The School District of Haverford Township

School District of Haverford Township Havertown, Pennsylvania Delaware County

Financial Statements
Year Ended June 30, 2018

bbd

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of School District of Haverford Township, Havertown, Pennsylvania as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of School District of Haverford Township, Havertown, Pennsylvania as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change In Accounting Principle

As described in Note 16 to the financial statements, the District changed its method of accounting for other postemployment benefits as a result of implementing GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Our opinions are not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions – PSERS on pages 3 through 13 and 50 through 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 School District of Haverford Township's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, 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 School District of Haverford Township's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
December 17, 2018

Management's discussion and analysis (***"MD&A"***) of the financial performance of the School District of Haverford Township (the ***"District"***) provides an overview of the District's financial performance for fiscal year ended June 30, 2018. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of five elementary schools, one middle school and one high school consisting of approximately 6,500 students. The District is coterminous with the Township of Haverford, which covers 10 square miles, is located in Delaware County, west of Philadelphia, in southeastern Pennsylvania and is comprised of the communities of Havertown, Haverford, Ardmore, Wynnewood, Bryn Mawr and Drexel Hill. There are approximately 879 full and part-time employees in the District consisting of 429 teachers and professional staff, 39 administrators and supervisors, and 411 support personnel including secretaries, maintenance staff, cafeteria staff and teacher aides.

DISTRICT MISSION STATEMENT

The mission of the School District of Haverford Township is to educate and to inspire a community of lifelong learners.

FINANCIAL HIGHLIGHTS

- Effective 2017-2018, the District was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position (Deficit), certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees' Retirement System (***"PSERS"***) healthcare insurance premium assistance program, which was not required to be presented in the prior years. Consequently, the implementation of GASB Statement No. 75 resulted in an increase in the deficit in the District's unrestricted net position as of June 30, 2018. For consistency purposes, the June 30, 2017 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 75 had been applied, retroactively.

  Elements of GASB Statement No. 75 included within the Statement of Net Position include actuarially determined liabilities for other postemployment benefits single and cost sharing multiple-employer plans of $2,507,555 and $8,210,770, respectively, and deferred outflows of $875,215 (primarily changes in actuarial assumptions under the new standard and contributions subsequent to the measurement date – an effective reduction of the liability) and deferred inflows of $382,000 (difference between expected and actual experience and changes in assumptions, to be recognized as a future reduction in OPEB expense – an effective increase in the liability until fully recognized).

- On a government-wide basis, including all governmental activities and the business activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2017-2018 fiscal year of $147,616,086. During the 2017-2018 fiscal year, the District had a decrease in total net position of $1,235,734. The net position of governmental activities decreased by $808,671 and net position of business-type activities decreased by $427,063.

- The General Fund reported an increase in fund balance of $2,229,516, bringing the cumulative balance to $13,203,056 at the conclusion of the 2017-2018 fiscal year.

- At June 30, 2018, the General Fund fund balance includes $738 which is considered nonspendable, $2,608,385 committed to capital projects, $643,583 to balance the 2018-2019 budget and unassigned amounts of $9,950,350 or 8.00% of the $124,379,377 2018-2019 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.

- Total General Fund revenues and other financing sources were $2,808,889 or 2.41% more than budgeted amounts and total General Fund expenditures and other financing uses were $583,627 or 0.50% less than budgeted amounts resulting in a net positive variance of $3,392,516.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

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

Proprietary Fund

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

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

The proprietary fund financial statements provide separate financial information for its major fund. The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on Pages 25 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 50 through 55 of this report

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2017-2018 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by $147,616,086. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Totals	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
ASSETS						
Current assets	$ 32,635,336	$ 27,225,699	$ 10,099	$ 83,279	$ 32,645,435	$ 27,308,978
Noncurrent assets	119,621,562	124,085,956	648,872	743,165	120,270,434	124,829,121
Total assets	152,256,898	151,311,655	658,971	826,444	152,915,869	152,138,099
DEFERRED OUTFLOWS OF RESOURCES	41,375,121	47,052,253	399,506	542,748	41,774,627	47,595,001
LIABILITIES						
Current liabilities	14,359,564	13,348,827	180,947	160,138	14,540,511	13,508,965
Noncurrent liabilities	323,340,895	328,271,612	2,796,030	2,700,875	326,136,925	330,972,487
Total liabilities	337,700,459	341,620,439	2,976,977	2,861,013	340,677,436	344,481,452
DEFERRED INFLOWS OF RESOURCES	1,607,762	1,611,000	21,384	21,000	1,629,146	1,632,000
NET POSITION (DEFICIT)						
Net investment in capital assets	9,212,907	9,117,532	648,872	743,165	9,861,779	9,860,697
Unrestricted (deficit)	(154,889,109)	(153,985,063)	(2,588,756)	(2,255,986)	(157,477,865)	(156,241,049)
Total net position (deficit)	$ (145,676,202)	$ (144,867,531)	$ (1,939,884)	$ (1,512,821)	$ (147,616,086)	$ (146,380,352)

The District's total assets as of June 30, 2018 were $152,915,869 of which $21,273,975 or 13.91% consisted of cash and $120,270,434 or 78.65% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2018 were $340,677,436 of which $199,035,272 or 58.42% consisted of the actuarially determined net pension liability and $109,452,335 or 32.13% consisted of general obligation debt used to acquire and construct capital assets.

