fund and capital reserve fund, had total revenues of \$62.9 million at June 30, 2011 and \$62.6 million at June 30, 2010. Total expenditures were \$62.5 million at June 30, 2011 and \$74.3 million at June 30, 2010.

The general fund had excess revenues over expenditures of \$165,376, after a \$2.9 million transfer to Capital Reserve, as of June 30, 2011 and an excess of revenues over expenditures of \$1,148,284 as of June 30, 2010. Total revenues, not including refund of prior year expenditures, were lower than budgeted by \$86,024 due to the reduction in the retirement rate. Refund of prior year expenditures (unbudgeted), which included Special Education and Vo-tech reconciliations, was \$316,502 for a net increase of revenues over budget of \$230,478. Total expenditures, not including transfers, were \$3,101,344 better than the budget due to several factors. Health Insurance was budgeted prior to the District's decision to change the core health insurance plan and reduce the health insurance expenditure. In addition, in December 2010, the State had certified the employers' retirement rate at 8.22 percent. In order to balance the state budget, the rate was recertified at 5.64 percent. This was done in July 2010 after the District's budget had been adopted. Also contributing were the favorable interest rates on the SWAP. Transfers of \$2,850,275 were made from the General Fund to the Capital Reserve Fund to begin preparing for the Neher Providence Elementary School project.

General Fund Budget Information

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrued 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.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)
JUNE 30, 2011**

Spending Review

		Original Budget	Actual Expenditures	Variance Positive (Negative)	Percent Change
Instructional Services:					
Regular programs	1100	\$ 26,029,779	\$ 24,572,975	\$ 1,456,804	5.6%
Special programs	1200	9,820,607	10,065,063	(244,456)	-2.5%
Vocational programs	1300	378,160	369,909	8,251	2.2%
Other instructional programs	1400	318,918	293,301	25,617	8.0%
Community college	1600	176,220	173,041	3,179	1.8%
Pupil personnel	2100	2,153,436	2,067,569	85,867	4.0%
Instructional staff services	2200	1,921,786	1,890,312	31,474	1.6%
Administrative services	2300	2,930,729	2,894,005	36,724	1.3%
Pupil health	2400	877,244	702,906	174,338	19.9%
Business services	2500	916,289	866,776	49,513	5.4%
Operation and maintenance of plant	2600	4,385,425	4,623,110	(237,685)	-5.4%
Student transportation services	2700	3,056,733	3,202,984	(146,251)	-4.8%
Central services	2800	1,198,170	1,140,609	57,561	4.8%
Other support services	2900	48,112	49,980	(1,868)	-3.9%
Student activities	3200	1,283,318	1,136,076	147,242	11.5%
Community services	3300	350	306	44	12.6%
Nonrecurring	4600	215,000	98,566	116,434	54.2%
Debt service	5100	7,403,610	5,918,641	1,484,969	20.1%
Refund of prior year receipts	5130	-	2,602	(2,602)	-100.0%
Interfund transfers	5200	15,000	2,863,844	(2,848,844)	-18992.3%
		<u>\$ 63,128,886</u>	<u>\$ 62,932,575</u>	<u>\$ 196,311</u>	<u>0.31%</u>

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

		Original Budget	Actual	\$ Lower (Higher) than Original Budget	Diff %
Instructional Services:					
Regular programs	1100	\$ 26,029,779	\$ 24,572,975	\$ 1,456,804	5.6%
Special education	1200	9,820,607	10,065,063	(244,456)	-2.5%
Pupil personnel	2100	2,153,436	2,067,569	85,867	4.0%
Instructional staff services	2200	1,921,786	1,890,312	31,474	1.6%
Pupil health	2400	877,244	702,906	174,338	19.9%
Operation and maintenance of plant	2600	4,385,425	4,623,110	(237,685)	-5.4%
Student transportation services	2700	3,056,733	3,202,984	(146,251)	-4.8%
Student activities	3200	1,283,318	1,136,076	147,242	11.5%
Nonrecurring	4600	215,000	98,566	116,434	54.2%
Debt service	5100	7,403,610	5,918,641	1,484,969	20.1%
Interfund transfers	5200	15,000	2,863,844	(2,848,844)	-18992.3%
Summary of significant spending changes		<u>\$ 57,161,938</u>	<u>\$ 57,142,046</u>	<u>\$ 19,892</u>	<u>0.0%</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

All areas related to benefits realized savings due to several factors:

First, the District changed the core health insurance program to a less costly one, realizing significant savings. Second, the retirement rate had been set by the State and budgeted at 8.4 percent. In July 2010, the State reset the rate at 5.64 percent after the District budget had been adopted. Third, prescription benefits came in lower than anticipated in the budget.

Regular programs (1100) were lower than the budget because vacant positions that were budgeted were not filled and health insurance rates were lower than budgeted.

Special Education (1200) expenditures, net of any savings for benefits, were higher than budgeted because of the need for additional services for students with special needs. Specifically, costs increased for out-of-district autism placements, increases in costs for speech services for additional students, increase in Intermediate Unit services for special education and early intervention, and the need for additional instructional support aides.

Pupil personnel (2100), instructional staff services (2200) and pupil health (2400) were lower because benefits were lower than budgeted. In addition, pupil health (2400) required fewer medical services than expected.

Expenditures for utilities caused operation and maintenance of plant (2600) to exceed the original budget.

Student transportation (2700) was higher than budgeted due to an increase in substitute bus drivers, transportation services provided by the Intermediate Unit and higher fuel costs than anticipated.

Student activities (3200) expenditures were lower than budgeted because the Middle School did not have the fall and spring productions due to the project renovations. There was also a reduction in costs for the athletic program.

Debt service (5100) expenditures were lower than the budget because of lower variable rates for the Series of 2008 bonds.

An unbudgeted transfer to capital reserve (5200) in the amount of \$2.8 million caused the transfers to exceed the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2011, the District had \$86,994,117 million invested in a broad range of capital assets, including land, buildings and furniture and equipment.

