

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2015*



Expertise Beyond The Numbers®

Certified Public Accountants and Business Consultants

# **INTRODUCTORY SECTION**

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**YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Haverford Township as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District of Haverford Township's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

### ***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 the School District of Haverford Township as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note P to the financial statements, the June 30, 2014 financial statements of the capital projects fund and the proprietary food service fund have been restated to record items in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note P to the financial statements, for the year ended June 30, 2015, the School District of Haverford Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11, budgetary comparison information on pages 51 and 52, schedule of the school district's proportionate share of the net pension liability on page 53, schedule of school district contributions on page 54 and postemployment benefits other than pension funding progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2015, on our consideration of the School District of Haverford Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District of Haverford Township's internal control over financial reporting and compliance.

*Maillie LLP*

Oaks, Pennsylvania  
December 2, 2015



# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

### YEAR ENDED JUNE 30, 2015

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The School District of Haverford Township has prepared the following discussion and analysis to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

#### HIGHLIGHTS

In 2014-2015, school districts were required to include the district's proportionate share of the state's pension liability (PSERS) in the statement of net position. The state pension liability attributable to the district was \$148,547,000.

The District's total net position decreased by \$836,935 to a total of (\$137,247,610). The governmental net position decreased by \$799,158, and the business-type net position decreased by \$37,777. State subsidies and federal grants accounted for \$17,684,947 or 16.9% of total District revenues. State revenues include \$2,104,036 of pass through funds from the property tax relief program which reduces local tax effort by providing taxpayers a credit, funded from state gaming fund proceeds, towards real estate tax assessments. The decrease in net position was primarily attributable to the use of \$785,000 in capital project funds for elementary bathroom renovations.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all the assets and liabilities of the District (except for Fiduciary Funds held in trust for student purposes) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other financial factors such as the District's property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at a conclusion regarding the overall health of the District.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental Activities:** All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The School District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation. The food service function is also subsidized through state and federal subsidies.

#### FUND LEVEL FINANCIAL STATEMENTS

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The Governmental Funds statements tell how the School District's general 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 School District operates like a business, our Food Service Fund.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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Fiduciary Funds statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds**: Most of the District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the District's operations and the services it provides.
- **Proprietary Fund**: The Food Service Fund is the District's Proprietary Fund and is the same as the business-type activities that are reported in the government-wide statements.
- **Fiduciary Funds**: The School District is the trustee, or fiduciary, for some funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's other financial statements because these assets cannot be used to finance District operations.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

**GOVERNMENT-WIDE STATEMENTS**

**Statements of Net Position**

The following table reflects the condensed statements of net position.

**Table 1**  
**Condensed Statements of Net Position**  
**June 30, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>						
Current and other assets	\$ 24,275,138	\$ 249,831	\$ 24,524,969	\$ 18,735,483	\$ 229,591	\$ 18,965,074
Capital assets	131,585,008	186,670	131,771,678	134,881,081	211,835	135,092,916
<b>TOTAL ASSETS</b>	<b>155,860,146</b>	<b>436,501</b>	<b>156,296,647</b>	<b>153,616,564</b>	<b>441,426</b>	<b>154,057,990</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charges on refunding, net	651,940	-	651,940	-	-	-
Deferred outflows of resources, pension activity	10,764,000	144,000	10,908,000	-	-	-
Interest hedge swap	6,252,268	-	6,252,268	5,086,605	-	5,086,605
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,668,208</b>	<b>144,000</b>	<b>17,812,208</b>	<b>5,086,605</b>	<b>-</b>	<b>5,086,605</b>
<b>LIABILITIES</b>						
Current and other liabilities	14,891,617	165,770	15,057,387	9,699,210	131,556	9,830,766
Long-term liabilities	283,719,078	1,961,000	285,680,078	140,524,932	-	140,524,932
<b>TOTAL LIABILITIES</b>	<b>298,610,695</b>	<b>2,126,770</b>	<b>300,737,465</b>	<b>150,224,142</b>	<b>131,556</b>	<b>150,355,698</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources, pension activity	10,479,000	140,000	10,619,000	-	-	-
<b>NET POSITION</b>						
Net investment in capital assets	5,147,888	186,670	5,334,558	3,766,286	211,835	3,978,121
Unrestricted	(140,709,229)	(1,872,939)	(142,582,168)	4,712,741	98,035	4,810,776
<b>TOTAL NET POSITION</b>	<b>\$ (135,561,341)</b>	<b>\$ (1,686,269)</b>	<b>\$ (137,247,610)</b>	<b>\$ 8,479,027</b>	<b>\$ 309,870</b>	<b>\$ 8,788,897</b>

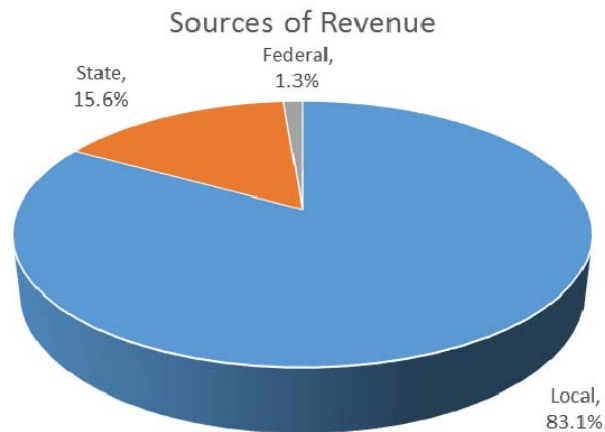
**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