The District had a deficit in unrestricted net position of $157,477,865 at June 30, 2018. The District's unrestricted net position decreased by $1,236,816 during 2017-2018 primarily due to the change in the District’s actuarially determined net pension liability.

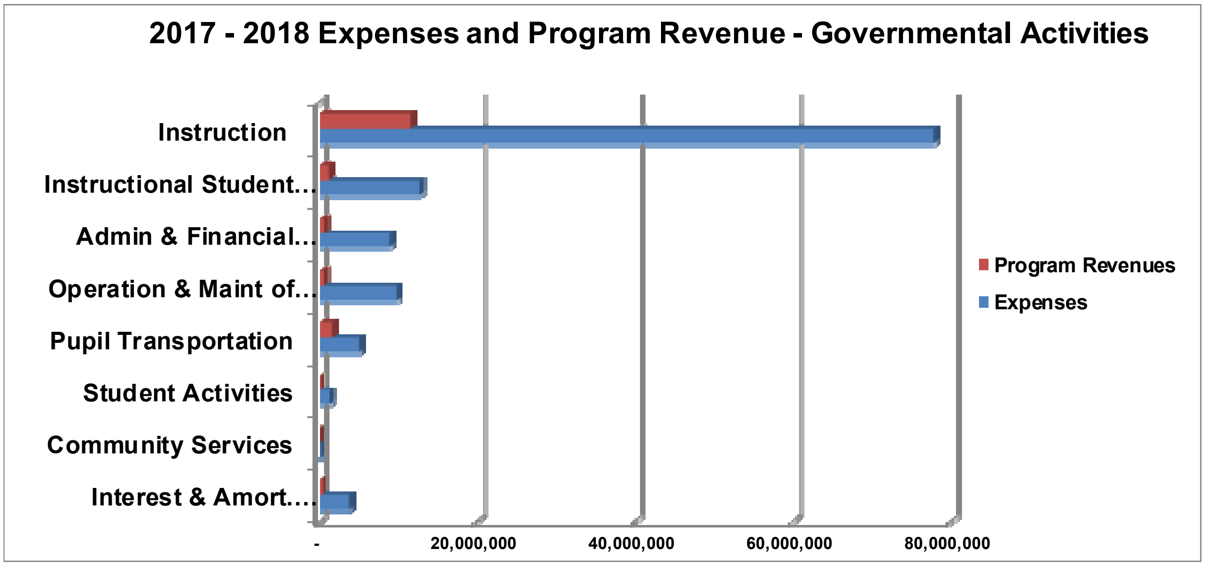
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2018, the District's net investment in capital assets increased by $1,082 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated.

The following table presents condensed information for the *Statement of Activities* of the District for 2018 and 2017:

