

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

**AUDIT REPORT**

**JUNE 30, 2010**

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 15
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Assets	16
- Statement of Activities	17
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	18
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets	19
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities	21
- Budgetary Comparison Statement - General Fund	22
- Statement of Net Assets - Proprietary Fund	23
- Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	24
- Statement of Cash Flows - Proprietary Fund	25
- Statement of Net Assets - Fiduciary Funds	26
- Statement of Changes in Net Assets - Fiduciary Funds	27
NOTES TO FINANCIAL STATEMENTS	28 - 45

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
<b>SINGLE AUDIT</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 - 47
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48 - 49
Schedule of Findings and Recommendations	50 - 51
Schedule of Expenditures of Federal Awards and Certain State Grants	52
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	53

INDEPENDENT AUDITORS' REPORT

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November 15, 2010

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, 2010, 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 2009 financial statements and, in our report dated October 30, 2009, 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, 2010, 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 November 15, 2010, 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, 2010**

**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, 2010. 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 \$3.8 million. This was due to (1) the increase in the amount invested in capital assets net of related debt of \$1.8 million due to the construction and renovation of the Strath Haven Middle School; (2) the increase in the amount reserved for capital projects of \$.8 million due to transfers from the General Fund to the Capital Reserve Fund; and (3) the increase in unrestricted net assets of \$1.2 million partially resulting from the favorable variable market rates in the financial markets versus budgeted rates on the Series of 2008 bond issue.

**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.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

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

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**

	Fund Statements			
	Entity-wide 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, 2010**

**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** - which 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 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 (CONTD)  
JUNE 30, 2010**

**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 some scholarship 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 \$28,238,806 as of June 30, 2010. Assets exceeded liabilities by \$24,408,932 as of June 30, 2009.

A comparative analysis of fiscal years 2010 to 2009 follows:

**June 30, 2010 and 2009  
Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Current and other assets	\$ 27,514,033	\$ 34,337,223	\$ 140,433	\$ 99,377	\$ 27,654,466	\$ 34,436,600
Capital assets	87,508,745	74,994,746	159,309	198,072	87,668,054	75,192,818
<b>TOTAL ASSETS</b>	<b>\$ 115,022,778</b>	<b>\$ 109,331,969</b>	<b>\$ 299,742</b>	<b>\$ 297,449</b>	<b>\$ 115,322,520</b>	<b>\$ 109,629,418</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES:</b>						
Current liabilities	\$ 7,397,613	\$ 7,243,418	\$ 121,253	\$ 100,719	\$ 7,518,866	\$ 7,344,137
Long-term liabilities	79,564,848	77,876,349	-	-	79,564,848	77,876,349
<b>TOTAL LIABILITIES</b>	<b>86,962,461</b>	<b>85,119,767</b>	<b>121,253</b>	<b>100,719</b>	<b>87,083,714</b>	<b>85,220,486</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	13,014,790	11,150,554	159,309	198,072	13,174,099	11,348,626
Capital projects	7,066,296	6,262,642	-	-	7,066,296	6,262,642
Unrestricted	7,979,231	6,799,006	19,180	(1,342)	7,998,411	6,797,664
<b>TOTAL NET ASSETS</b>	<b>28,060,317</b>	<b>24,212,202</b>	<b>178,489</b>	<b>196,730</b>	<b>28,238,806</b>	<b>24,408,932</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 115,022,778</b>	<b>\$ 109,331,969</b>	<b>\$ 299,742</b>	<b>\$ 297,449</b>	<b>\$ 115,322,520</b>	<b>\$ 109,629,418</b>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

The largest portion of the District's total assets (76 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 \$1,825,473 as a result of the construction-in-progress on the Strath Haven Middle School.

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 year ended June 30, 2010 and 2009. 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 Year Ended June 30, 2010 and 2009  
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 306,357	\$ 519,485	\$ 853,644	\$ 882,819	\$ 1,160,001	\$ 1,402,304
Operating grants	7,565,799	6,431,732	264,793	272,843	7,830,592	6,704,575
Total Program Revenues	7,872,156	6,951,217	1,118,437	1,155,662	8,990,593	8,106,879
General Revenues:						
Property and other taxes	49,045,254	47,614,147	-	-	49,045,254	47,614,147
Grants and entitlements	4,576,435	4,886,769	-	-	4,576,435	4,886,769
Other	1,084,380	5,818,776	-	-	1,084,380	5,818,776
Total General Revenues	54,706,069	58,319,692	-	-	54,706,069	58,319,692
<b>TOTAL REVENUES</b>	<b>62,578,225</b>	<b>65,270,909</b>	<b>1,118,437</b>	<b>1,155,662</b>	<b>63,696,662</b>	<b>66,426,571</b>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

**Table 2  
Fiscal Year Ended June 30, 2010 and 2009  
Changes in Net Assets**

(continued)	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>EXPENSES</b>						
Program Expenses:						
Instruction	36,739,401	34,559,299	-	-	36,739,401	34,559,299
Instructional student support	4,745,713	4,055,600	-	-	4,745,713	4,055,600
Administrative and financial support services	4,903,050	4,887,014	-	-	4,903,050	4,887,014
Operation and maintenance of plant services	5,068,321	5,156,796	-	-	5,068,321	5,156,796
Pupil transportation	3,019,816	2,925,467	-	-	3,019,816	2,925,467
Student activities	1,185,693	1,166,701	-	-	1,185,693	1,166,701
Community services	-	486	-	-	-	486
Interest on long-term debt	3,046,461	3,990,136	-	-	3,046,461	3,990,136
Food service	-	-	1,158,333	1,198,608	1,158,333	1,198,608
<b>TOTAL EXPENSES</b>	<b>58,708,455</b>	<b>56,741,499</b>	<b>1,158,333</b>	<b>1,198,608</b>	<b>59,866,788</b>	<b>57,940,107</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS</b>	<b>3,869,770</b>	<b>8,529,410</b>	<b>(39,896)</b>	<b>(42,946)</b>	<b>3,829,874</b>	<b>8,486,464</b>
Transfers	(21,655)	(14,575)	21,655	14,575	-	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ 3,848,115</b>	<b>\$ 8,514,835</b>	<b>\$ (18,241)</b>	<b>\$ (28,371)</b>	<b>\$ 3,829,874</b>	<b>\$ 8,486,464</b>

Charges for services declined due to the loss of rental income when the Rutgers Avenue building was sold in 2009. Operating grants increased due to the Federal ARRA IDEA allocation of \$721,690 and the rental reimbursement from PlanCon J for the SHHS project of \$306,104 now that all litigation on that project has been resolved. A 2.8 percent increase in the real estate tax millage, as well as increased delinquent tax collections, contributed to the increase in property and other taxes. The sale of the Rutgers Avenue building in 2009 is reflected in the decline of other revenues.