**Statements of Activities**

**Table 2**  
**Condensed Statements of Changes in Net Position**  
**Years Ended June 30, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
<b>REVENUES</b>						
Program revenues	\$ 12,800,119	\$ 1,828,948	\$ 14,629,067	\$ 10,716,594	\$ 1,815,876	\$ 12,532,470
General revenues						
Property taxes	84,835,463	-	84,835,463	81,432,376	-	81,432,376
Other taxes	1,410,084	-	1,410,084	1,327,251	-	1,327,251
Grants, subsidies and contributions not restricted to specific programs	5,089,543	-	5,089,543	5,103,785	-	5,103,785
Rentals	141,455	-	141,455	140,859	-	140,859
Investment earnings	52,097	88	52,185	67,833	127	67,960
Miscellaneous	31,773	-	31,773	11,245	-	11,245
<b>TOTAL REVENUES</b>	<b>104,360,534</b>	<b>1,829,036</b>	<b>106,189,570</b>	<b>98,799,943</b>	<b>1,816,003</b>	<b>100,615,946</b>
<b>EXPENSES</b>						
Instruction	67,519,231	-	67,519,231	60,489,179	-	60,489,179
Instructional student support	13,585,301	-	13,585,301	12,227,904	-	12,227,904
Administration and finance	4,913,647	-	4,913,647	4,989,741	-	4,989,741
Operation and maintenance of plant services	8,597,205	-	8,597,205	8,167,525	-	8,167,525
Pupil transportation	4,655,686	-	4,655,686	4,062,678	-	4,062,678
Student activities	1,274,031	-	1,274,031	1,201,302	-	1,201,302
Community services	211,923	-	211,923	206,845	-	206,845
Interest on long-term debt	4,402,668	-	4,402,668	6,238,510	-	6,238,510
Food service	-	1,866,813	1,866,813	-	1,916,852	1,916,852
<b>TOTAL EXPENSES</b>	<b>105,159,692</b>	<b>1,866,813</b>	<b>107,026,505</b>	<b>97,583,684</b>	<b>1,916,852</b>	<b>99,500,536</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (799,158)</b>	<b>\$ (37,777)</b>	<b>\$ (836,935)</b>	<b>\$ 1,216,259</b>	<b>\$ (100,849)</b>	<b>\$ 1,115,410</b>

The District's reliance upon local tax revenues is demonstrated by the graph below:



**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**THE DISTRICT FUNDS**

**Governmental Funds**

As of year-end, the Governmental Funds reported a combined fund balance of \$8,767,021, which compares to a prior year balance of \$8,176,691. The increase of \$590,330 was attributable to a reduction in the Capital Project Fund balance of \$782,139 and a \$1,372,469 fund balance increase in the General Fund. The General Fund unassigned fund balance is \$8,288,338 compared to \$7,019,946 in 2014. The increase in unassigned fund balance was attributable to real tax gains of approximately \$975,000 resulting from commercial property development and transfer taxes and improved cost containment in instructional and support services.

Several of the Governmental Funds are capital expenditure oriented and, therefore, may reflect capital expenditures (which are reflected in the current financial resource-based fund financial statements) as a spending of a portion of available net position. The General Fund experienced a \$1,372,469 net increase in fund balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary Fund capital assets are also reported in their fund financial statements.

For the year ended 2015, the District had \$131,585,008 in capital assets, less depreciation. The additions and retirement, less depreciation, were (\$3,296,073) and construction in progress was \$0. For the year ended 2015, food service had \$186,670 in capital assets, less depreciation. More detailed information about capital assets can be found in Note F to the financial statements.

**Debt Administration**

In the government-wide statements, outstanding debt is reported as liabilities.

For the year ended 2015, the District had \$124,403,000 in general obligation bonds and notes, of which \$5,590,000 is due within one year. Additional information on the District's bonds and notes payable can be found in Note I to the basic financial statements.

**FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS**

Act 1 of 2006 legislation, effective June 27, 2006, limits District real estate tax increases to a State mandated index which was 2.1% for 2014-2015. In 2011, Act 25 eliminated six allowable referendum exceptions. The remaining exceptions provide for tax increases above the index for school construction, special education expenditures and retirement contributions if certain conditions are met.

The District's property tax base increased 1.9% in 2014-2015 which was due primarily to commercial development. State gaming revenues provided tax relief to District taxpayers in 2014-2015 with an average reduction of \$169.94 per approved homesteaded property.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information, please contact the Business Office at 50 East Eagle Road, Havertown, PA 19083-3729.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP****STATEMENT OF NET POSITION**

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,422,704	\$ 48,953	\$ 19,471,657
Taxes receivable	1,891,652	-	1,891,652
Internal balances	(59,367)	59,367	-
Due from other governments	2,298,983	87,565	2,386,548
Other receivables	576,835	880	577,715
Inventories	-	53,066	53,066
Prepaid expenses	144,331	-	144,331
Capital assets			
Land and land improvements	2,950,289	-	2,950,289
Buildings and building improvements	182,103,908	-	182,103,908
Furniture, equipment and vehicles	14,166,215	889,688	15,055,903
Accumulated depreciation	(67,635,404)	(703,018)	(68,338,422)
TOTAL ASSETS	<u>155,860,146</u>	<u>436,501</u>	<u>156,296,647</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding, net	651,940	-	651,940
Deferred outflows of resources, pension activity	10,764,000	144,000	10,908,000
Interest hedge swap	6,252,268	-	6,252,268
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>17,668,208</u>	<u>144,000</u>	<u>17,812,208</u>
<b>LIABILITIES</b>			
Accounts payable	4,781,560	78,370	4,859,930
Accrued salaries and benefits	9,304,038	55,550	9,359,588
Accrued interest	797,725	-	797,725
Unearned revenue	8,294	31,850	40,144
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	5,590,000	-	5,590,000
Capital leases payable	571,977	-	571,977
Portion due or payable after one year			
Bonds and notes payable	122,143,016	-	122,143,016
Capital leases payable	937,552	-	937,552
Compensated absences	1,318,675	-	1,318,675
Interest hedge swap	6,252,268	-	6,252,268
Net pension liability	146,586,000	1,961,000	148,547,000
Net OPEB obligation	319,590	-	319,590
TOTAL LIABILITIES	<u>298,610,695</u>	<u>2,126,770</u>	<u>300,737,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	10,479,000	140,000	10,619,000
<b>NET POSITION</b>			
Net investment in capital assets	5,147,888	186,670	5,334,558
Unrestricted	(140,709,229)	(1,872,939)	(142,582,168)
TOTAL NET POSITION	<u>\$ (135,561,341)</u>	<u>\$ (1,686,269)</u>	<u>\$ (137,247,610)</u>

*See accompanying notes to the basic financial statements.*

# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 43,750,622	\$ 154,292	\$ 3,954,447	\$ -
Special programs	21,519,752	-	4,152,534	-
Vocational education programs	258,042	-	-	-
Other instructional programs	645,634	-	189,759	-
Nonpublic school programs	23,275	-	-	-
Higher education programs	1,321,906	-	-	-
Support services				
Pupil personnel services	5,198,405	-	987,050	-
Instructional staff services	3,809,703	-	376,912	-
Administration services	4,913,647	-	386,157	-
Pupil health services	2,215,733	-	284,215	-
Business services	947,783	-	68,208	-
Operation and maintenance of plant services	8,597,205	-	476,838	-
Student transportation services	4,655,686	-	1,546,674	-
Central services	1,289,044	-	82,126	-
Other services	124,633	-	-	-
Operation of non-instructional services				
Student activities	1,274,031	-	99,486	-
Community services	211,923	-	-	-
Interest on long-term debt	4,402,668	-	-	41,421
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>105,159,692</b>	<b>154,292</b>	<b>12,604,406</b>	<b>41,421</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	1,866,813	1,340,708	488,240	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,866,813</b>	<b>1,340,708</b>	<b>488,240</b>	<b>-</b>
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 107,026,505</b>	<b>\$ 1,495,000</b>	<b>\$ 13,092,646</b>	<b>\$ 41,421</b>

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Public utility taxes

Real estate transfer taxes

Grants and contributions not restricted to specific programs

Rentals

Investment earnings

Miscellaneous

#### TOTAL GENERAL REVENUES

#### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.



Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (39,641,883)	\$ -	\$ (39,641,883)
(17,367,218)	-	(17,367,218)
(258,042)	-	(258,042)
(455,875)	-	(455,875)
(23,275)	-	(23,275)
(1,321,906)	-	(1,321,906)
(4,211,355)	-	(4,211,355)
(3,432,791)	-	(3,432,791)
(4,527,490)	-	(4,527,490)
(1,931,518)	-	(1,931,518)
(879,575)	-	(879,575)
(8,120,367)	-	(8,120,367)
(3,109,012)	-	(3,109,012)
(1,206,918)	-	(1,206,918)
(124,633)	-	(124,633)
(1,174,545)	-	(1,174,545)
(211,923)	-	(211,923)
(4,361,247)	-	(4,361,247)
(92,359,573)	-	(92,359,573)
-	(37,865)	(37,865)
	(37,865)	(37,865)
(92,359,573)	(37,865)	(92,397,438)
84,835,463	-	84,835,463
99,253	-	99,253
1,310,831	-	1,310,831
5,089,543	-	5,089,543
141,455	-	141,455
52,097	88	52,185
31,773	-	31,773
91,560,415	88	91,560,503
(799,158)	(37,777)	(836,935)
(134,762,183)	(1,648,492)	(136,410,675)
\$ (135,561,341)	\$ (1,686,269)	\$ (137,247,610)

# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,778,749	\$ 643,955	\$ 19,422,704
Taxes receivable	477,427	-	477,427
Due from other governments	2,298,983	-	2,298,983
Other receivables	576,835	-	576,835
Prepaid items	144,331	-	144,331
	<u>144,331</u>	<u>-</u>	<u>144,331</u>
TOTAL ASSETS	<u>\$ 22,276,325</u>	<u>\$ 643,955</u>	<u>\$ 22,920,280</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,465,887	\$ 309,603	\$ 4,775,490
Due to other funds	59,367	-	59,367
Unearned revenue	8,294	-	8,294
Accrued salaries and benefits	9,304,038	-	9,304,038
Refundable deposit for building use	6,070	-	6,070
	<u>6,070</u>	<u>-</u>	<u>6,070</u>
TOTAL LIABILITIES	<u>13,843,656</u>	<u>309,603</u>	<u>14,153,259</u>
<b>FUND BALANCES</b>			
Nonspendable, prepaid items	144,331	-	144,331
Assigned to capital projects	-	334,352	334,352
Unassigned	8,288,338	-	8,288,338
	<u>8,288,338</u>	<u>-</u>	<u>8,288,338</u>
TOTAL FUND BALANCES	<u>8,432,669</u>	<u>334,352</u>	<u>8,767,021</u>
	<u>8,432,669</u>	<u>334,352</u>	<u>8,767,021</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,276,325</u>	<u>\$ 643,955</u>	<u>\$ 22,920,280</u>

See accompanying notes to the basic financial statements.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2015**

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 8,767,021
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land and land improvements	2,950,289
Buildings and building improvements	182,103,908
Furniture, equipment and vehicles	14,166,215
Accumulated depreciation	(67,635,404)
<p>Deferred charges on refunding in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
	651,940
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	285,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(797,725)
Bonds and notes payable	(127,733,016)
Capital leases payable	(1,509,529)
Compensated absences	(1,318,675)
Net pension liability	(146,586,000)
Net OPEB obligation	(319,590)
<p>Some of the School 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.</p>	
	<u>1,414,225</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (135,561,341)</u>

*See accompanying notes to the basic financial statements.*

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources	\$ 86,828,149	\$ 2,960	\$ 86,831,109
State sources	16,270,449	-	16,270,449
Federal sources	1,414,498	-	1,414,498
	<u>104,513,096</u>	<u>2,960</u>	<u>104,516,056</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Instruction	62,229,929	-	62,229,929
Support services	29,829,970	-	29,829,970
Operation of non-instructional services	1,376,921	-	1,376,921
Capital			
Facilities acquisition, construction and improvement services	1,017,253	785,099	1,802,352
Refund of prior year revenues	4,080	-	4,080
Debt service			
Debt service cost	329,993	228,553	558,546
Principal	4,610,000	-	4,610,000
Interest	4,759,734	-	4,759,734
	<u>104,157,880</u>	<u>1,013,652</u>	<u>105,171,532</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>355,216</u>	<u>(1,010,692)</u>	<u>(655,476)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	17,780,000	17,780,000
Premium on refunding bonds issued	-	2,602,590	2,602,590
Payment to refunded bond escrow agent	-	(20,154,037)	(20,154,037)
Proceeds from capital leases	1,017,253	-	1,017,253
	<u>1,017,253</u>	<u>228,553</u>	<u>1,245,806</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	1,372,469	(782,139)	590,330
<b>FUND BALANCES AT BEGINNING OF YEAR, restated</b>			
	<u>7,060,200</u>	<u>1,116,491</u>	<u>8,176,691</u>
<b>FUND BALANCES AT END OF YEAR</b>			
	<u>\$ 8,432,669</u>	<u>\$ 334,352</u>	<u>\$ 8,767,021</u>

*See accompanying notes to the basic financial statements.*

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD	\$ <u>590,330</u>
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	(4,313,326)
<p>Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unavailable tax revenues increased by this amount this year.</p>	(155,522)
<p>Issuance of bonds and notes is a revenue in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net position. Repayment of bonds, notes and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.</p>	5,755,183
<p>In the statement of activities, certain operating expenses--compensated absences (vacations and sick time) and special termination benefits (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).</p>	477,254
<p>The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	<u>(5,727)</u>
SUBTOTAL ADJUSTMENTS FORWARD	\$ <u>1,757,862</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 590,330
SUBTOTAL ADJUSTMENTS FORWARDED	1,757,862
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Accrued interest not reflected in Governmental Funds	46,650
Pension plan expense	<u>(3,194,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (799,158)</u>