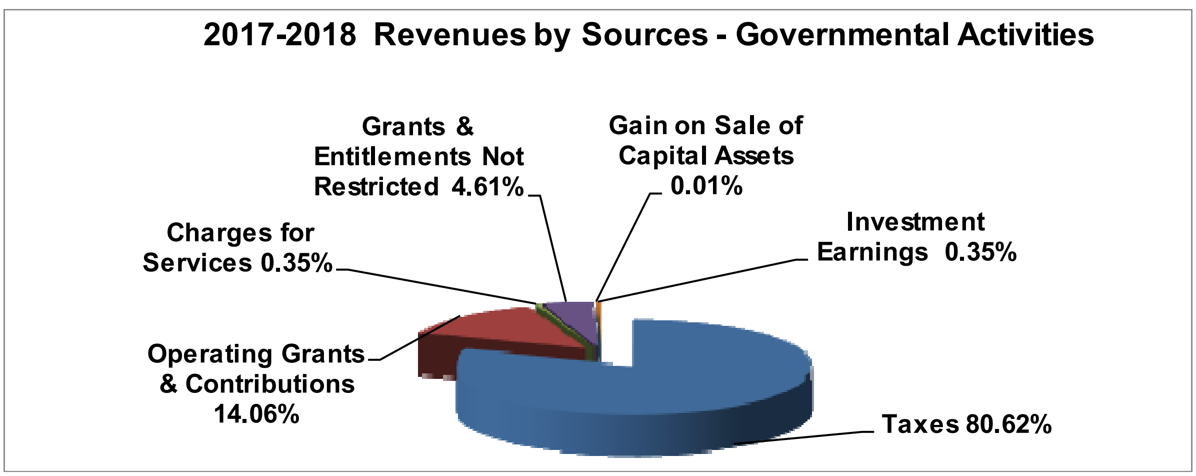
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	$ 420,064	$ 332,315	$ 1,270,829	$ 1,260,112	$ 1,690,893	$ 1,592,427
Operating grants and contributions	16,777,231	15,797,228	566,879	549,948	17,344,110	16,347,176
Capital grants and contributions	-		-	-	-	-
General revenues						
Property taxes levied for general purposes	94,481,354	91,203,146	-	-	94,481,354	91,203,146
Other taxes levied for general purposes	1,710,211	1,758,380	-	-	1,710,211	1,758,380
Grants and entitlements not restricted to specific programs	5,500,709	5,416,931	-	-	5,500,709	5,416,931
Gain on sale of capital assets	3,100	-	-	-	3,100	-
Investment earnings	420,331	148,322	907	176	421,238	148,498
Total revenues	119,313,000	114,656,322	1,838,615	1,810,236	121,151,615	116,466,558
EXPENSES						
Instruction	77,767,276	76,099,452	-	-	77,767,276	76,099,452
Instructional student support services	12,876,397	12,636,664	-	-	12,876,397	12,636,664
Administrative and financial support services	8,897,678	8,595,078	-	-	8,897,678	8,595,078
Operation and maintenance of plant services	9,808,390	10,196,481	-	-	9,808,390	10,196,481
Pupil transportation	5,156,056	5,043,763	-	-	5,156,056	5,043,763
Student activities	1,502,718	1,444,832	-	-	1,502,718	1,444,832
Community services	182,987	220,533	-	-	182,987	220,533
Interest and amortization expense related to noncurrent liabilities	3,930,169	3,897,950	-	-	3,930,169	3,897,950
Food service	-	-	2,265,678	1,990,220	2,265,678	1,990,220
Total expenses	120,121,671	118,134,753	2,265,678	1,990,220	122,387,349	120,124,973
CHANGE IN NET POSITION (DEFICIT)	$ (808,671)	$ (3,478,431)	$ (427,063)	$ (179,984)	$ (1,235,734)	$ (3,658,415)

During 2017-2018 the District's financial position decreased by $1,235,734, in part due to increased medical costs, pension contributions, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement expense efficiency measures and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

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



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



GOVERNMENTAL FUNDS

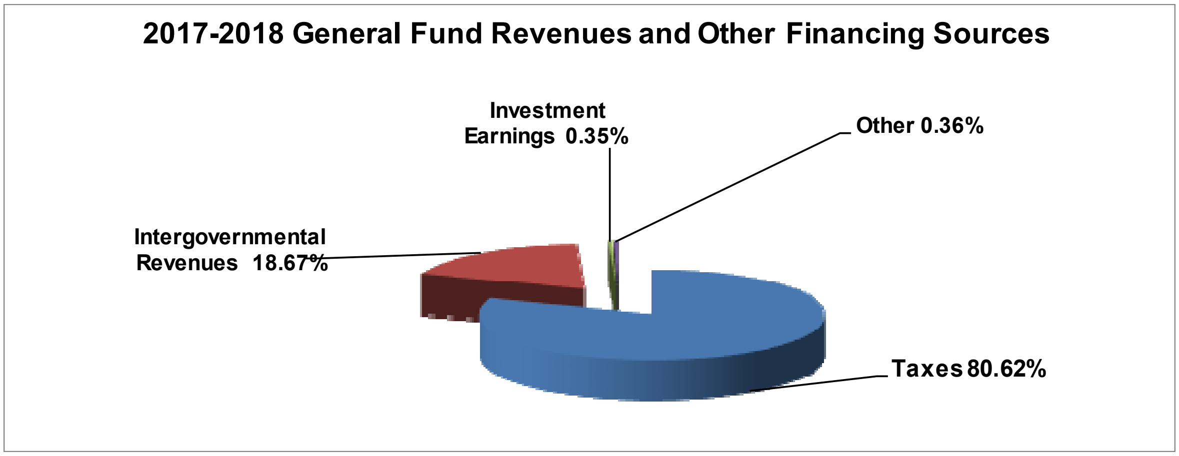
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2018, the District's governmental funds reported a combined fund balance of $13,036,873 which is an increase of $2,063,333 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2018 and 2017 and the total 2018 change in governmental fund balances.