Total expenditures for all categories increased by \$1.9 million in 2009-2010. Salaries and benefits were a significant cause of the increase with an increase of \$1.88 million, or 4.85 percent higher than 2008-2009. Expenditures related to the \$721,690 ARRA IDEA allocation are reflected in the increase. Interest on long-term debt decreased by \$.95 million because of the declining interest rates for the variable rate debt on the Series of 2008 bonds.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

The tables below 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 long-term debt as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table 3  
Fiscal Years Ended June 30, 2010 and 2009  
Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$ 36,739,401	\$ 31,391,322	\$ 34,559,299	\$ 30,013,897
Instructional student support	4,745,713	4,395,843	4,055,600	3,678,318
Administrative and financial support services	4,903,050	4,737,977	4,887,014	4,727,304
Operation and maintenance of plant services	5,068,321	4,901,236	5,156,796	4,988,270
Pupil transportation	3,019,816	2,258,555	2,925,467	2,179,565
Student activities	1,185,693	1,097,696	1,166,701	1,072,692
Community services	-	(162,150)	486	(373,950)
Interest on long-term debt	3,046,461	2,215,820	3,990,136	3,504,185
<b>Total Expenses</b>	<b><u>\$ 58,708,455</u></b>	<b>50,836,299</b>	<b><u>\$ 56,741,499</u></b>	<b>49,790,281</b>
Less:				
Unrestricted grants, subsidies		<u>4,576,435</u>		<u>4,886,769</u>
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>		<b><u>\$ 46,259,864</u></b>		<b><u>\$ 44,903,512</u></b>

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

**Table 3A  
Business-type Activities**

	Total Cost of Services 2010	Net Revenue (Expense) 2010	Total Cost of Services 2009	Net Revenue (Expense) 2009
Change in Net Assets - Food Service	<u>\$ 1,158,333</u>	<u>\$ (39,896)</u>	<u>\$ 1,198,608</u>	<u>\$ (42,946)</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

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. 2009-2010 was the first year of the contract.

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

**REVIEW OF GOVERNMENTAL FUNDS**

The development, review and consideration of the 2009-2010 Comprehensive General Fund Operating Budget was completed in a manner consistent with past practice. The budget is also prepared to reflect the programs and services to be provided by the various revenue sources. We believe that all data presented in the budget was accurate in all material respects, that it was presented in a manner designed to set forth fairly the financial position and plan of operations of the District as measured by the financial activity of its various accounts, and that all disclosures necessary to maximize, and simplify, user comprehension were included.

The District governmental funds reported a combined fund balance of \$28,478,927 as of June 30, 2009 and \$16,827,001 as of June 30, 2010, which is a decrease of \$11,651,926 due primarily to the use of the Series of 2008 Bonds for the Middle School project.

Governmental funds, which include the general fund, capital projects fund and capital reserve fund, had total revenues of \$62.6 million at June 30, 2010 and \$61.1 million at June 30, 2009. Total expenditures were \$74.3 million at June 30, 2010 and \$81.4 million at June 30, 2009.

The general fund had excess revenues over expenditures of \$1,148,284 as of June 30, 2010 and \$960,978 as of June 30, 2009. Total revenues were \$1,053,867 higher than the final budget. This was due to several factors, including the DCIU Special Education and Vo-Tech reconciliations of \$117,836; refund from the Internal Revenue Service for the arbitrage rebate on the Series of 1996 bonds of \$157,642; higher delinquent taxes in the amount of \$478,028; unbudgeted Special Education Contingency Funds of \$50,850; reimbursement of PlanCon J for the SHHS project of \$306,104; and the NEW-S grant of \$61,053.

**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 (CONT'D)  
JUNE 30, 2010**

**Spending Review**

		Original Budget	Actual Expenditures	Variance Positive (Negative)	Percent Change
<b>Instructional Services:</b>					
Regular programs	1100	\$ 25,026,781	\$ 24,763,262	\$ 263,519	1.1%
Special programs	1200	9,961,202	10,060,317	(99,115)	-1.0%
Vocational programs	1300	347,901	354,547	(6,646)	-1.9%
Other instructional programs	1400	326,317	300,089	26,228	8.0%
Community college	1600	171,250	169,718	1,532	0.9%
Pupil personnel	2100	2,006,526	2,070,903	(64,377)	-3.2%
Instructional staff services	2200	1,609,299	1,683,119	(73,820)	-4.6%
Administrative services	2300	2,879,578	2,856,988	(22,590)	-0.8%
Pupil health	2400	830,602	755,445	75,157	9.0%
Business services	2500	871,424	866,728	4,696	0.5%
Operation and maintenance of plant	2600	4,367,543	4,553,347	(185,804)	-4.3%
Student transportation services	2700	2,782,872	2,899,218	(116,346)	-4.2%
Central services	2800	1,249,990	1,221,586	28,404	2.3%
Other support services	2900	47,002	48,112	(1,110)	-2.4%
Student activities	3200	1,243,602	1,138,342	105,260	8.5%
Community services	3300	250	-	250	100.0%
Nonrecurring	4600	215,000	217,001	(2,001)	-0.9%
Debt service	5100	6,854,972	5,950,012	904,960	13.2%
Refund of prior year receipts	5130	-	298,075	(298,075)	-100.0%
Interfund transfers	5200	15,000	1,027,759	(1,012,759)	-6751.7%
		<b>\$ 60,807,111</b>	<b>\$ 61,234,568</b>	<b>\$ (427,457)</b>	<b>-0.78%</b>

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 %
Regular Programs	1100	\$ 25,025,781	\$ 24,763,262	\$ 262,519	1.0%
Pupil Personnel	2100	2,006,526	2,070,903	(64,377)	-3.2%
Instructional Staff Services	2200	1,609,299	1,683,119	(73,820)	-4.6%
Pupil Health	2400	830,602	755,445	75,157	9.0%
Operation and Maintenance of Plant	2600	4,367,543	4,553,347	(185,804)	-4.3%
Student Transportation Services	2700	2,782,872	2,899,218	(116,346)	-4.2%
Student Activities	3200	1,243,602	1,138,342	105,260	8.5%
Debt Service	5100	6,854,972	5,950,012	904,960	13.2%
Interfund Transfers	5200	15,000	1,027,759	(1,012,759)	-6751.7%
<b>Summary of significant spending changes</b>		<b>\$ 44,737,197</b>	<b>\$ 44,841,407</b>	<b>\$ (104,210)</b>	<b>-0.2%</b>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

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. Pupil Personnel (2100) was higher because of staffing level changes. Instructional Staff Services (2200) expenditures were higher than budgeted due to incorrect coding of a salary and benefits in the budget. Pupil Health (2400) experienced less need for 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 the transporting of a special education student to a private school in New Jersey. 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 athletic services. 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 \$1,006,104 caused the transfers to exceed the budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2010, the District had \$87,508,745 million invested in a broad range of capital assets, including land, buildings and furniture and equipment.