*See accompanying notes to the basic financial statements.*

# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

JUNE 30, 2015

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 48,953
Due from other funds	59,367
Due from other governments	87,565
Other receivables	880
Inventories	<u>53,066</u>
TOTAL CURRENT ASSETS	<u>249,831</u>
CAPITAL ASSETS	
Furniture and equipment	889,688
Accumulated depreciation	<u>(703,018)</u>
TOTAL CAPITAL ASSETS	<u>186,670</u>
TOTAL ASSETS	<u>436,501</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension activity	<u>144,000</u>
LIABILITIES	
Accounts payable	78,370
Accrued salaries and benefits	55,550
Unearned revenue	31,850
Long-term liabilities	
Net pension liability	<u>1,961,000</u>
TOTAL LIABILITIES	<u>2,126,770</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension activity	<u>140,000</u>
NET POSITION	
Net investment in capital assets	186,670
Unrestricted	<u>(1,872,939)</u>
TOTAL NET POSITION	<u>\$ (1,686,269)</u>

See accompanying notes to the basic financial statements.

# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND YEAR ENDED JUNE 30, 2015

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	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Daily sales	\$ 837,223
Catering, vending and other	<u>503,485</u>
TOTAL OPERATING REVENUES	<u>1,340,708</u>
OPERATING EXPENSES	
Cost of sales	731,948
Salaries	704,087
Employee benefits and payroll taxes	378,426
Purchased property services	19,479
Office supplies	1,318
Depreciation	29,358
Other operating expenses	<u>2,197</u>
TOTAL OPERATING EXPENSES	<u>1,866,813</u>
OPERATING LOSS	<u>(526,105)</u>
NONOPERATING REVENUES	
Interest and investment revenue	88
State subsidies	128,839
Federal subsidies	<u>359,401</u>
TOTAL NONOPERATING REVENUES	<u>488,328</u>
CHANGE IN NET POSITION	(37,777)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(1,648,492)</u>
NET POSITION AT END OF YEAR	<u>\$ (1,686,269)</u>

*See accompanying notes to the basic financial statements.*



# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

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	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,340,774
Payments to employees	(1,029,996)
Payments to suppliers	(739,252)
NET CASH USED BY OPERATING ACTIVITIES	<u>(428,474)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Facility acquisition, construction and improvements	<u>(4,194)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	230,928
State sources	<u>121,373</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>352,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>88</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(80,279)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>129,232</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 48,953</u>

# SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

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	<u>Enterprise Fund Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (526,105)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	29,358
Pension expense	43,000
Donated foods	70,014
Increase in	
Due from other funds	(16,435)
Other receivables	(880)
Inventories	(17,279)
Increase (decrease) in	
Accounts payable	(17,985)
Accrued salaries and benefits	6,892
Unearned revenue	946
	<u>                    </u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(428,474)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 70,014

See accompanying notes to the basic financial statements.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

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	<u>Scholarship and Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 15,067	\$ 576,781
Due from other funds	<u>132,687</u>	<u>-</u>
TOTAL ASSETS	<u>147,754</u>	<u>\$ 576,781</u>
LIABILITIES		
Due to other funds	-	\$ 132,687
Due to student organizations	<u>-</u>	<u>444,094</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 576,781</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 147,754</u>	

*See accompanying notes to the basic financial statements.*

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

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	<u>Scholarship and Trust Funds</u>
ADDITIONS	
Contributions	\$ 66,977
Investment earnings	<u>128</u>
TOTAL ADDITIONS	67,105
DEDUCTIONS	
Scholarships awarded and fees paid	<u>30,070</u>
CHANGE IN NET POSITION	37,035
NET POSITION AT BEGINNING OF YEAR	<u>110,719</u>
NET POSITION AT END OF YEAR	<u>\$ 147,754</u>

*See accompanying notes to the basic financial statements.*

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School District of Haverford Township (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the School District of Haverford Township. The School District is not a component unit of another reporting entity nor does it have any component units.

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Fund distinguishes *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 School District's Enterprise Fund are food service charges. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measureable and available (i.e., collectible within the current year or within 60 days from year-end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds***

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Project Funds** - Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

***Proprietary Fund***

**Enterprise Fund** - The Enterprise Fund (Food Service Fund) is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fiduciary Funds***

**Trust and Agency Funds** - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Trust Funds are used to account for the resources of the various scholarships whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

The Agency Funds account for the assets held as an agent for the various student activities and retirees escrow.

**Cash and Cash Equivalents**

The School 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.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

**Allowance for Doubtful Accounts**

The School District believes that all receivables are collectible. Therefore, an allowance for doubtful accounts is not needed.

**Inventories and Prepaid Items**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. The donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Inventories on government-wide financial statements are presented at the lower of cost or market on a first-in, first out method and are expensed when used.

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



**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets utilized by the Enterprise Fund is also capitalized.

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

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

	<u>Years</u>
Buildings and building improvements	20-40
Furniture and equipment	5-10

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond/note premiums and discounts are deferred and amortized over the life of the bonds and notes. Bonds/notes payable are reported net of the applicable bond premium or discount. Bond/note issuance costs are recognized during the period in which they were incurred.

In the fund financial statements, Governmental Funds recognize bond/note 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 on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the interest hedge swap reported in the government-wide statement of net position, the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one item that qualifies for reporting in this category. Accordingly, the item, deferred inflows related to pension activity, is reported in the government-wide statement of net position and the proprietary fund statement of net position.

**Compensated Absences**

The School District accounts for compensated absences by complying with GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For the Governmental Funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In the Enterprise Fund, the entire amount of compensated absences is reported as a fund liability.

**Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**GASB Statement No. 54**

The District previously adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal resolution by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 14). As discussed in Note A, restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**Use of Estimates**

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

**Budgetary Process**

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

- The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School 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 ten 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 Pennsylvania School Code allows the Board to make budgetary transfers between major function and major object code only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2014-2015 budget transfers.

**NOTE B - CASH AND INVESTMENTS**

**Cash**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. The carrying value is \$20,063,505. As of June 30, 2015, \$20,099,847 of the School District's bank balance of \$20,599,847 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>20,099,847</u>
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**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Interest Rate Risk** - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices.

**NOTE C - REAL ESTATE TAXES**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of all taxable real property within the School District.