**Table 4
Investment in Capital Assets
Fiscal Years Ended June 30, 2011 and 2010
Capital Assets - Net of Accumulated Depreciation**

	2011	2010
Land and land improvements	\$ 128,010	\$ 128,010
Building and building improvements, net of accumulated depreciation	83,935,998	35,379,845
Furniture and equipment, net of accumulated depreciation	1,762,871	2,239,978
Construction-in-progress	1,167,238	49,920,221
Total	<u>\$ 86,994,117</u>	<u>\$ 87,668,054</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

As of July 1, 2010, the District had total outstanding bond and note principal of \$76,761,000. During the year, the District made bond and note principal payments of \$3,118,000.

**Table 5
Outstanding Debt
As of June 30, 2011 and 2010**

	2011	2010
General Obligation Debt:		
Series of 2008	\$ 39,335,000	\$ 39,535,000
Series of 2007A	6,935,000	8,170,000
Series of 2007	5,450,000	6,420,000
Series of 2006	10,000,000	10,000,000
Series of 2005	9,690,000	10,200,000
Series of 2004	2,233,000	2,436,000
Total General Obligation Debt	\$ 73,643,000	\$ 76,761,000

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.

EXTERNAL ECONOMIC FACTORS:

ACT 1

Act 1 of 2006 has changed the way schools are funded. The law mandated the appointment of a Local Tax Study Commission (LTSC), 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 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. A new LTSC cannot be convened until September 2011. Act 1 also accelerated the budget schedule and subjected all districts to a state calculated index. Wallingford-Swarthmore's index for 2010-2011 was 2.9 percent. The Act provided for some exceptions which are required either to be approved by the Court of Common Pleas or the Pennsylvania Department of Education. The District did not utilize any exceptions in the 2010-2011 budget. There is also a provision for the districts to receive Sterling tax credits and state gaming funds as they become available. The consequences of the Act for districts included increased costs for mailing; for LTSC expenses; and for new software for the offering of installment tax payments which had the potential to alter traditional cash flows used to determine investments and, thus, interest earned. The Board accepted installment payments due August 31, September 30 and October 31 which has had little affect on cash flows. The District budget must be prepared without the knowledge of federal or state revenues for the following year. During 2010-2011, the District received \$1,838,078 in State property tax reduction funds.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

Common Level Ratio

The Common Level Ratio in Delaware County has increased to 64.2 percent for the 2011 tax year. When the Common Level Ratio drops below 85 percent, the probability of assessment appeals by taxpayers increases. The problem can be solved only 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. An addition/renovation project has been approved for Wallingford Elementary School.

Strath Haven Middle School

The project completion is projected for Fall of 2011. The final punch list should be completed by December 2011.

Wallingford Elementary School

The project was begun during Spring of 2011, and completion is projected for Fall of 2012.

Budget 2011-2012

The revenue budget for fiscal year 2011-2012 includes a property tax increase of .53 mills (a 1.4 percent increase), from 37.626 mills in Nether Providence Township and Rose Valley Borough and 38.060 mills in Swarthmore and Rutledge Boroughs to 38.152 mills in Nether Providence Township and Rose Valley Borough and 38.571 mills in Swarthmore and Rutledge Boroughs. The difference in the millage rates is the result of municipal participation in the Community College. As a result of approving Chester-Upland School District as a member, the Community College contract will not increase for five years beginning in the 2011-2012 school year. Total budgeted revenue for fiscal year 2011-2012 is \$63,265,851.

The Board of School Directors approved the property tax increase in order to meet the projected expenditure increase of \$1,509,486 over the prior year's budgeted expenditures. Total budgeted expenditures for fiscal year 2011-2012 are \$65,438,372.

The unreserved fund balance is projected to absorb \$1,900,000 of the budgeted shortfall in general fund revenues over expenditures for fiscal year 2011-2012. The budgeted projected general fund unassigned fund balance as of June 30, 2012 is \$4,499,007.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2011**

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 South Providence Road, Wallingford, PA 19086, (610) 892-3470, ext. 1301.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011
(With Summarized Comparative Data for June 30, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
ASSETS				
Cash and cash equivalents	\$ 17,136,557	\$ 67,456	\$ 17,204,013	\$ 19,186,291
Taxes receivable	1,332,671	-	1,332,671	1,562,676
Due from other governments	1,063,154	35,184	1,098,338	1,117,043
Other receivables	1,255,351	-	1,255,351	372,115
Prepaid expenses	8,245	-	8,245	10,463
Other assets	-	-	-	12,000
Issuance costs	516,610	-	516,610	578,258
Deferred outflow - interest rate SWAP	4,158,596	-	4,158,596	4,815,620
Land	128,010	-	128,010	128,010
Construction-in-progress	1,167,238	-	1,167,238	49,920,221
Buildings and improvements	103,262,661	-	103,262,661	54,466,544
Furniture and equipment	8,870,884	495,392	9,366,276	9,334,909
Accumulated depreciation	(26,566,437)	(363,631)	(26,930,068)	(26,181,630)
TOTAL ASSETS	\$ 112,333,540	\$ 234,401	\$ 112,567,941	\$ 115,322,520
LIABILITIES				
Accounts payable	\$ 831,216	\$ 81,057	\$ 912,273	\$ 2,569,432
Accrued salaries and benefits	1,309,939	-	1,309,939	1,391,108
Other liabilities	10,292	-	10,292	41,791
Accrued interest payable	184,359	-	184,359	197,827
Deferred revenues	38,364	32,125	70,489	102,714
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	3,030,000	-	3,030,000	2,915,000
Less: Deferred amount on refunding	(2,642)	-	(2,642)	(2,642)
Less: Bond discount	(28,595)	-	(28,595)	(28,595)
Note payable	211,000	-	211,000	203,000
Accumulated compensated absences/ early retirement incentive	65,815	-	65,815	48,666
Judgment payable	80,565	-	80,565	80,565
Portion due or payable after one year:				
Bonds payable	68,380,000	-	68,380,000	71,410,000
Less: Deferred amount on refunding	(7,929)	-	(7,929)	(10,571)
Less: Bond discount	(244,001)	-	(244,001)	(272,596)
Note payable	2,022,000	-	2,022,000	2,233,000
Accumulated compensated absences/ early retirement incentive	1,029,884	-	1,029,884	942,659
Derivative instrument liability - interest rate SWAP	4,158,596	-	4,158,596	4,815,620
Other post-employment benefits	673,745	-	673,745	444,811
Judgment payable	-	-	-	1,925
TOTAL LIABILITIES	81,742,608	113,182	81,855,790	87,083,714
NET ASSETS				
Invested in capital assets, net of related debt	14,182,996	131,761	14,314,757	13,174,099
Restricted for capital purposes	8,841,334	-	8,841,334	7,066,296
Unrestricted	7,566,602	(10,542)	7,556,060	7,998,411
TOTAL NET ASSETS	30,590,932	121,219	30,712,151	28,238,806
TOTAL LIABILITIES AND NET ASSETS	\$ 112,333,540	\$ 234,401	\$ 112,567,941	\$ 115,322,520