**Table 4  
Investment in Capital Assets  
Fiscal Year Ended June 30, 2010 and 2009  
Capital Assets - Net of Accumulated Depreciation**

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 128,010	\$ 128,010
Building and building improvements, net of accumulated depreciation	35,379,845	36,971,086
Furniture and equipment, net of accumulated depreciation	2,239,978	2,549,758
Construction-in-progress	<u>49,920,221</u>	<u>35,543,964</u>
Total	<u>\$ 87,668,054</u>	<u>\$ 75,192,818</u>

As of July 1, 2009, the District had total outstanding bond and note principal of \$79,761,000. During the year, the District made bond and note principal payments of \$3,000,000.

**Table 5  
Outstanding Debt  
As of June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
General Obligation Bonds:		
Series of 2008	\$ 9,535,000	\$ 39,730,000
Series of 2007A	8,170,000	9,355,000
Series of 2007	6,420,000	7,355,000
Series of 2006	10,000,000	10,000,000
Series of 2005	10,200,000	10,690,000
Series of 2004	<u>2,436,000</u>	<u>2,631,000</u>
Total General Obligation Bonds	<u>\$ 76,761,000</u>	<u>\$ 79,761,000</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

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 Local Tax Study Commission 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 2010. Act 1 also accelerated the budget schedule and subjected all districts to a state calculated index. Wallingford-Swarthmore School District's index for 2009-2010 was 4.1 percent. The Act provided for some exceptions which are required to be approved by either the Court of Common Pleas or the Pennsylvania Department of Education. The District did not utilize any exceptions in the 2009-2010 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 effect on cash flows. The District budget must be prepared without the knowledge of federal or state revenues for the following year. During 2009-2010, the District received \$1,837,983 in state property tax reduction funds.

**Common Level Ratio**

The Common Level Ratio in Delaware County has increased to 61.3 percent for the 2010 tax year. When the Common Level Ratio drops below 85 percent, the probability exists that assessment appeals by taxpayers may increase. The problem can be solved only by a county-wide reassessment which the District has no power to mandate. For the 2011 tax year, the Common Level Ratio increases to 64.2 percent.

**General Obligation Bond Rating**

The 2008 bond issue was rated AA by Standard & Poors in February of 2010 as a result of a parameters resolution enacted by the Board. The contract with the liquidity provider, Dexia, expires in 2013.

**Energy Costs**

Pennsylvania rate caps for electricity for the Wallingford-Swarthmore School District area will expire December 31, 2010.



**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

**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.

**Illegal Spot Assessments**

Spot assessment litigation involved four individual tax assessment appeals filed by taxpayers who were seeking to certify a class of similarly situated taxpayers in Rose Valley Borough and Nether Providence Township. There was a large number of taxpayers in the class that sought to be certified. The suit alleged that there was an illegal change in the assessment of the properties in the class in 1969. A settlement was reached. Under the tentative settlement, the total obligation of the District is approximately \$1,800,000 over a six-year period (about \$300,000 per year) beginning in July 2005 in the form of refunds. The final payment was made in June 2010.

**Strath Haven Middle School**

The project completion is projected for Fall of 2010. The final punch list should be completed by December 2010.

**Budget 2010-2011**

The revenue budget for fiscal year 2010-2011 includes a property tax increase of 1.06 mills (a 2.9 percent increase), from 36.566 mills in Nether Providence and Rose Valley and 36.988 mills in Swarthmore and Rutledge to 37.626 mills in Nether Providence and Rose Valley and 38.06 mills in Swarthmore and Rutledge. 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 2010-2011 is \$62,813,886.

The Board of School Directors approved the property tax increase in order to meet the projected expenditure increase of \$2,231,775 over the prior year's budgeted expenditures. Total budgeted expenditures for fiscal year 2010-2011 are \$63,928,886.

Employee wages and benefits are projected to increase by \$1,643,924 due to contractual wage increases and healthcare premium increases.

The unreserved fund balance is projected to absorb \$1,115,000 of the budgeted shortfall in general fund revenues over expenditures for fiscal year 2010-2011. The budgeted projected general fund unreserved fund balance as of June 30, 2011 is \$6,195,221.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
JUNE 30, 2010**

**PUBLIC ACCESS TO DISTRICT FINANCIAL MANAGEMENT**

This 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 the Business Administrator, 200 South Providence Road, Wallingford, PA 19086, (610)-892-3470, ext. 1301.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**  
**(With Summarized Comparative Data for June 30, 2009)**

	Governmental Activities	Business-type Activities	Totals	
			2010	2009
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,047,741	\$ 138,550	\$ 19,186,291	\$ 30,740,904
Taxes receivable	1,562,676	-	1,562,676	1,499,442
Due from other governments	1,075,698	41,345	1,117,043	1,057,084
Other receivables	369,494	2,621	372,115	471,866
Internal balances	42,083	(42,083)	-	-
Prepaid expenses	10,463	-	10,463	11,348
Other assets	12,000	-	12,000	12,000
Issuance costs	578,258	-	578,258	643,956
Deferred outflow - interest rate SWAP	4,815,620	-	4,815,620	-
Land	128,010	-	128,010	128,010
Construction-in-progress	49,920,221	-	49,920,221	35,543,964
Buildings and improvements	54,466,544	-	54,466,544	54,538,163
Furniture and equipment	8,839,517	495,392	9,334,909	9,199,825
Accumulated depreciation	(25,845,547)	(336,083)	(26,181,630)	(24,217,144)
<b>TOTAL ASSETS</b>	<b>\$115,022,778</b>	<b>\$299,742</b>	<b>\$115,322,520</b>	<b>\$109,629,418</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,473,380	\$ 96,052	\$ 2,569,432	\$ 2,390,156
Accrued salaries and benefits	1,391,108	-	1,391,108	1,017,119
Other liabilities	41,791	-	41,791	90,684
Accrued interest payable	197,827	-	197,827	212,976
Deferred revenues	77,513	25,201	102,714	167,185
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	2,915,000	-	2,915,000	2,805,000
Less: Deferred amount on refunding	(2,642)	-	(2,642)	(30,518)
Less: Bond discount	(28,595)	-	(28,595)	(28,595)
Note payable	203,000	-	203,000	195,000
Accumulated compensated absences/ early retirement incentive	48,666	-	48,666	144,565
Judgment payable	80,565	-	80,565	380,565
Portion due or payable after one year:				
Bonds payable	71,410,000	-	71,410,000	74,325,000
Less: Deferred amount on refunding	(10,571)	-	(10,571)	-
Less: Bond discount	(272,596)	-	(272,596)	(301,191)
Note payable	2,233,000	-	2,233,000	2,436,000
Accumulated compensated absences/ early retirement incentive	942,659	-	942,659	885,533
Derivative instrument liability - interest rate SWAP	4,815,620	-	4,815,620	-
Other post-employment benefits	444,811	-	444,811	231,007
Judgment payable	1,925	-	1,925	300,000
<b>TOTAL LIABILITIES</b>	<b>86,962,461</b>	<b>121,253</b>	<b>87,083,714</b>	<b>85,220,486</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	13,014,790	159,309	13,174,099	11,348,626
Restricted for capital purposes	7,066,296	-	7,066,296	6,262,642
Unrestricted	7,979,231	19,180	7,998,411	6,797,664
<b>TOTAL NET ASSETS</b>	<b>28,060,317</b>	<b>178,489</b>	<b>28,238,806</b>	<b>24,408,932</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$115,022,778</b>	<b>\$299,742</b>	<b>\$115,322,520</b>	<b>\$109,629,418</b>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(With Summarized Comparative Data for the Year Ended June 30, 2009)**