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

Discount period ..... July 1 to August 31 - 2% of gross levy  
Face period ..... September 1 to October 31  
Penalty period ..... October 31 to collection - 10% of gross levy  
Lien date ..... Last day of February

The School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE D - RECEIVABLES**

Receivables at June 30, 2015, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 477,427	\$ -
Federal subsidies	152,194	77,435
State subsidies	2,146,789	10,130
Other revenue	576,835	880
	<u>\$ 3,353,245</u>	<u>\$ 88,445</u>

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2015, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 59,367
Scholarship and Trust Funds	Agency Funds	<u>132,687</u>
		<u>\$ 192,054</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Interfund Transfers**

There are no interfund transfers for the year ended June 30, 2015.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets being depreciated				
Land and land improvements	\$ 2,983,829	\$ -	\$ (33,540)	\$ 2,950,289
Buildings and building improvements	181,363,779	785,099	(44,970)	182,103,908
Furniture, equipment and vehicles	21,734,864	1,737,636	(9,306,285)	14,166,215
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>206,082,472</b>	<b>2,522,735</b>	<b>(9,384,795)</b>	<b>199,220,412</b>
Accumulated depreciation				
Land and land improvements	(2,130,355)	(24,617)	33,540	(2,121,432)
Buildings and building improvements	(49,572,521)	(4,401,155)	44,970	(53,928,706)
Furniture, equipment and vehicles	(19,498,515)	(1,393,036)	9,306,285	(11,585,266)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(71,201,391)</b>	<b>(5,818,808)</b>	<b>9,384,795</b>	<b>(67,635,404)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>134,881,081</b>	<b>(3,296,073)</b>	<b>-</b>	<b>131,585,008</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>134,881,081</b>	<b>(3,296,073)</b>	<b>-</b>	<b>131,585,008</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	885,494	4,194	-	889,688
Accumulated depreciation	(673,659)	(29,359)	-	(703,018)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>211,835</b>	<b>(25,165)</b>	<b>-</b>	<b>186,670</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 135,092,916</b>	<b>\$ (3,321,238)</b>	<b>\$ -</b>	<b>\$ 131,771,678</b>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,875,389
Support services	1,857,671
Operation of non-instructional services	85,748
	<b>\$ 5,818,808</b>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE G - LEASES**

**Capital Leases**

The School District has entered into lease agreements, as lessee, for financing the acquisition of various equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Equipment	\$ 3,375,768
Accumulated depreciation	<u>(1,937,750)</u>
	<u>\$ 1,438,018</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 606,003
2017	469,527
2018	317,779
2019	176,010
2020	<u>6,796</u>
	1,576,115
Amount representing interest	<u>(66,586)</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ <u><u>1,509,529</u></u></b>

**Operating Leases**

The School District leases copiers, computer equipment and buses under noncancelable operating leases. Total costs for such leases were approximately \$220,085 for the year ended June 30, 2015. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 220,085
2017	<u>100,021</u>
	<u>\$ 320,106</u>



**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE H - BONDS AND NOTES PAYABLE**

The School District issues school revenue bonds and general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the School District. These bonds and notes generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

Annual debt service requirements to maturity for school revenue bonds and general obligation bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 5,590,000	\$ 4,251,126	\$ 9,841,126
2017	5,886,000	4,025,071	9,911,071
2018	6,267,000	4,112,346	10,379,346
2019	6,519,000	3,858,924	10,377,924
2020	6,638,000	3,589,468	10,227,468
2021 to 2025	38,773,000	14,726,516	53,499,516
2026 to 2030	47,980,000	6,788,348	54,768,348
2031 to 2035	6,750,000	810,375	7,560,375
	<u>\$ 124,403,000</u>	<u>\$ 42,162,174</u>	<u>\$ 166,565,174</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE I - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES		
BONDS AND NOTES PAYABLE (Note H)		
School Revenue Bonds, Series of 2006	3.75% to 5.25%	3/15/2029
General Obligation Bonds and Notes		
Series of 2006	3.30% to 5.50%	3/15/2019
Series of 2009	Variable	3/1/2030
Series of 2010A	3.22% to 6.00%	3/1/2035
Series of 2010AA	1.00% to 3.55%	3/1/2021
Series of 2012	.400% to 2.50%	3/15/2024
Series of 2013	.700% to 3.00%	3/15/2018
Series of 2013	2.49%	3/15/2023
Series of 2014	2.59%	3/15/2024
Series of 2015A	.550% to 5.00%	3/15/2029
Series of 2015AA	1.50% to 4.00%	3/15/2021
Deferred amounts		
Issuance discount		
Issuance premium		
TOTAL BONDS AND NOTES PAYABLE		
CAPITAL LEASES		
COMPENSATED ABSENCES (Note M)		
INTEREST HEDGE SWAP		
NET PENSION LIABILITY		
NET OPEB OBLIGATION		
TOTAL LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
NET PENSION LIABILITY		

**Advance Refundings**

The School District issued \$13,545,000 of General Obligation Notes, Series A of 2015, to advance refund a portion of the School District's outstanding General Obligation Bonds, Series of 2006, and to pay the costs of issuing the bonds. The advance refunding was undertaken to reduce total debt service payments over the life of the bonds. The refunding resulted in an estimated economic gain of \$1,500,099 for the School District.

The School District issued \$4,235,000 of General Obligation Notes, Series AA of 2015, to advance refund a portion of the School District's outstanding General Obligation Bonds, Series AA of 2010, and to pay the costs of issuing the bonds. The advance refunding was undertaken to reduce total debt service payments over the life of the bonds. The refunding resulted in an estimated economic gain of \$247,890 for the School District.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 14,520,000	\$ -	\$ (14,520,000)	\$ -	\$ -
16,535,000	-	(2,990,000)	13,545,000	3,140,000
44,650,000	-	(330,000)	44,320,000	345,000
21,615,000	-	(620,000)	20,995,000	755,000
4,430,000	-	(4,430,000)	-	-
9,990,000	-	(85,000)	9,905,000	190,000
3,335,000	-	(1,040,000)	2,295,000	1,045,000
5,769,000	-	(106,000)	5,663,000	108,000
9,900,000	-	-	9,900,000	2,000
-	13,545,000	-	13,545,000	5,000
-	4,235,000	-	4,235,000	-
(230,046)	-	163,945	(66,101)	-
1,851,542	2,602,590	(1,058,015)	3,396,117	-
<u>132,365,496</u>	<u>20,382,590</u>	<u>(25,015,070)</u>	<u>127,733,016</u>	<u>5,590,000</u>
963,039	1,017,253	(470,763)	1,509,529	571,977
1,795,929	38,280	(515,534)	1,318,675	-
5,086,605	1,165,663	-	6,252,268	-
150,555,000	-	(3,969,000)	146,586,000	-
313,863	203,831	(198,104)	319,590	-
<u>\$ 291,079,932</u>	<u>\$ 22,807,617</u>	<u>\$ (30,168,471)</u>	<u>\$ 283,719,078</u>	<u>\$ 6,161,977</u>
<u>\$ 2,014,000</u>	<u>\$ -</u>	<u>\$ (53,000)</u>	<u>\$ 1,961,000</u>	<u>\$ -</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE J - DERIVATIVE INSTRUMENTS**

**GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments**

The School District adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2011. Upon implementation of this statement, the School District was required to record these derivative instruments in the government-wide financial statements.