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Comparative Data for the Year Ended June 30, 2010)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2011	2010
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 37,654,343	\$ 67,672	\$ 4,927,012	\$ -	\$ (32,659,659)	\$ -	\$ (32,659,659)	\$ (31,391,322)
Instructional student support	4,957,399	-	362,238	-	(4,595,161)	-	(4,595,161)	(4,395,843)
Administrative and financial support services	5,266,474	-	182,676	-	(5,083,798)	-	(5,083,798)	(4,737,977)
Operation and maintenance of plant services	4,997,353	-	173,513	-	(4,823,840)	-	(4,823,840)	(4,901,236)
Pupil transportation	3,406,821	-	810,526	-	(2,596,295)	-	(2,596,295)	(2,258,555)
Student activities	1,208,375	59,947	41,956	-	(1,106,472)	-	(1,106,472)	(1,097,696)
Community services	306	162,863	-	-	162,557	-	162,557	162,150
Interest on long-term debt	2,880,058	-	457,831	-	(2,422,227)	-	(2,422,227)	(2,215,820)
TOTAL GOVERNMENTAL ACTIVITIES	60,371,129	290,482	6,955,762	-	(53,124,895)	-	(53,124,895)	(50,836,299)
BUSINESS-TYPE ACTIVITIES								
Food service	1,230,422	887,377	272,206	-	-	(70,839)	(70,839)	(39,896)
TOTAL BUSINESS-TYPE ACTIVITIES	1,230,422	887,377	272,206	-	-	(70,839)	(70,839)	(39,896)
TOTAL PRIMARY GOVERNMENT	\$ 61,601,551	\$ 1,177,859	\$ 7,227,958	\$ -	(53,124,895)	(70,839)	(53,195,734)	(50,876,195)
		GENERAL REVENUES						
		Property taxes, levied for general purposes			49,894,296	-	49,894,296	48,375,912
		Taxes levied for specific purposes			504,217	-	504,217	669,342
		Grants and entitlements not restricted to specific programs			4,459,075	-	4,459,075	4,576,435
		Investment earnings			170,567	-	170,567	774,589
		Transfers			(13,569)	13,569	-	-
		Miscellaneous			640,924	-	640,924	309,791
		TOTAL GENERAL REVENUES			55,655,510	13,569	55,669,079	54,706,069
		CHANGE IN NET ASSETS			2,530,615	(57,270)	2,473,345	3,829,874
		NET ASSETS, BEGINNING OF YEAR			28,060,317	178,489	28,238,806	24,408,932
		NET ASSETS, END OF YEAR			\$ 30,590,932	\$ 121,219	\$ 30,712,151	\$ 28,238,806

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011
(With Summarized Comparative Data for June 30, 2010)**

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2011	2010
ASSETS					
Cash and cash equivalents	\$ 7,450,456	\$ 8,955,842	\$ 730,259	\$ 17,136,557	\$ 19,047,741
Taxes receivable	1,332,671	-	-	1,332,671	1,562,676
Due from other funds	200	-	-	200	42,083
Due from other governments	1,063,154	-	-	1,063,154	1,075,698
Other receivables	1,255,151	-	-	1,255,151	369,494
Prepaid expenses	8,245	-	-	8,245	10,463
Other assets	-	-	-	-	12,000
TOTAL ASSETS	<u>\$ 11,109,877</u>	<u>\$ 8,955,842</u>	<u>\$ 730,259</u>	<u>\$ 20,795,978</u>	<u>\$ 22,120,155</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 666,922	\$ 114,508	\$ 49,786	\$ 831,216	\$ 2,473,380
Accrued salaries and benefits	1,375,754	-	-	1,375,754	1,391,108
Deferred revenues	1,002,904	-	-	1,002,904	1,306,310
Judgment payable	80,565	-	-	80,565	80,565
Other current liabilities	10,292	-	-	10,292	41,791
TOTAL LIABILITIES	<u>3,136,437</u>	<u>114,508</u>	<u>49,786</u>	<u>3,300,731</u>	<u>5,293,154</u>
FUND BALANCES:					
Restricted	-	8,841,334	680,473	9,521,807	9,018,937
Committed	1,060,000	-	-	1,060,000	-
Unassigned	6,913,440	-	-	6,913,440	7,808,064
TOTAL FUND BALANCES	<u>7,973,440</u>	<u>8,841,334</u>	<u>680,473</u>	<u>17,495,247</u>	<u>16,827,001</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,109,877</u>	<u>\$ 8,955,842</u>	<u>\$ 730,259</u>	<u>\$ 20,795,978</u>	<u>\$ 22,120,155</u>

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 ASSETS
JUNE 30, 2011**

TOTAL GOVERNMENTAL FUND BALANCES \$ 17,495,247

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

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

Land	\$ 128,010	
Buildings and improvements	103,262,661	
Furniture and equipment	8,870,884	
Construction-in-progress	1,167,238	
Accumulated depreciation	<u>(26,566,437)</u>	86,862,356

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	(71,410,000)	
Note payable	(2,233,000)	
Accumulated compensated absences/early retirement incentive	(1,029,884)	
Accrued interest payable	(184,359)	
Post-employment benefits payable	<u>(673,745)</u>	(75,530,988)

Refunded debt and bond issuance costs resulted in deferred charges and credits which will be amortized over the life of new debt but do not represent current rights. 799,777

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 deferred in the funds. 964,540

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 30,590,932

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, 2011
(With Summarized Comparative Data for the Year Ended June 30, 2010)