	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	
						2010	2009	
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 36,739,401	\$ 96,130	\$ 5,251,949	\$ -	\$ (31,391,322)	\$ -	\$ (31,391,322)	\$ (30,013,897)
Instructional student support	4,745,713	-	349,870	-	(4,395,843)	-	(4,395,843)	(3,678,318)
Administrative and financial support services	4,903,050	-	165,073	-	(4,737,977)	-	(4,737,977)	(4,727,304)
Operation and maintenance of plant services	5,068,321	-	167,085	-	(4,901,236)	-	(4,901,236)	(4,988,270)
Pupil transportation	3,019,816	-	761,261	-	(2,258,555)	-	(2,258,555)	(2,179,565)
Student activities	1,185,693	48,077	39,920	-	(1,097,696)	-	(1,097,696)	(1,072,692)
Community services	-	162,150	-	-	162,150	-	162,150	373,950
Interest on long-term debt	3,046,461	-	830,641	-	(2,215,820)	-	(2,215,820)	(3,504,185)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>58,708,455</b>	<b>306,357</b>	<b>7,565,799</b>	<b>-</b>	<b>(50,836,299)</b>	<b>-</b>	<b>(50,836,299)</b>	<b>(49,790,281)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	1,158,333	853,644	264,793	-	-	(39,896)	(39,896)	(42,946)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,158,333</b>	<b>853,644</b>	<b>264,793</b>	<b>-</b>	<b>-</b>	<b>(39,896)</b>	<b>(39,896)</b>	<b>(42,946)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 59,866,788</b>	<b>\$ 1,160,001</b>	<b>\$ 7,830,592</b>	<b>\$ -</b>	<b>(50,836,299)</b>	<b>(39,896)</b>	<b>(50,876,195)</b>	<b>(49,833,227)</b>
<b>GENERAL REVENUES</b>								
Property taxes, levied for general purposes					48,375,912	-	48,375,912	46,972,733
Taxes levied for specific purposes					669,342	-	669,342	641,414
Grants and entitlements not restricted to specific programs					4,576,435	-	4,576,435	4,886,769
Investment earnings					774,589	-	774,589	1,460,385
Transfers					(21,655)	21,655	-	-
Gain on sale of assets					-	-	-	3,911,767
Miscellaneous					309,791	-	309,791	446,623
<b>TOTAL GENERAL REVENUES</b>					<b>54,684,414</b>	<b>21,655</b>	<b>54,706,069</b>	<b>58,319,691</b>
<b>CHANGE IN NET ASSETS</b>					<b>3,848,115</b>	<b>(18,241)</b>	<b>3,829,874</b>	<b>8,486,464</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>					<b>24,212,202</b>	<b>196,730</b>	<b>24,408,932</b>	<b>15,922,468</b>
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 28,060,317</b>	<b>\$ 178,489</b>	<b>\$ 28,238,806</b>	<b>\$ 24,408,932</b>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**  
**(With Summarized Comparative Data for June 30, 2009)**

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2010	2009
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,745,044	\$ 7,066,296	\$ 3,236,401	\$ 19,047,741	\$ 30,679,762
Taxes receivable	1,562,676	-	-	1,562,676	1,499,442
Due from other funds	42,083	-	-	42,083	99,196
Due from other governments	1,075,698	-	-	1,075,698	1,022,567
Other receivables	369,494	-	-	369,494	469,245
Prepaid expenses	10,463	-	-	10,463	11,349
Other assets	12,000	-	-	12,000	12,000
<b>TOTAL ASSETS</b>	<b>\$ 11,817,458</b>	<b>\$ 7,066,296</b>	<b>\$ 3,236,401</b>	<b>\$ 22,120,155</b>	<b>\$ 33,793,561</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,189,620	\$ -	\$ 1,283,760	\$ 2,473,380	\$ 2,305,942
Due to other funds	-	-	-	-	100,294
Accrued salaries and benefits	1,391,108	-	-	1,391,108	1,017,119
Deferred revenues	1,306,310	-	-	1,306,310	1,420,030
Judgment payable	80,565	-	-	80,565	380,565
Other current liabilities	41,791	-	-	41,791	90,684
<b>TOTAL LIABILITIES</b>	<b>4,009,394</b>	<b>-</b>	<b>1,283,760</b>	<b>5,293,154</b>	<b>5,314,634</b>
<b>FUND BALANCES:</b>					
Reserved for capital purposes	-	7,066,296	1,952,641	9,018,937	21,819,146
Unreserved	7,808,064	-	-	7,808,064	6,659,781
<b>TOTAL FUND BALANCES</b>	<b>7,808,064</b>	<b>7,066,296</b>	<b>1,952,641</b>	<b>16,827,001</b>	<b>28,478,927</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,817,458</b>	<b>\$ 7,066,296</b>	<b>\$ 3,236,401</b>	<b>\$ 22,120,155</b>	<b>\$ 33,793,561</b>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS  
JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES \$ 16,827,001

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	54,466,544	
Furniture and equipment	8,839,517	
Construction-in-progress	49,920,221	
Accumulated depreciation	<u>(25,845,547)</u>	87,508,745