In order to implement this statement, the School District had to evaluate each of the two derivatives to determine if the financial instruments effectively hedge risks utilizing the methods defined under GASB Statement No. 53. The accounting for recording these derivative instruments is different for derivative instruments that are determined to be effective versus those that are determined to be ineffective. For those derivative instruments that are determined to be effective, the derivative asset or liability is recorded in the statement of net position, and a corresponding deferred inflow or outflow will be recorded in the statement of net position as well. For those derivative instruments that are determined to be ineffective, the derivative outflow or inflow is recorded in the statement of net position; however, the change in fair value of the instrument will be reported in the investment revenue (expense) classification in the statement of activities.

Hedge accounting under GASB Statement No. 53 terminates if the hedge is no longer effective based on the qualitative and quantitative methods. If the hedged asset or liability is sold or retired or if the government's entity is re-exposed to the hedged financial risk, hedge accounting will no longer apply. Once the hedge no longer qualifies for hedge accounting, the fair value changes are recorded as investment gain or loss.

**Derivative Instruments**

***Interest Rate Hedge Swap - Series of 2009*** - The Interest Rate Hedge Swap on the Series of 2009 General Obligation Variable Rate Demand Bonds became active on January 28, 2009, with the refunding of the Series of 2008 General Obligation Variable Rate Demand Bonds. Under this agreement, the School District will pay a fixed rate of interest equal to 3.759% and receive in exchange a variable rate of interest equal to the USD-SIFMA Municipal Swap Index rate, reset weekly. The variable rate received by the School District will be used by the School District to offset the variable rate interest on its 2009 Bonds thereby making the interest rate on the 2009 Bonds "synthetically" fixed on a "net basis" through the 2009 Swap. The net fixed rate of interest on the bonds is 4.759%.

As of June 30, 2015, the counterparty was rated AA- by Standard & Poor's, Aa3 by Moody's Investors Service and AA by Fitch.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE J - DERIVATIVE INSTRUMENTS (Continued)**

The objectives, terms and values of the derivative outstanding at the end of the period are summarized as follows:

<u>Type</u>	<u>Objective</u>	<u>Fair Market Value of Derivative at June 30, 2015</u> <u>Positive (Negative)</u>
INTEREST RATE HEDGE SWAP 2009 pay-fixed interest rate swap	Hedge changes in cash flows on Series of 2009 Bonds	\$ <u>(6,252,268)</u>

The derivative instrument activity during the reporting period and balances at the end of the period are summarized as follows:

***Change in Fair Value for the Period Ended June 30, 2015***

	<u>Classification</u>	<u>Amount</u>
INTEREST RATE HEDGE SWAP Cash flow hedges, 2008 pay-fixed interest rate swaps	Deferred outflow	\$ <u>(1,165,663)</u>

***Fair Value at June 30, 2015***

	<u>Classification</u>	<u>Fair Value Positive (Negative)</u>	<u>Notional Amount</u>
INTEREST RATE HEDGE SWAP Cash flow hedges, 2008 pay-fixed interest rate swaps	Debt	\$ <u>(6,252,268)</u>	\$ <u>35,000,000</u>

***Fair Market Value Determination*** - The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve, correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

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<u>Notional Amount as of June 30, 2015</u>	<u>Amount of Bonds Outstanding at June 30, 2015</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Terms</u>
\$ <u>35,000,000</u>	\$ <u>44,320,000</u>	January 28, 2009	March 1, 2030	Pay 3.759%, receive variable rate equal to USD-SIFMA Municipal Swap Index, reset weekly

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE J - DERIVATIVE INSTRUMENTS (Continued)**

***Evaluation of Effectiveness and Recording of Derivative*** - The School District evaluated the hedge effectiveness for the interest rate swap described previously under the methods as defined by GASB Statement No. 53. The interest rate swap for the Series of 2008 was determined to be effective under the dollar-offset method. Under the dollar-offset method, the School District divides the changes in the fair value of the derivative by the changes in fair value of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. The result of the calculation must fall within 80% to 125% in order for the derivative to be considered effective.

The derivative described previously was determined to be effective, and the fair market value of the interest rate swap was a negative \$(6,252,268) as of June 30, 2015. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the government-wide statement of net position as a long-term liability and a corresponding deferred outflow was recorded.

***Risks Associated With Interest Rate Hedge Swaps***

**Credit Risk** - As of June 30, 2015, the School District is not exposed to credit risk since the Interest Rate Hedge Swap has a negative value and therefore is a liability. However, should interest rates change and the net fair market value of the Interest Rate Hedge Swap become positive, the School District would be subject to credit risk in the amount of the net fair market value.

**Interest Rate Risk** - As of June 30, 2015, the School District is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap, as the USD-SIFMA Municipal Index decreases, the School District's net payment on the swap increases.

**Basis Risk** - The School District is exposed to basis risk on its pay-fixed interest rate swap hedging instrument because the variable-rate payments received by the School District on these hedging derivative instruments are based on the USD-SIFMA Municipal Index and the School District pays on its hedged variable-rate debt a tax-exempt rate based on the weekly SIFMA Municipal Swap Index. If the relationship between USD-SIFMA and the variable rate on the associated bonds converge, then the overall synthetic fixed rate would change.

**Termination Risk** - The School District or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If this were to occur, the School District would be exposed to the variable remarketing rate on the bonds. If the Interest Rate Hedge Swap is terminated, the bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the Interest Rate Hedge Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the Interest Rate Hedge Swap's fair market value. As of June 30, 2015, the Interest Rate Hedge Swap had a negative fair value equal to \$6,252,268 on the associated Series of 2009 variable rate bonds.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE K - DEFEASED DEBT**

In prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the School District's financial statements.

As of June 30, 2015, the School District has defeased debt outstanding of \$47,770,000.

**NOTE L - PENSION PLAN**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the Pension Plan**

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

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.