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2011	2010
REVENUES					
Local sources	\$ 51,438,440	\$ 77,526	\$ 4,772	\$ 51,520,738	\$ 50,537,597
State sources	9,834,927	-	-	9,834,927	10,122,450
Federal sources	1,508,082	-	-	1,508,082	1,958,731
TOTAL REVENUES	<u>62,781,449</u>	<u>77,526</u>	<u>4,772</u>	<u>62,863,747</u>	<u>62,618,778</u>
EXPENDITURES					
Current:					
Instruction	35,474,289	-	-	35,474,289	35,647,933
Support services	17,438,251	-	-	17,438,251	16,955,446
Operation of noninstructional services	1,136,382	-	-	1,136,382	1,138,342
Capital outlays	98,566	1,152,763	1,276,940	2,528,269	14,596,137
Debt service	5,918,641	-	-	5,918,641	5,950,012
TOTAL EXPENDITURES	<u>60,066,129</u>	<u>1,152,763</u>	<u>1,276,940</u>	<u>62,495,832</u>	<u>74,287,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,715,320</u>	<u>(1,075,237)</u>	<u>(1,272,168)</u>	<u>367,915</u>	<u>(11,669,092)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,850,275	-	2,850,275	1,036,684
Transfers out	(2,863,844)	-	-	(2,863,844)	(1,058,339)
Refund of prior year expenditures	316,502	-	-	316,502	336,896
Refund of prior year receipts	(2,602)	-	-	(2,602)	(298,075)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,549,944)</u>	<u>2,850,275</u>	<u>-</u>	<u>300,331</u>	<u>17,166</u>
NET CHANGE IN FUND BALANCES	165,376	1,775,038	(1,272,168)	668,246	(11,651,926)
FUND BALANCES, BEGINNING OF YEAR	<u>7,808,064</u>	<u>7,066,296</u>	<u>1,952,641</u>	<u>16,827,001</u>	<u>28,478,927</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,973,440</u>	<u>\$ 8,841,334</u>	<u>\$ 680,473</u>	<u>\$ 17,495,247</u>	<u>\$ 16,827,001</u>

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, 2011**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 668,246
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 outlays) 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 depreciation (\$3,172,149) exceeded capital outlays (\$2,577,306) in the period.	(594,843)
Loss on sale of fixed assets	(51,546)
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. Deferred tax revenues increased by this amount this year.	(264,257)
Governmental funds report debt retirement, issuance costs, bond discounts and deferred amounts on refunding as expenditures and bond premiums as revenue. However, these amounts are reported on the statement of net assets as deferred charges and credits and are amortized over the life of the debt. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,025,115
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), post-employment benefits and special termination benefits (early retirement)--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 and special termination benefits paid exceeded amounts earned.	(267,493)
Some expenses require the use of current financial resources but have been reported in the statement of activities in prior years and, therefore, are reported as expenditures in the governmental funds only.	1,925
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.	13,468
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,530,615</u></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, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local sources	\$ 51,580,161	\$ 51,580,161	\$ 51,438,440	\$ (141,721)
State sources	10,834,332	10,884,910	9,834,927	(1,049,983)
Federal sources	399,393	402,402	1,508,082	1,105,680
TOTAL REVENUES	<u>62,813,886</u>	<u>62,867,473</u>	<u>62,781,449</u>	<u>(86,024)</u>
EXPENDITURES				
Instruction:				
Regular programs	26,029,779	26,064,148	24,572,975	1,491,173
Special programs	9,820,607	9,830,537	10,065,063	(234,526)
Vocational programs	378,160	378,160	369,909	8,251
Other instructional programs	318,918	319,927	293,301	26,626
Other adult education programs	176,220	176,220	173,041	3,179
Total Instruction	<u>36,723,684</u>	<u>36,768,992</u>	<u>35,474,289</u>	<u>1,294,703</u>
Support services:				
Pupil personnel services	2,153,436	2,152,906	2,067,569	85,337
Instructional staff services	1,921,786	1,925,880	1,890,312	35,568
Administrative services	2,930,729	2,924,169	2,894,005	30,164
Pupil health	877,244	877,315	702,906	174,409
Business services	916,289	916,289	866,776	49,513
Operation and maintenance of plant services	4,385,425	4,385,425	4,623,110	(237,685)
Student transportation services	3,056,733	3,056,733	3,202,984	(146,251)
Central and other support services	1,198,170	1,209,374	1,140,609	68,765
Other support services	48,112	48,112	49,980	(1,868)
Total Support Services	<u>17,487,924</u>	<u>17,496,203</u>	<u>17,438,251</u>	<u>57,952</u>
Operation of noninstructional activities:				
Student activities	1,283,318	1,283,318	1,136,076	147,242
Community services	350	350	306	44
Total Operation of Noninstructional Services	<u>1,283,668</u>	<u>1,283,668</u>	<u>1,136,382</u>	<u>147,286</u>
Capital outlays	215,000	215,000	98,566	116,434
Debt service	7,403,610	7,403,610	5,918,641	1,484,969
TOTAL EXPENDITURES	<u>63,113,886</u>	<u>63,167,473</u>	<u>60,066,129</u>	<u>3,101,344</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(300,000)</u>	<u>(300,000)</u>	<u>2,715,320</u>	<u>3,015,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(2,863,844)	(2,848,844)
Refund of prior year expenditures	-	-	316,502	316,502
Refund of prior year receipts	-	-	(2,602)	(2,602)
Budgetary reserve	(800,000)	(800,000)	-	800,000
TOTAL OTHER FINANCING USES	<u>(815,000)</u>	<u>(815,000)</u>	<u>(2,549,944)</u>	<u>(1,734,944)</u>
NET CHANGE IN FUND BALANCE	(1,115,000)	(1,115,000)	165,376	1,280,376
FUND BALANCE, BEGINNING OF YEAR	<u>7,808,064</u>	<u>7,808,064</u>	<u>7,808,064</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,693,064</u>	<u>\$ 6,693,064</u>	<u>\$ 7,973,440</u>	<u>\$ 1,280,376</u>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2011
(With Comparative Data for June 30, 2010)**