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	(74,325,000)	
Note payable	(2,436,000)	
Accumulated compensated absences/early retirement incentive	(991,325)	
Accrued interest payable	(197,827)	
Post-employment benefits payable	(444,811)	
Judgment payable	<u>(1,925)</u>	(78,396,888)

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. 892,662

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. 1,228,797

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 28,060,317

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, 2010**  
**(With Summarized Comparative Data for the Year Ended June 30, 2009)**

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2010	2009
<b>REVENUES</b>					
Local sources	\$ 49,964,775	\$ 103,654	\$ 469,168	\$ 50,537,597	\$ 49,902,751
State sources	10,122,450	-	-	10,122,450	10,202,194
Federal sources	1,958,731	-	-	1,958,731	1,053,028
<b>TOTAL REVENUES</b>	<u>62,045,956</u>	<u>103,654</u>	<u>469,168</u>	<u>62,618,778</u>	<u>61,157,973</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	35,647,933	-	-	35,647,933	33,358,380
Support services	16,955,446	-	-	16,955,446	16,773,091
Operation of noninstructional services	1,138,342	-	-	1,138,342	1,121,479
Capital outlays	217,001	-	14,379,136	14,596,137	23,223,925
Debt service	5,950,012	-	-	5,950,012	6,926,959
<b>TOTAL EXPENDITURES</b>	<u>59,908,734</u>	<u>-</u>	<u>14,379,136</u>	<u>74,287,870</u>	<u>81,403,834</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,137,222</u>	<u>103,654</u>	<u>(13,909,968)</u>	<u>(11,669,092)</u>	<u>(20,245,861)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	700,000	336,684	1,036,684	900,000
Transfers out	(1,027,759)	-	(30,580)	(1,058,339)	(914,575)
Refund of prior year expenditures	336,896	-	-	336,896	215,642
Refund of prior year receipts	(298,075)	-	-	(298,075)	(300,104)
Proceeds from sale of fixed assets	-	-	-	-	3,924,273
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(988,938)</u>	<u>700,000</u>	<u>306,104</u>	<u>17,166</u>	<u>3,825,236</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,148,284	803,654	(13,603,864)	(11,651,926)	(16,420,625)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>6,659,780</u>	<u>6,262,642</u>	<u>15,556,505</u>	<u>28,478,927</u>	<u>44,899,552</u>
<b>FUND BALANCES, END OF YEAR</b>	<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>

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, 2010**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (11,651,926)

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 capital outlays (\$14,602,811) exceeded depreciation (\$1,983,123) in the period.	12,619,688
Loss on sale of fixed assets	(105,689)
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.	(40,553)
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 is the amount by which current issuance costs and bond discounts exceeded net amortization.	2,888,402
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) 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.	38,773
Post-employment benefits	(213,804)
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.	298,075
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>15,149</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 3,848,115</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, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 50,123,468	\$ 50,845,158	\$ 49,964,775	\$ (880,383)
State sources	10,071,234	9,704,906	10,122,450	417,544
Federal sources	397,409	778,921	1,958,731	1,179,810
<b>TOTAL REVENUES</b>	<u>60,592,111</u>	<u>61,328,985</u>	<u>62,045,956</u>	<u>716,971</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	25,026,781	25,296,211	24,763,262	532,949
Special programs	9,961,202	10,407,005	10,060,317	346,688
Vocational programs	347,901	347,901	354,547	(6,646)
Other instructional programs	326,317	343,540	300,089	43,451
Other adult education programs	171,250	171,250	169,718	1,532
<b>Total Instruction</b>	<u>35,833,451</u>	<u>36,565,907</u>	<u>35,647,933</u>	<u>917,974</u>
Support services:				
Pupil personnel services	2,006,526	1,994,526	2,070,903	(76,377)
Instructional staff services	1,609,299	1,610,517	1,683,119	(72,602)
Administrative services	2,879,578	2,879,833	2,856,988	22,845
Pupil health	830,602	830,252	755,445	74,807
Business services	871,424	871,424	866,728	4,696
Operation and maintenance of plant services	4,367,543	4,350,843	4,553,347	(202,504)
Student transportation services	2,782,872	2,793,167	2,899,218	(106,051)
Central and other support services	1,249,990	1,271,690	1,221,586	50,104
Other support services	47,002	47,002	48,112	(1,110)
<b>Total Support Services</b>	<u>16,644,836</u>	<u>16,649,254</u>	<u>16,955,446</u>	<u>(306,192)</u>
Operation of noninstructional activities:				
Student activities	1,243,602	1,243,602	1,138,342	105,260
Community services	250	250	-	250
<b>Total Operation of Noninstructional Services</b>	<u>1,243,852</u>	<u>1,243,852</u>	<u>1,138,342</u>	<u>105,510</u>
Capital outlays	215,000	215,000	217,001	(2,001)
Debt service	6,854,972	6,854,972	5,950,012	904,960
<b>TOTAL EXPENDITURES</b>	<u>60,792,111</u>	<u>61,528,985</u>	<u>59,908,734</u>	<u>1,620,251</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>2,137,222</u>	<u>2,337,222</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,000)	(15,000)	(1,027,759)	(1,012,759)
Refund of prior year expenditures	-	-	336,896	336,896
Refund of prior year receipts	-	-	(298,075)	(298,075)
Budgetary reserve	(800,000)	(800,000)	-	800,000
<b>TOTAL OTHER FINANCING USES</b>	<u>(815,000)</u>	<u>(815,000)</u>	<u>(988,938)</u>	<u>(173,938)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,015,000)	(1,015,000)	1,148,284	2,163,284
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,659,780</u>	<u>6,659,780</u>	<u>6,659,780</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 5,644,780</u>	<u>\$ 5,644,780</u>	<u>\$ 7,808,064</u>	<u>\$ 2,163,284</u>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2010**  
**(With Comparative Data for June 30, 2009)**

	Major Fund	
	Food Service Fund	
	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 138,550	\$ 61,141
Other receivables	2,621	2,621
Due from other funds	-	1,098
Due from other governments	41,345	34,517
Total Current Assets	<u>182,516</u>	<u>99,377</u>
<b>CAPITAL ASSETS:</b>		
Furniture and equipment	495,392	536,795
Accumulated depreciation	<u>(336,083)</u>	<u>(338,723)</u>
Capital Assets, Net	<u>159,309</u>	<u>198,072</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 341,825</u></u>	<u><u>\$ 297,449</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 96,052	\$ 84,214
Deferred revenue	25,201	16,505
Due to other funds	42,083	-
Total Current Liabilities	<u>163,336</u>	<u>100,719</u>
<b>NET ASSETS:</b>		
Invested in net assets, net of related debt	159,309	198,072
Unrestricted	19,180	(1,342)
Total Net Assets	<u>178,489</u>	<u>196,730</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 341,825</u></u>	<u><u>\$ 297,449</u></u>