**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE L - PENSION PLAN (Continued)**

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

***Contributions***

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$9,992,000 for the year ended June 30, 2015.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE L - PENSION PLAN (Continued)**

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

At June 30, 2015, the School District reported a liability of \$148,547,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.3753%, which was an increase of 0.0026% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$13,229,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 10,479,000
Changes in proportions	847,000	-
Difference between employer contributions and proportionate share of total contributions	57,000	-
Contributions subsequent to the measurement date	<u>9,860,000</u>	<u>-</u>
	<u>\$ 10,764,000</u>	<u>\$ 10,479,000</u>
<b>Business-type Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 140,000
Changes in proportions	11,000	-
Difference between employer contributions and proportionate share of total contributions	1,000	-
Contributions subsequent to the measurement date	<u>132,000</u>	<u>-</u>
	<u>\$ 144,000</u>	<u>\$ 140,000</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE L - PENSION PLAN (Continued)**

\$9,992,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending  
June 30,

**Governmental Activities:**

2016	\$ (2,402,000)
2017	(2,402,000)
2018	(2,402,000)
2019	(2,402,000)
2020	<u>32,000</u>
	<u>\$ (9,576,000)</u>

**Business-type Activities:**

2016	\$ (32,000)
2017	(32,000)
2018	(32,000)
2019	(32,000)
2020	<u>1,000</u>
	<u>\$ (127,000)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE L - PENSION PLAN (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSION PLAN (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>185,291,000</u>	\$ <u>148,547,000</u>	\$ <u>117,177,000</u>

**Pension Plan Fiduciary Net Position** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE M - COMPENSATED ABSENCES**

**Sick Pay**

School District employees who are required to work on a 12-month schedule are credited with vacation and sick time at rates which vary with length of service or job classification. Vacation and sick time may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation and sick time will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years is \$1,261,311. In addition, also included in compensated absences is \$57,364 of future payments for obligations due under the School District's early retirement incentive plan.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE N - RISK MANAGEMENT**

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

**Annual OPEB Cost and Net OPEB Obligation**

The School District's annual other postemployment benefit (OPEB) 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 95,881
Amortization of unfunded actuarial accrued liability	116,011
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>211,892</u>
Interest on net OPEB obligation	14,124
Adjustment to ARC	<u>(22,185)</u>
ANNUAL OPEB EXPENSE	203,831
Net OPEB contributions during the year	<u>(198,104)</u>
INCREASE IN NET OPEB OBLIGATION	5,727
Net OPEB obligation at beginning of year	<u>313,863</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 319,590</u></u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 158,988	42.42%	\$ 252,156
2014	157,488	60.82%	313,863
2015	203,831	97.19%	319,590

**Funded Status and Funding Progress**

As of July 1, 2014, the actuarial accrued liability for benefits was \$1,641,302 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$45,770,680, and the ratio of the UAAL to the covered payroll was 3.59%.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. 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. The schedule of funding progress, presented as required supplementary information on page 55, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements of .5% to a rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089. The actuarial value of assets was determined using techniques that 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. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period not to exceed 30 years.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE P – PRIOR PERIOD ADJUSTMENT**

The School District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$150,555,000 and beginning of year deferred outflows of resources of \$7,448,000 as having been recognized in the period incurred. The School District has decreased beginning net position for the government-wide governmental activities by \$143,107,000.

For the capital projects fund and the government-wide governmental activities, the School District has also made a prior period adjustment to recognize expenses incurred in the year ended June 30, 2014, in the proper period. The effect of the adjustment decreased the beginning fund balance on the capital projects fund \$134,210, from \$1,250,701 to \$1,116,491.

As a result of the prior period adjustments noted above, the School District has adjusted beginning net position for the government-wide governmental activities from \$8,479,027 to (\$134,762,183).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$2,014,000 and beginning of year deferred outflows of resources of \$100,000 as having been recognized in the period incurred. The School District has decreased beginning net position for the proprietary fund food service fund and for the business-type activities by \$1,914,000.

For the proprietary fund food service fund and the government-wide business-type activities, the School District has also made a prior period adjustment to recognize expenses incurred in the year ended June 30, 2014, in the proper period. The effect of the adjustment increased the beginning balance in accounts payable \$44,362, from \$51,994 to \$96,356, and decreased net position by the same amount.

As a result of the prior period adjustments, the School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$309,870 to (\$1,648,492).



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 85,952,855	\$ 85,952,856	\$ 86,828,149	\$ 875,293
State sources	16,054,662	16,200,602	16,270,449	69,847
Federal sources	1,277,000	1,277,000	1,414,498	137,498
<b>TOTAL REVENUES</b>	<b>103,284,517</b>	<b>103,430,458</b>	<b>104,513,096</b>	<b>1,082,638</b>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	39,735,723	39,843,452	40,366,289	(522,837)
Special programs	19,601,532	19,554,007	19,768,953	(214,946)
Vocational education programs	527,882	527,882	242,930	284,952
Other instructional programs	390,688	471,136	585,357	(114,221)
Nonpublic school programs	10,000	-	21,912	(21,912)
Adult education programs	1,244,488	1,244,488	1,244,488	-
Support services				
Pupil personnel	4,717,795	4,718,295	4,714,672	3,623
Instructional staff	3,516,744	3,524,772	3,551,961	(27,189)
Administration	4,824,189	4,838,620	4,698,260	140,360
Pupil health	1,967,798	1,967,798	2,025,845	(58,047)
Business	976,003	974,803	874,217	100,586
Operation and maintenance of plant services	8,159,320	8,143,040	8,035,102	107,938
Pupil transportation services	4,594,437	4,594,437	4,518,932	75,505
Central and other services	1,304,837	1,321,117	1,298,826	22,291
Other support services	112,908	112,908	112,155	753
Operation of non-instructional services				
Student activities	1,252,628	1,246,158	1,177,409	68,749
Community services	195,000	195,000	199,512	(4,512)
Facilities acquisition, construction and improvement services	-	-	1,017,253	(1,017,253)
Debt service	10,152,545	10,152,545	9,699,727	452,818
Refund of prior year revenues	-	-	4,080	(4,080)
<b>TOTAL EXPENDITURES</b>	<b>103,284,517</b>	<b>103,430,458</b>	<b>104,157,880</b>	<b>(727,422)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>355,216</b>	<b>355,216</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from capital leases	-	-	1,017,253	1,017,253
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>1,372,469</b>	<b>1,372,469</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>7,060,200</b>	<b>7,060,200</b>	<b>7,060,200</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 7,060,200</b>	<b>\$ 7,060,200</b>	<b>\$ 8,432,669</b>	<b>\$ 1,372,469</b>

See accompanying notes to the budgetary comparison schedule.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2015**

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**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Project Funds.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures were funded by various revenues that were over budget in the General Fund and fund balance carried over from the prior year.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2015**