	Major Fund	
	Food Service Fund	
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 67,456	\$ 138,550
Other receivables	-	2,621
Due from other governments	35,184	41,345
Total Current Assets	102,640	182,516
CAPITAL ASSETS:		
Furniture and equipment	495,392	495,392
Accumulated depreciation	(363,631)	(336,083)
Capital Assets, Net	131,761	159,309
TOTAL ASSETS	\$ 234,401	\$ 341,825
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 81,057	\$ 96,052
Deferred revenue	32,125	25,201
Due to other funds	-	42,083
Total Current Liabilities	113,182	163,336
NET ASSETS:		
Invested in net assets, net of related debt	131,761	159,309
Unrestricted (deficit)	(10,542)	19,180
Total Net Assets	121,219	178,489
TOTAL LIABILITIES AND NET ASSETS	\$ 234,401	\$ 341,825

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Data for the Year Ended June 30, 2010)

	Major Fund	
	Food Service Fund	
	2011	2010
OPERATING REVENUES		
Food service revenues	\$ 887,377	\$ 853,644
Total Operating Revenues	<u>887,377</u>	<u>853,644</u>
OPERATING EXPENSES		
Contract services	557,445	513,442
Supplies	600,836	556,351
Depreciation	27,548	27,548
Other operating expenses	44,593	49,777
Total Operating Expenses	<u>1,230,422</u>	<u>1,147,118</u>
OPERATING LOSS	<u>(343,045)</u>	<u>(293,474)</u>
NONOPERATING REVENUES (EXPENSES)		
Loss on asset disposal	-	(11,215)
State sources	24,786	25,801
Federal sources	247,420	238,992
Total Nonoperating Revenues	<u>272,206</u>	<u>253,578</u>
LOSS BEFORE TRANSFERS	(70,839)	(39,896)
Transfers in	<u>13,569</u>	<u>21,655</u>
CHANGE IN NET ASSETS	(57,270)	(18,241)
NET ASSETS, BEGINNING OF YEAR	<u>178,489</u>	<u>196,730</u>
NET ASSETS, END OF YEAR	<u>\$ 121,219</u>	<u>\$ 178,489</u>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Data for the Year Ended June 30, 2010)**

	Major Fund	
	Food Service Fund	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 896,922	\$ 862,340
Payments for contract services	(557,445)	(513,442)
Payments to suppliers	(615,265)	(459,622)
Payments for other operating expenses	(44,593)	(49,777)
NET CASH USED BY OPERATING ACTIVITIES	(320,381)	(160,501)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	26,044	25,367
Federal sources	209,674	190,888
Transfer from general fund	13,569	21,655
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	249,287	237,910
NET CHANGE IN CASH AND CASH EQUIVALENTS	(71,094)	77,409
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	138,550	61,141
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 67,456	\$ 138,550
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (343,045)	\$ (293,474)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	27,548	27,548
Donated commodities	42,649	41,710
(Increase) decrease in:		
Other receivables	2,621	-
Due from other funds	-	1,098
Increase (decrease) in:		
Accounts payable	(14,995)	11,838
Deferred revenue	6,924	8,696
Due to other funds	(42,083)	42,083
NET CASH USED BY OPERATING ACTIVITIES	\$ (320,381)	\$ (160,501)
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	\$ 42,649	\$ 41,710

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 79,075	\$ 115,329
Due from other funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 79,075</u></u>	<u><u>\$ 115,329</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to other funds	\$ 200	\$ -
Accounts payable	<u>-</u>	<u>115,329</u>
Total Liabilities	200	115,329
 NET ASSETS:		
Reserved for trust	<u>78,875</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 79,075</u></u>	<u><u>\$ 115,329</u></u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Data for the Year Ended June 30, 2010)

	Private-Purpose Trust	
	<u>2011</u>	<u>2010</u>
ADDITIONS		
Local contributions	\$ 11,365	\$ 2,181
TOTAL ADDITIONS	<u>11,365</u>	<u>2,181</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>2,979</u>	<u>2,249</u>
TOTAL DEDUCTIONS	<u>2,979</u>	<u>2,249</u>
CHANGE IN NET ASSETS	8,386	(68)
NET ASSETS, BEGINNING OF YEAR	<u>70,489</u>	<u>70,557</u>
NET ASSETS, END OF YEAR	<u><u>\$ 78,875</u></u>	<u><u>\$ 70,489</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, 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 assets 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 assets in one of three components: invested in net assets, net of related debt, 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 assets are reported as restricted when constraints placed on net asset 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 assets arising from the capital projects fund. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" 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 deferred 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)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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.

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.

Property Taxes

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Real estate taxes for the District are collected from the Township of Nether Providence and the Borough of Rose Valley. The tax on real estate for public school purposes for fiscal 2010-2011 was 37.63 mills (\$37.63 per \$1,000 of assessed valuation) as levied by the Board. Real estate taxes also are collected from the Boroughs of Rutledge and Swarthmore, and their tax on real estate for public school purposes for fiscal 2010-2011 was 38.06 mills (\$38.06 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

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

Fund Balances

As of June 30, 2011, 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 assets. 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).

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
Restricted:			
Bond funds	\$ -	\$ 680,473	\$ 680,473
Capital reserve	-	8,841,334	8,841,334
Committed:			
PSERS	710,000	-	710,000
Bus fleet	350,000	-	350,000
Unassigned	<u>6,913,440</u>	<u>-</u>	<u>6,913,440</u>
Total Fund Balances	<u>\$ 7,973,440</u>	<u>\$ 9,521,807</u>	<u>\$ 17,495,247</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, 2010, 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.

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

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, 2011:

Special programs	\$	234,526
Operation and maintenance	\$	237,685
Student transportation services	\$	146,251
Other support services	\$	1,868

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.

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. At June 30, 2011, the carrying amount of the District's deposits was \$17,398,417 and the bank balance was \$18,269,092. Of the bank balance, \$262,192 was covered by federal depository insurance, and \$387,088 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining cash deposits in the amount of \$17,619,812 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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

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, 2011, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

NOTE 4 DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds resulted from delinquent property taxes receivable, federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned.