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, 2010**  
**(With Comparative Data for the Year Ended June 30, 2009)**

	Major Fund	
	Food Service Fund	
	2009	2008
<b>OPERATING REVENUES</b>		
Food service revenues	\$ 853,644	\$ 882,819
Total Operating Revenues	<u>853,644</u>	<u>882,819</u>
<b>OPERATING EXPENSES</b>		
Contract services	513,442	515,625
Supplies	556,351	616,535
Depreciation	27,548	29,672
Other operating expenses	49,777	36,776
Total Operating Expenses	<u>1,147,118</u>	<u>1,198,608</u>
<b>OPERATING LOSS</b>	<u>(293,474)</u>	<u>(315,789)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Loss on asset disposal	(11,215)	-
State sources	25,801	25,551
Federal sources	238,992	247,292
Total Nonoperating Revenues	<u>253,578</u>	<u>272,843</u>
<b>LOSS BEFORE TRANSFERS</b>	(39,896)	(42,946)
Transfers in	<u>21,655</u>	<u>14,575</u>
<b>CHANGE IN NET ASSETS</b>	(18,241)	(28,371)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>196,730</u>	<u>225,101</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 178,489</u>	<u>\$ 196,730</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, 2010  
(With Comparative Data for the Year Ended June 30, 2009)**

	Major Fund	
	Food Service Fund	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 862,340	\$ 891,496
Payments for contract services	(513,442)	(515,625)
Payments to suppliers	(459,622)	(549,976)
Payments for other operating expenses	(49,777)	(36,776)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(160,501)</b>	<b>(210,881)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State sources	25,367	25,263
Federal sources	190,888	167,576
Transfer from general fund	21,655	14,575
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>237,910</b>	<b>207,414</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Facilities acquisitions/construction/improvements	-	(5,212)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>(5,212)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>77,409</b>	<b>(8,679)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>61,141</b>	<b>69,820</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 138,550</b>	<b>\$ 61,141</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (293,474)	\$ (315,789)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	27,548	29,672
Donated commodities	41,710	72,438
(Increase) decrease in:		
Other receivables	-	(2,621)
Inventories	-	15,985
Due from other funds	1,098	(1,098)
Increase (decrease) in:		
Accounts payable	11,838	(11,698)
Deferred revenue	8,696	11,298
Due to other funds	42,083	(9,068)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (160,501)</b>	<b>\$ (210,881)</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>		
USDA donated commodities	\$ 41,710	\$ 72,438

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
JUNE 30, 2010**

	Private - Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,447	\$ 82,672
Due from other funds	1,042	17,910
<b>TOTAL ASSETS</b>	<b>\$ 70,489</b>	<b>\$ 100,582</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 100,582
Total Liabilities	-	100,582
 <b>NET ASSETS:</b>		
Reserved for trust	70,489	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 70,489</b>	<b>\$ 100,582</b>

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, 2010  
(With Comparative Data for the Year Ended June 30, 2009)**

	Private-Purpose Trust	
	2010	2009
ADDITIONS		
Local contributions	\$ 2,181	\$ 3,076
TOTAL ADDITIONS	<u>2,181</u>	<u>3,076</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>2,249</u>	<u>5,052</u>
TOTAL DEDUCTIONS	<u>2,249</u>	<u>5,052</u>
CHANGE IN NET ASSETS	(68)	(1,976)
NET ASSETS, BEGINNING OF YEAR	<u>70,557</u>	<u>72,533</u>
NET ASSETS, END OF YEAR	<u>\$ 70,489</u>	<u>\$ 70,557</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 organization 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 2009-2010 was 36.57 mills (\$36.57 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 2009-2010 was 36.98 mills (\$36.98 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

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, 2009, from which the comparative data was derived.

Use of Estimates in the Preparation of Financial Statements

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

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

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

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2010:

Vocational programs	\$	6,646
Pupil personnel services	\$	76,377
Instructional staff services	\$	72,602
Operation and maintenance	\$	202,504
Student transportation services	\$	106,051
Other support services	\$	1,110
Capital outlay	\$	2,001
Transfers out	\$	1,012,759
Refund of prior year receipts	\$	298,075

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

NOTE 3 DEPOSITS

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2010, the carrying amount of the District's deposits was \$19,338,410 and the bank balance was \$21,343,790. Of the bank balance, \$262,352 was covered by federal depository insurance, and \$484,826 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 of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net 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, 2010, 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, 2010 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	<u>35,543,964</u>	<u>14,376,257</u>	-	<u>49,920,221</u>
Total Capital Assets Not Being Depreciated	<u>35,671,974</u>	<u>14,376,257</u>	-	<u>50,048,231</u>
Capital assets being depreciated:				
Buildings and improvements	54,538,163	34,070	105,689	54,466,544
Furniture and equipment	8,663,030	192,484	15,997	8,839,517
Total Capital Assets Being Depreciated	<u>63,201,193</u>	<u>226,554</u>	<u>121,686</u>	<u>63,306,061</u>
Less accumulated depreciation for:				
Buildings and Improvements	17,567,077	1,519,622	-	19,086,699
Furniture and equipment	6,311,344	463,501	15,997	6,758,848
Total accumulated depreciation	<u>23,878,421</u>	<u>1,983,123</u>	<u>15,997</u>	<u>25,845,547</u>
Total Capital Assets Being Depreciated, Net	<u>39,322,772</u>	<u>(1,756,569)</u>	<u>105,689</u>	<u>37,460,514</u>
Governmental Activities, Net	<u>\$74,994,746</u>	<u>\$12,619,688</u>	<u>\$ 105,689</u>	<u>\$87,508,745</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 536,795	\$ -	\$ 41,403	\$ 495,392
Total Capital Assets Being Depreciated	<u>536,795</u>	<u>-</u>	<u>41,403</u>	<u>495,392</u>
Less accumulated depreciation for:				
Furniture and equipment	338,723	27,548	30,188	336,083
Total accumulated depreciation	<u>338,723</u>	<u>27,548</u>	<u>30,188</u>	<u>336,083</u>
Business-type Activities, Net	<u>\$ 198,072</u>	<u>\$ (27,548)</u>	<u>\$ (11,215)</u>	<u>\$ 159,309</u>