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School District's proportion of the net pension liability (asset)	<u>0.3753%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>148,547,000</u>
School District's covered-employee payroll	\$ <u>47,889,410</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.19%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2015**

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Contractually required contribution	\$ 9,992,000
Contributions in relation to the contractually required contribution	<u>9,992,000</u>
CONTRIBUTION EXCESS (DEFICIENCY)	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 53,632,817</u>
Contributions as a percentage of covered-employee payroll	<u>18.63%</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**  
**FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2015**

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Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 1,751,513	\$ 1,751,513	0.00%	\$ 40,464,332	4.33%
2012	-	1,138,391	1,138,391	0.00%	43,303,151	2.63%
2014	-	1,641,302	1,641,302	0.00%	45,770,680	3.59%

***Independent Auditors' 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***

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Haverford Township as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District of Haverford Township's basic financial statements, and have issued our report thereon dated December 2, 2015.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

***Compliance and Other Matters***

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

***Purpose of this Report***

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

The image shows a handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania  
December 2, 2015



***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance with OMB Circular A-133***

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

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

We have audited the School District of Haverford Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the School District of Haverford Township's major federal programs for the year ended June 30, 2015. School District of Haverford Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

To the Board of School Directors  
School District of Haverford Township  
Havertown, Pennsylvania

***Opinion of Each Major Federal Program***

In our opinion, the School District of Haverford Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

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

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

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

***Purpose of this Report***

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



Oaks, Pennsylvania  
December 2, 2015

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I - Improving Basic Programs	I	84.010	013-140186	July 1, 2013 to September 30, 2014
Title I - Improving Basic Programs	I	84.010	013-150186	July 1, 2014 to September 30, 2015
Title II - Improving Teacher Quality	I	84.367	020-140186	July 1, 2013 to September 30, 2014
Title II - Improving Teacher Quality	I	84.367	020-150186	July 1, 2014 to September 30, 2015
TOTAL FORWARD				
<b>U.S. DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Passed through the Pennsylvania Department of Public Welfare</b>				
Medical Assistance ACCESS - Administrative Claiming	I	93.778	N/A	July 1, 2014 to September 30, 2015
<b>Passed through the Delaware County Intermediate Unit</b>				
Individual Disability Education Act	I	84.027	N/A	July 1, 2014 to June 30, 2015
Individual Disability Education Act - 619	I	84.173	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2013 to September 30, 2014
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2014 to September 30, 2015
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 215,895	\$ 14,731	\$ 119,819	\$ 37,154	\$ 37,154	\$ 142,242
232,943	183,027	-	186,359	186,359	3,332
109,889	36,480	3,094	33,386	33,386	-
109,827	<u>109,912</u>	<u>-</u>	<u>109,827</u>	<u>109,827</u>	<u>(85)</u>
	<u>344,150</u>	<u>122,913</u>	<u>366,726</u>	<u>366,726</u>	<u>145,489</u>
28,558	21,938	-	28,558	28,558	6,620
828,801	828,801	-	828,801	828,801	-
5,361	<u>5,361</u>	<u>-</u>	<u>5,361</u>	<u>5,361</u>	<u>-</u>
	<u>856,100</u>	<u>-</u>	<u>862,720</u>	<u>862,720</u>	<u>6,620</u>
N/A	18,052	18,052	-	-	-
N/A	<u>201,581</u>	<u>-</u>	<u>275,270</u>	<u>275,270</u>	<u>73,689</u>
	<u>\$ 219,633</u>	<u>\$ 18,052</u>	<u>\$ 275,270</u>	<u>\$ 275,270</u>	<u>\$ 73,689</u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF PUBLIC WELFARE</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
SUBTOTAL FORWARDED				
National School Lunch Program, State	S	N/A	N/A	July 1, 2013 to September 30, 2014
National School Lunch Program, State	S	N/A	N/A	July 1, 2014 to September 30, 2015
National School Breakfast Program, Federal	I	10.553	N/A	July 1, 2013 to September 30, 2014
National School Breakfast Program, Federal	I	10.553	N/A	July 1, 2014 to September 30, 2015
National School Breakfast Program, State	S	N/A	N/A	July 1, 2013 to September 30, 2014
National School Breakfast Program, State	S	N/A	N/A	July 1, 2014 to September 30, 2015
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

**Footnotes:**

- (A) Total amount of foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2014.
- (C) Total amount of foods used.
- (D) Ending inventory at June 30, 2015.

**Source Codes:**

- I = Indirect funding
- S = State share

*See accompanying notes to the schedule of expenditures of federal and certain state awards.*

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>344,150</u>	\$ <u>122,913</u>	\$ <u>366,726</u>	\$ <u>366,726</u>	\$ <u>145,489</u>
	<u>856,100</u>	<u>-</u>	<u>862,720</u>	<u>862,720</u>	<u>6,620</u>
	219,633	18,052	275,270	275,270	73,689
N/A	1,843	1,843	-	-	-
N/A	21,267	-	29,125	29,125	7,858
N/A	924	924	-	-	-
N/A	10,370	-	14,116	14,116	3,746
N/A	94	94	-	-	-
N/A	987	-	1,346	1,346	359
N/A	<u>70,048</u> (A)	<u>(4,452)</u> (B)	<u>70,014</u>	<u>70,014</u> (C)	<u>(4,486)</u> (D)
	<u>325,166</u>	<u>16,461</u>	<u>389,871</u>	<u>389,871</u>	<u>81,166</u>
	1,525,416	139,374	1,619,317	1,619,317	233,275
	<u>(24,191)</u>	<u>(1,937)</u>	<u>(30,471)</u>	<u>(30,471)</u>	<u>(8,217)</u>
	\$ <u><u>1,501,225</u></u>	\$ <u><u>137,437</u></u>	\$ <u><u>1,588,846</u></u>	\$ <u><u>1,588,846</u></u>	\$ <u><u>225,058</u></u>

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AND CERTAIN STATE AWARDS  
YEAR ENDED JUNE 30, 2015

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**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and certain state awards includes the federal grant activity of the School District of Haverford Township and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**NOTE B - DONATED FOOD**

Nonmonetary assistance is reported in the schedule of expenditures of federal and certain state awards at the fair market value of the food received and disbursed. Donated food was valued according to cost estimates provided by the U.S.D.A. At June 30, 2015, the School District had donated food of \$4,486 in inventory.



**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the School District of Haverford Township.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the School District of Haverford Township were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the School District of Haverford Township expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Program	CFDA
IDEA	84.027, 84.173
8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. The School District of Haverford Township was determined to be a low risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015

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None.