Deferred revenue in the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government-type activities:				
Capital assets not being depreciated:				
Land	\$ 128,010	\$ -	\$ -	\$ 128,010
Construction-in-progress	49,920,221	2,444,178	51,197,161	1,167,238
Total Capital Assets Not Being Depreciated	<u>50,048,231</u>	<u>2,444,178</u>	<u>51,197,161</u>	<u>1,295,248</u>
Capital assets being depreciated:				
Buildings and improvements	54,466,544	51,252,768	2,456,651	103,262,661
Furniture and equipment	8,839,517	77,521	46,154	8,870,884
Total Capital Assets Being Depreciated	<u>63,306,061</u>	<u>51,330,289</u>	<u>2,502,805</u>	<u>112,133,545</u>
Less accumulated depreciation for:				
Buildings and improvements	19,086,699	2,649,578	2,409,614	19,326,663
Furniture and equipment	6,758,848	522,571	41,645	7,239,774
Total accumulated depreciation	<u>25,845,547</u>	<u>3,172,149</u>	<u>2,451,259</u>	<u>26,566,437</u>
Total Capital Assets Being Depreciated, Net	<u>37,460,514</u>	<u>48,158,140</u>	<u>51,546</u>	<u>85,567,108</u>
Governmental Activities, Net	<u>\$87,508,745</u>	<u>\$50,603,318</u>	<u>\$51,248,707</u>	<u>\$86,862,356</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 495,392	\$ -	\$ -	\$ 495,392
Total Capital Assets Being Depreciated	<u>495,392</u>	<u>-</u>	<u>-</u>	<u>495,392</u>
Less accumulated depreciation for:				
Furniture and equipment	336,083	27,548	-	363,631
Total accumulated depreciation	<u>336,083</u>	<u>27,548</u>	<u>-</u>	<u>363,631</u>
Business-type Activities, Net	<u>\$ 159,309</u>	<u>\$ (27,548)</u>	<u>\$ -</u>	<u>\$ 131,761</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental activities:	
Instruction	\$ 2,082,186
Instructional student support	273,568
Administrative and financial support services	290,337
Operation and maintenance of plant services	271,356
Pupil transportation	188,001
Student activities	66,701
Total Depreciation Expense - Governmental Activities	<u>\$ 3,172,149</u>
Business-type Activities - Food Service	<u>\$ 27,548</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$ 200</u>	Fiduciary Fund	<u>\$ 200</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, 2011 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	
Food Service Fund	General Fund	\$ 13,569
Capital Reserve Fund	General Fund	\$ 2,850,275

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

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, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Bonds payable	\$ 74,325,000	\$ -	\$ 2,915,000	\$ 71,410,000
Note payable	2,436,000	-	203,000	2,233,000
Deferred amount on refunding	(13,213)	-	(2,642)	(10,571)
Bond discounts	(301,191)	-	(28,595)	(272,596)
Accumulated compensated absences/early retirement incentive	<u>991,325</u>	<u>104,374</u>	<u>-</u>	<u>1,095,699</u>
TOTALS	<u>\$ 77,437,921</u>	<u>\$ 104,374</u>	<u>\$ 3,086,763</u>	<u>\$ 74,455,532</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

General Obligation Bonds

Series of 2005, maturing through May 15, 2022, bearing interest ranging from 3.00% to 4.50%, interest payable semi-annually on May 15 and November 15. \$ 9,690,000

Series of 2006, maturing through May 1, 2027, bearing interest at 4.375%, interest payable semi-annually on May 2 and November 2. 10,000,000

Series of 2007, maturing through May 15, 2016, bearing interest ranging from 3.85% to 5.25%, interest payable semi-annually on May 15 and November 15. The Series of 2007 was used to (1) advance refund the Series of 1997C and to (2) pay the costs of issuing the bonds. 5,450,000

Series of 2007A, maturing through May 15, 2016, bearing interest ranging from 3.60% to 3.80%, interest payable semi-annually on May 15 and November 15. The Series of 2007A was used to (1) advance refund the Series of 2002 and to (2) pay the costs of issuing the bonds. 6,935,000

Series of 2008, maturing through February 2026, bearing interest ranging from 1.41% to 3.0%, interest payable monthly on the 1st of each month. These bonds were entered into a swap agreement in 2006, with an effective date of 2009. 39,335,000

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. 2,233,000

TOTAL \$73,643,000

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>
2012	\$ 3,241,000	\$ 3,518,270	\$ 6,759,270
2013	3,369,000	3,363,768	6,732,768
2014	3,503,000	3,210,609	6,713,609
2015	3,637,000	3,049,913	6,686,913
2016	3,777,000	2,881,534	6,658,534
2017-2021	21,606,000	11,356,915	32,962,915
2022-2026	27,965,000	5,397,553	33,362,553
2027	<u>6,545,000</u>	<u>286,344</u>	<u>6,831,344</u>
	<u>\$ 73,643,000</u>	<u>\$ 33,064,906</u>	<u>\$106,707,906</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

On August 14, 2011, the District was granted and issued \$51,975,000 of bonds by a bank. The total proceeds of the bonds was \$54,766,944 which includes a premium of \$3,075,141 and a deduction for underwriters discount of \$283,197. The proceeds of the issuance of the bonds were used to pay off the Series 2008 of bonds payable of \$39,335,000 as of June 30, 2011 and pay a swap termination fee of \$4,693,000 to terminate the swap agreement related to the Series 2008 bonds. The remaining proceeds of the bonds will be used for construction projects.

NOTE 8 DERIVATION INSTRUMENTS

On June 20, 2006 the District entered into a forward starting, floating-for-fixed rate swap (the "Swap") with the Royal Bank of Canada ("RBC") that relates to \$25,000,000 of the District's General Obligation Bonds, School Project Series ("Related Bonds"). The effective date of the Swap was December 1, 2009 and the maturity date of the Swap is May 1, 2026. The Swap is structured with a declining notional (principal) amount which will mirror the principal amortization of the Related Bonds, thus creating a "synthetic fixed rate" liability for the District. The District pays to RBC a fixed rate of 4.0325 percent and receives from RBC 68 percent of the one-month London Interbank Offering Rate ("LIBOR").

As of June 30, 2011, the District determined that the interest rate swap listed as an investment derivative instrument under governmental activities met the criteria for effectiveness using the dollar-offset method. The District has reported a Deferred Outflow - Interest Rate SWAP asset and Derivative Interest Rate liability of \$4,158,596 as of June 30, 2011.