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

Governmental activities:	
Instruction	\$ 1,315,444
Instructional student support	166,404
Administrative and financial support services	184,262
Operation and maintenance of plant services	168,023
Pupil transportation	106,984
Student activities	<u>42,006</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,983,123</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, 2010 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$ 42,083</u>	Food Service	<u>\$ 42,083</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, 2010 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	
Food Service Fund	General Fund	\$ 21,655
Capital Reserve Fund	General Fund	\$ 700,000
Capital Projects Fund	General Fund	\$ 336,684

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2010:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2010</u>
Bonds payable	\$ 77,130,000	\$ -	\$ 2,805,000	\$ 74,325,000
Note payable	2,631,000	-	195,000	2,436,000
Deferred amount on Refunding	(30,518)	-	(17,305)	(13,213)
Bond discounts	(329,786)	-	(28,595)	(301,191)
Accumulated compensated absences/early retirement incentive	<u>1,030,098</u>	<u>-</u>	<u>38,773</u>	<u>991,325</u>
<b>TOTALS</b>	<u>\$ 80,430,794</u>	<u>\$ -</u>	<u>\$ 2,992,873</u>	<u>\$ 77,437,921</u>

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. \$ 10,200,000

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 2009, 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 2009 was used to (1) advance refund the Series of 1997C and to (2) pay the costs of issuing the bonds. 6,420,000

Series of 2009A, 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 2009A was used to (1) advance refund the Series of 2002 and to (2) pay the costs of issuing the bonds. 8,170,000

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 during the year. 39,535,000



WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

*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.

	<u>2,436,000</u>
TOTAL	<u>\$76,761,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2011	\$ 3,118,000	\$ 3,664,330	\$ 6,782,330
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
2016-2020	20,623,000	12,430,275	33,053,275
2021-2025	26,520,000	6,648,488	33,168,488
2026-2027	12,750,000	843,584	13,593,584
	<u>\$ 76,761,000</u>	<u>\$ 36,729,237</u>	<u>\$ 113,490,237</u>

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, 2010, 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 \$4,815,260 as of June 30, 2010.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DERIVATION INSTRUMENTS (cont'd)

The terms, market value and RBC credit ratings of the Swap as of June 30, 2010 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%	\$(4,815,620)	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.
- **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.

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Funding Policy

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.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 6.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2010, the rate of employer contribution was 4.78 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2008, 2009 and 2010 were \$1,959,337, \$1,372,993 and \$1,458,376, 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 ("DCV TSA"). The DCV TSA is governed by seven members. Each member must be a citizen of a school district where the DCV TSA leases a project. The DCV TSA 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 DCV TSA 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 DCV TSA 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.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 JOINT VENTURES (cont'd)

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>	<u>DCVISA</u>
2011	\$ 32,721	\$ 44,183
2012	30,425	44,049
2013	28,092	43,876
2014	29,148	-
2015	29,180	-
2015-2018	396,737	-
Total	546,303	132,108
Less: Interest requirements	(179,754)	(7,722)
Outstanding rental payments	<u>\$ 366,549</u>	<u>\$ 124,386</u>

NOTE 11 OPERATING LEASES

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

<u>Year Ending June 30,</u>	
2011	\$ 337,691
2012	192,197
2013	<u>53,812</u>
Total	<u>\$ 583,700</u>

Rental expenditures were \$878,574 for the year ended June 30, 2010.

NOTE 12 SPECIAL TERMINATION BENEFITS

In prior years, the District has offered an Early Retirement Incentive Plan ("ERIP") to qualified employees contemplating retirement. Special termination benefits are formally approved by School Board action in the year the ERIP was implemented.

In order for an employee to retire and participate in a District-sponsored ERIP, the District must first decide whether or not to offer a special termination plan in the year the employee is retiring; the retiring employee must meet certain age and District service year requirements; a specified minimum number of employees must opt into the ERIP; and the retiring employee must be eligible to receive other pension benefits provided through the PSERS, described in Note 9. The District's various ERIP plans can provide for the payment of specific annuity amounts to the participating retiree; the payment of specified dollar amounts to be applied toward participating retiree healthcare premiums; or the payment of both a specified annuity amount and a healthcare premium amount for a limited number of years. The number of participants and the present value of those benefits as of June 30, 2010 are summarized below.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SPECIAL TERMINATION BENEFITS (cont'd)

<u>ERIP Began</u>	<u>Participants</u>	<u>Total</u>	<u>Annuity</u>
July 1, 2006	14	\$ 126,000	\$ 126,000

During the year ended June 30, 2010, the cost of these benefits was \$142,097.

NOTE 13 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. Retirees paid 100 percent of the group premium, or \$330,709, in fiscal 2010.

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 13 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Annual required contribution	\$ 367,491
Interest on net OPEB obligation	10,395
Adjustment to annual required contribution	<u>(14,181)</u>
Annual OPEB cost (expense)	363,705
Contributions made	<u>(149,899)</u>
Increase in net OPEB obligation	213,804
Net OPEB obligation - beginning of year	<u>231,007</u>
Net OPEB obligation - end of year	<u>\$ 444,811</u>

Funded Status and Funding Progress

As of February 1, 2009, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$2,701,580, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,701,580. The covered payroll (annual payroll of active employees covered by the plan) was \$26,566,272, and the ratio of the UAAL to the covered payroll was 10.17 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, 2009 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 8.5 percent in 2009, 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, 2010 was 28 years.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 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.

A claim has been adjudicated against the District. This claim arose from taxpayers who claimed that there was an illegal change in the assessment of properties within the District in 1969. The District's exposure in the case is \$1,800,000, to be paid over six years with the majority of this obligation to take the form of tax credits and some in the form of refunds. As of June 30, 2010, the District was still liable for \$82,490, which has been reported as a liability in the statement of net assets.

NOTE 15 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 2009-2010 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 COMMITMENTS

Construction commitments for the Strath Haven Middle School projects are as follows::

Item / Description	Contractor Name	Contract Amount	Completed to June 30, 2010	Commitments
<b>Strath Haven Middle School -</b>				
<b>New building</b>				
General contractor	E. R. Stuebner, Inc.	\$16,276,047	\$ 16,074,884	\$ 201,163
Architect	Agoos/Lovera Architects	3,010,262	3,010,262	-
Track contractor	Atlas Track & Tennis	548,316	548,316	-
Asbestos abatement	Controlled Environmental Systems	414,820	414,820	-
Construction manager	Reynolds Construction Mgmt	1,575,125	1,520,679	54,446
Sitework contractor	Blue Rock Construction, Inc.	5,264,026	4,932,659	331,367

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 COMMITMENTS (cont'd)

<u>Item / Description</u>	<u>Contractor Name</u>	<u>Contract Amount</u>	<u>Completed to June 30, 2010</u>	<u>Commitments</u>
<b>Strath Haven Middle School -</b>				
<b>New building</b>				
Masonry contractor	Connelly Construction Corp.	2,940,396	2,877,879	62,517
Steel contractor	Cherry Steel Corporation	1,396,250	1,396,250	-
Roofing contractor	P&C Roofing, Inc.	1,109,206	1,108,736	470
Food service contractor	Ashland Equipment	471,605	471,605	-
Plumbing contractor	Guy M. Cooper, Inc.	2,127,886	2,116,151	11,735
Fire protection contractor	Apex Plumbing & Heating, Inc.	531,160	529,906	1,254
HVAC contractor	Worth & Company	6,499,700	6,498,403	1,297
Electrical contractor	J.R. Metzger, Inc.	4,983,359	4,944,629	38,730
TAB contractor	Butler Balancing Company, Inc.	80,000	69,358	10,642
TOTAL		<u>\$47,228,158</u>	<u>\$ 46,514,537</u>	<u>\$ 713,621</u>

In addition, there were \$3,405,684 in other soft costs associated with the construction projects, for which there were no specific contract amounts.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through November 15, 2010, the date the financial statements were available to be issued.



**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**

November 15, 2010

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, 2010, and have issued our report thereon dated November 15, 2010. 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 combination of deficiencies, in internal control over 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. However, we noted other matters involving the internal control over financial reporting which we have reported to management of Wallingford-Swarthmore School District in a separate letter dated November 15, 2010.

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 November 15, 2010.

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 APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

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November 15, 2010

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 U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. 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, "Audits of States, Local Governments and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wallingford-Swarthmore School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wallingford-Swarthmore School District's compliance with those requirements.

In our opinion, Wallingford-Swarthmore School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027 and 84.391</u>	<u>IDEA &amp; ARRA - IDEA</u>
<u>84.394</u>	<u>ARRA - Fiscal Stabilization Fund - Basic Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:                    \$300,000

Auditee qualified as low-risk auditee?                           Yes                      X   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, 2010**

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 07/01/2009	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2010
<b>U.S. Department of Education</b>										
<b>Passed through PA Department of Education</b>										
Title I Mini-Grant	I	84.010	077-09-0458-A	07/01/08-09/30/09	\$ 500	\$ 200	\$ 200	\$ -	\$ -	\$ -
Title I - Academic Achievement	I	84.010	077-09-0458A	07/01/08-09/30/09	1,000	600	347	253	253	-
Title I - Academic Achievement	I	84.010	077-10-0458A	07/01/09-09/30/10	5,000	1,000	-	1,738	1,738	738
Title I	I	84.010	013-08-0458	07/01/07-09/30/08	149,674	9,974	-	9,974	9,974	-
Title I	I	84.010	013-09-0458	07/01/08-09/30/09	132,609	26,543	19,592	6,951	6,951	-
Title I	I	84.010	013-10-0458	07/01/09-09/30/10	129,290	95,460	-	102,717	102,717	7,257
Title II - Improving Teacher Quality	I	85.281	020-09-0458	07/01/08-09/30/09	80,150	32,060	22,075	9,985	9,985	-
Title II - Improving Teacher Quality	I	85.281	020-10-0458	07/01/09-09/30/10	80,180	64,144	-	56,404	56,404	(7,740)
Drug Free Schools	I	84.186	100-08-0458	07/01/07-09/30/08	8,587	1,520	1,520	-	-	-
Drug Free Schools	I	84.186	100-09-0458	07/01/08-09/30/09	7,550	3,879	1,829	2,050	2,050	-
Drug Free Schools	I	84.186	100-10-0458	07/01/09-09/30/10	7,223	1,970	-	1,813	1,813	(157)
ARRA - Fiscal Stabilization Fund - Basic Education	I	84.394	126-100458	07/01/09-06/30/10	369,289	215,419	-	369,289	369,289	153,870
<b>Subgrant from U.S. Department of Education</b>										
<b>Passed through Delaware County I.U.</b>										
I.D.E.A.	I	84.027	062-09-0025	07/01/08-06/30/09	582,108	161,852	161,852	-	-	-
I.D.E.A.	I	84.027	062-10-0025	07/01/09-06/30/10	556,719	509,779	-	556,719	556,719	46,940
ARRA - I.D.E.A.	I	84.391	062-10-0025	07/01/09-06/30/10	721,690	721,690	-	721,690	721,690	-
<b>Total U.S. Department of Education</b>						<b>1,846,090</b>	<b>207,415</b>	<b>1,839,583</b>	<b>1,839,583</b>	<b>200,908</b>
<b>U.S. Department of Agriculture</b>										
<b>Passed through PA Department of Agriculture</b>										
Value of USDA Commodities	I	10.550	N/A	07/01/03-06/30/08	N/A	41,710 a)	- b)	41,710 c)	41,710	- d)
<b>U.S. Department of Agriculture</b>										
<b>Passed through PA Department of Education</b>										
National School Lunch Program	I	10.555	N/A	07/01/08-06/30/09	N/A	22,660	22,660	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/09-06/30/10	N/A	120,797	-	148,237	148,237	27,440
Breakfast Program	I	10.553	N/A	07/01/08-06/30/09	N/A	4,145	4,145	-	-	-
Breakfast Program	I	10.553	N/A	07/01/09-06/30/10	N/A	17,601	-	21,997	21,997	4,396
Child and Adult Care Food Program	I	10.558	N/A	07/01/08-06/30/09	N/A	1,761	2,800	-	-	1,039
Child and Adult Care Food Program	I	10.558	N/A	07/01/09-06/30/10	N/A	20,423	-	23,458	23,458	3,035
State Matching Share	S	N/A	N/A	07/01/08-06/30/09	N/A	4,371	4,371	-	-	-
State Matching Share	S	N/A	N/A	07/01/09-06/30/10	N/A	20,996	-	25,801	25,801	4,805
Milk Program	I	10.556	N/A	07/01/08-06/30/09	N/A	541	541	-	-	-
Milk Program	I	10.556	N/A	07/01/09-06/30/10	N/A	2,960	-	3,590	3,590	630
<b>Total U.S. Department of Agriculture</b>						<b>257,965</b>	<b>34,517</b>	<b>264,793</b>	<b>264,793</b>	<b>41,345</b>
<b>TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS</b>						<b>\$2,104,055</b>	<b>\$241,932</b>	<b>\$ 2,104,376</b>	<b>\$ 2,104,376</b>	<b>\$242,253</b>

**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 2009-2010 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, 2010 was \$119,148.