The terms, market value and RBC credit ratings of the Swap as of June 30, 2011 are as follows:

Related Bonds	Notional Amount	Effective Date	Variable Rate Received	Fixed Rate Paid	Market Value*	Termination Date	RBC Credit Ratings
School Project Series	\$25,000,000	12/01/07	68% 1M LIBOR	4.0325%	\$(4,158,596)	05/01/2026	Aaa/AA-/AA

* Market value from the District's perspective; positive values represent amounts in the District's favor and negative amounts represent amounts in the counterparty's favor. These values are estimates and are based on mid-market quotations and do not represent actual prices to unwind.

- **Counterparty Risk**
 - Risk that the counterparty cannot make future payments or cannot make termination payment due to the District. Risk is reduced by selecting highly rated counterparty and by ISDA (International Swaps and Derivatives Association) contract terms addressing collateral limits and credit ratings.
- **Basis Risk**
 - Risk that the payment obligation on the District's leg of the swap or on its underlying bonds (the SIFMA index) will exceed the swap receipt (the percentage of LIBOR, plus a spread when applicable) due to a macro change in tax-exempt market or to a tax change event.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DERIVATION INSTRUMENTS (cont'd)

- Tax Risk
 - A form of basis risk - risk of higher tax-exempt interest rates (an increase in SIFMA Index) if tax law changes lower the taxation rate on interest income. In the extreme scenario, if a change in tax law eliminated tax-exempt status, the market would adjust "tax-exempt" security pricing so that there would be no material difference between the SIFMA Index and LIBOR.
- Credit Risk
 - Credit deterioration of the underlying bonds would result in basis risk discussed above when underlying bonds are in a variable rate mode.
- Termination Risk
 - Risk that the swap would be terminated at a time when prevailing market conditions resulted in a termination payment owed to the swap provider.
- Rollover Risk
 - Risk of extension if swap term is less than debt term and District desires to extend swap.

Refer to Note 7 for the subsequent event related to the termination of the swap agreement.

NOTE 9 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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer contribution was 5.64 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2009, 2010 and 2011 were \$1,372,993, \$1,458,376, \$1,746,079, 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.

NOTE 10 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>	<u>DCVTSA</u>
2012	\$ 30,425	\$ 44,049
2013	28,092	43,786
2014	29,148	-
2015	29,180	-
2016	29,083	-
2017-2033	367,654	-
Total	513,582	87,835
Less: Interest requirements	(164,715)	(4,284)
Outstanding rental payments	<u>\$ 348,867</u>	<u>\$ 83,551</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 OPERATING LEASES

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

Year Ending June 30,

2012	\$ 692,313
2013	553,929
2014	<u>553,929</u>
Total	<u>\$ 1,800,171</u>

Rental expenditures were \$864,034 for the year ended June 30, 2011.

NOTE 12 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 2010, the District contributed \$149,899 to the plan. This amount represents the cost of medical expenses for retirees in excess of the amounts collected in premiums from retirees. There were no contributions made for the fiscal year 2011. Retirees paid 100 percent of the group premium, or \$295,162, in fiscal 2011.

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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Annual required contribution	\$ 343,900
Interest on net OPEB obligation	20,016
Adjustment to annual required contribution	<u>(27,308)</u>
Annual OPEB cost (expense)	336,608
Contributions made	<u>(107,674)</u>
Increase in net OPEB obligation	228,934
Net OPEB obligation - beginning of year	<u>448,811</u>
Net OPEB obligation - end of year	<u>\$ 673,745</u>

Funded Status and Funding Progress

As of February 1, 2010, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$2,520,547 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,520,547. The covered payroll (annual payroll of active employees covered by the plan) was \$28,898,612, and the ratio of the UAAL to the covered payroll was 8.72 percent.

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, 2010 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 8 percent in 2010, 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, 2011 was 27 years.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 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.

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 14 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 2010-2011 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 COMMITMENTS

Construction commitments for the Wallingford Elementary School projects are as follows:

<u>Item / Description</u>	<u>Contractor Name</u>	<u>Contract Amount</u>	<u>Completed to June 30, 2011</u>	<u>Commitments</u>
Wallingford Elementary School				
- additions and renovations				
General trades	E. R. Stuebner, Inc.	\$ 8,976,000	\$ -	\$ 8,976,000
Fire protection	Apex Plumbing & Heating, Inc.	248,000	-	248,000
Plumbing	Guy M. Cooper	699,300	-	699,300
HVAC	Allstates Mechanical, Inc.	1,970,000	-	1,970,000
Electrical	Pagoda Electrical, Inc.	1,882,000	-	1,882,000
TOTAL		\$ 13,775,300	\$ -	\$13,775,300

The District has incurred costs in the amount of \$1,167,238 for architects and related fees associated with the start-up of this project.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through October 31, 2011, the date the financial statements were available to be issued. See subsequent event matters in Notes 7 and 8.

SINGLE AUDIT

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

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

October 31, 2011

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

We have audited 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, 2011, and have issued our report thereon dated October 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wallingford-Swarthmore School District's internal control over financial reporting 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 Organization's internal control over financial reporting.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of Wallingford-Swarthmore School District in a separate letter dated October 31, 2011.

This report is intended solely for the information and use of management, the Board of School Directors and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.


BARBACANE, THORNTON & COMPANY LLP

REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
T 302.478.8940
F 302.468.4001
www.btcpa.com

October 31, 2011

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

Compliance

We have audited the compliance of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Wallingford-Swarthmore School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wallingford-Swarthmore School District's management. Our responsibility is to express an opinion on Wallingford-Swarthmore School District's compliance based on our audit.

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. 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.

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 each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit,

To the Board of School Directors
Wallingford-Swarthmore School District

we considered Wallingford-Swarthmore School District's internal control over compliance with 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.

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 deficiencies significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of School Directors and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

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 Number(s)
84.027
84.410
84.394

Name of Federal Program or Cluster
IDEA
ARRA - Education Jobs Fund
ARRA - Fiscal Stabilization Fund

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 AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2011

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 07/01/2010	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2011
<u>U.S. Department of Education</u>										
<u>Passed through PA Department of Education</u>										
Title I - Academic Achievement	I	84.010	077-10-0458A	07/01/09-09/30/10	\$ 5,000	\$ 4,000	\$ 738	\$ 3,137	\$ 3,137	\$ (125)
Title I	I	84.010	013-10-0458	07/01/09-09/30/10	129,290	33,830	7,257	26,573	26,573	-
Title I	I	84.010	013-10-0458	07/01/10-09/30/11	126,162	100,953	-	103,018	103,018	2,065
Total CFDA #84.010						<u>138,783</u>	<u>7,995</u>	<u>132,728</u>	<u>132,728</u>	<u>1,940</u>
Title II - Improving Teacher Quality	I	85.367	020-09-0458	07/01/09-06/30/10	80,180	16,036	(7,740)	23,776	23,776	-
Title II - Improving Teacher Quality	I	85.367	020-10-0458	07/01/10-06/30/11	79,768	47,980	-	46,002	46,002	(1,978)
Total CFDA #85.367						<u>64,016</u>	<u>(7,740)</u>	<u>69,778</u>	<u>69,778</u>	<u>(1,978)</u>
Drug-free Schools	I	84.186	100-10-0458	07/01/09-09/30/10	7,223	-	(157)	2,294	2,294	2,137
Total CFDA #84.186						<u>-</u>	<u>(157)</u>	<u>2,294</u>	<u>2,294</u>	<u>2,137</u>
ARRA - Fiscal Stabilization Fund - Basic Education	I	84.394	126-100458	07/01/09-06/30/10	153,870	153,870	153,870	-	-	-
ARRA - Fiscal Stabilization Fund - Basic Education	I	84.394	126-100458	07/01/10-06/30/11	151,114	151,114	-	362,674	362,674	211,560
Total CFDA #84.394						<u>304,984</u>	<u>153,870</u>	<u>362,674</u>	<u>362,674</u>	<u>211,560</u>
ARRA - Education Jobs Fund	I	84.410	126-100458	08/10/10-09/30/11	214,801	214,801	-	214,801	214,801	-
<u>Subgrant from U.S. Department of Education</u>										
<u>Passed through Delaware County I.U.</u>										
I.D.E.A.	I	84.027	062-10-0025	07/01/09-06/30/10	556,719	46,940	46,940	-	-	-
I.D.E.A.	I	84.027	062-08-0025	07/01/10-06/30/11	607,562	607,562	-	607,562	607,562	-
Total CFDA #84.027						<u>654,502</u>	<u>46,940</u>	<u>607,562</u>	<u>607,562</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>1,377,086</u>	<u>200,908</u>	<u>1,389,837</u>	<u>1,389,837</u>	<u>213,659</u>
<u>U.S. Department of Agriculture</u>										
<u>Passed through PA Department of Agriculture</u>										
Value of USDA Commodities	I	10.555	N/A	07/01/10-06/30/11	N/A	42,649 a)	- b)	42,649 c)	42,649	- d)
<u>U.S. Department of Agriculture</u>										
<u>Passed through PA Department of Education</u>										
National School Lunch Program	I	10.555	N/A	07/01/09-06/30/10	N/A	27,440	27,440	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/10-06/30/11	N/A	121,254	-	140,783	140,783	19,529
Total CFDA #10.555						<u>191,343</u>	<u>27,440</u>	<u>183,432</u>	<u>183,432</u>	<u>19,529</u>
Breakfast Program	I	10.553	N/A	07/01/09-06/30/10	N/A	4,396	4,396	-	-	-
Breakfast Program	I	10.553	N/A	07/01/10-06/30/11	N/A	17,858	-	21,379	21,379	3,521
Total CFDA #10.553						<u>22,254</u>	<u>4,396</u>	<u>21,379</u>	<u>21,379</u>	<u>3,521</u>
Milk Program	I	10.556	N/A	07/01/09-06/30/10	N/A	630	630	-	-	-
Milk Program	I	10.556	N/A	07/01/10-06/30/11	N/A	2,885	-	3,388	3,388	503
Total CFDA #10.556						<u>3,515</u>	<u>630</u>	<u>3,388</u>	<u>3,388</u>	<u>503</u>
Child and Adult Care Food Program	I	10.558	N/A	07/01/09-06/30/10	N/A	4,074	4,074	-	-	-
Child and Adult Care Food Program	I	10.558	N/A	07/01/10-06/30/11	N/A	31,137	-	39,221	39,221	8,084
Total CFDA #10.558						<u>35,211</u>	<u>4,074</u>	<u>39,221</u>	<u>39,221</u>	<u>8,084</u>
Total Child Nutrition Cluster						<u>252,323</u>	<u>36,540</u>	<u>247,420</u>	<u>247,420</u>	<u>31,637</u>

Continued on next page.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 07/01/2010	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2011
(cont'd)										
U.S. Department of Agriculture										
Passed through PA Department of Education										
State Matching Share	S	N/A	N/A	07/01/09-06/30/10	N/A	4,805	4,805	-	-	-
State Matching Share	S	N/A	N/A	07/01/10-06/30/11	N/A	21,239	-	24,786	24,786	3,547
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>321,016</u>	<u>41,345</u>	<u>314,855</u>	<u>314,855</u>	<u>35,184</u>
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						<u>\$ 1,698,102</u>	<u>\$ 242,253</u>	<u>\$ 1,704,692</u>	<u>\$ 1,704,692</u>	<u>\$ 248,843</u>
TOTAL FEDERAL AWARDS						\$ 1,672,058	\$ 237,448	\$ 1,679,906	\$ 1,679,906	\$ 245,296
TOTAL STATE GRANTS						26,044	4,805	24,786	24,786	3,547
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						<u>\$ 1,698,102</u>	<u>\$ 242,253</u>	<u>\$ 1,704,692</u>	<u>\$ 1,704,692</u>	<u>\$ 248,843</u>

Source Codes

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

Footnotes:

- a) Total amount of commodities received from U.S. Department of Agriculture.
- b) Beginning inventory at July 1.
- c) Total amount of commodities used.
- d) Ending inventory at June 30.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

NOTE A SCOPE OF THIS SCHEDULE

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

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 reported in the Schedule of Expenditures of Federal Awards under CFDA #10.550. Value of USDA Commodities represent surplus food consumed by the District during the 2010-2011 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, 2011 was \$118,245.