	2018	2017	Change
General Fund	$ 13,203,056	$ 10,973,540	$ 2,229,516
Capital Projects Fund	(166,183)	-	(166,183)
	$ 13,036,873	$ 10,973,540	$ 2,063,333

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2017-2018 fiscal year, the General Fund fund balance was $13,203,056 representing an increase of $2,229,516 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017-2018 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 80.62% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	2018	2017	Change	% Change
Tax revenues	$ 96,176,329	$ 92,977,303	$ 3,199,026	3.44%
Intergovernmental revenues	22,277,942	21,163,980	1,113,962	5.26%
Investment earnings	420,331	148,322	272,009	183.39%
Other	423,163	382,494	40,669	10.63%
	$ 119,297,765	$ 114,672,099	$ 4,625,666	4.03%

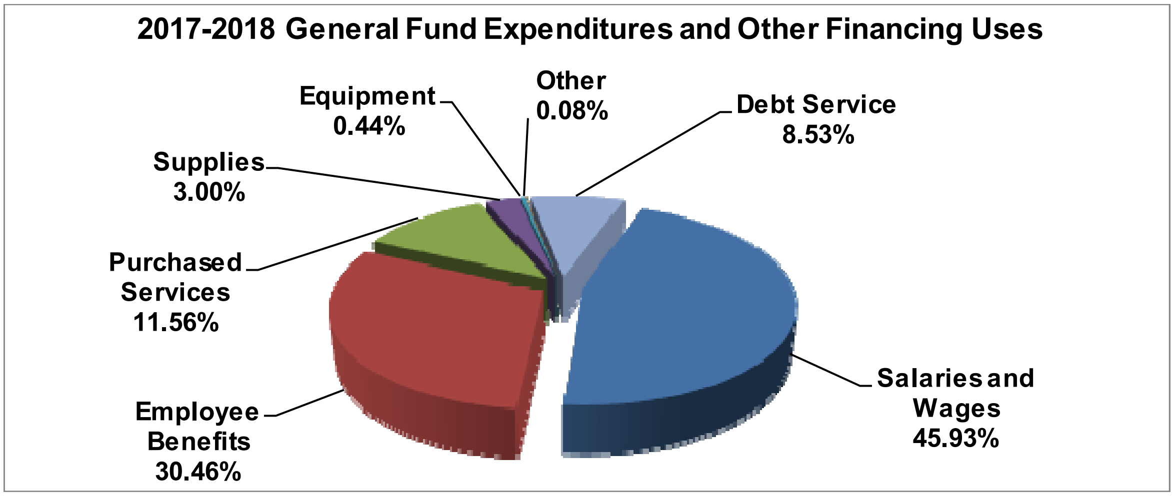
Net tax revenues increased by $3,199,026 or 3.44% due to several factors. A millage increase of 2.50% and an increase in assessment in 2017-2018 accounted for most of the change which was offset by a decrease in realty transfer and delinquent real estate taxes. The following table summarizes changes in the District's tax revenues for 2018 compared to 2017:

	2018	2017	Change	% Change
Real estate tax	$ 92,122,031	$ 88,951,371	$ 3,170,660	3.56%
Interim real estate tax	603,341	311,967	291,374	93.40%
PURTA tax	92,249	96,931	(4,682)	-4.83%
Realty transfer tax	1,617,962	1,661,449	(43,487)	-2.62%
Delinquent real estate tax	1,740,746	1,955,585	(214,839)	-10.99%
	$ 96,176,329	$ 92,977,303	$ 3,199,026	3.44%

Intergovernmental revenues increased as a direct result of the state retirement subsidy which increased commensurate with the employer annual contribution percentage and an increase in state appropriations for the basic and special education subsidies which was offset by a decrease in Medical ACCESS.

Investment earnings increased commensurate with increased interest rates and amounts invested.

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



General Fund Expenditures and Other Financing Uses

	2018	2017	Change	% Change
Salaries and wages	$ 53,774,305	$ 52,589,237	$ 1,185,068	2.25%
Employee benefits	35,654,896	32,848,447	2,806,449	8.54%
Purchased services	13,533,630	13,844,955	(311,325)	-2.25%
Supplies	3,515,780	2,973,757	542,023	18.23%
Equipment	512,515	604,786	(92,271)	-15.26%
Other	91,700	209,672	(117,972)	-56.27%
Debt service	9,985,423	10,484,745	(499,322)	-4.76%
	$ 117,068,249	$ 113,555,599	$ 3,512,650	3.09%

Salaries and wages increased by $1,185,068 or 2.25% in 2017-2018 compared to 2016-2017 as a result of scheduled salary increases within the District’s collective bargaining agreements and employment agreements negotiated with various employee groups and individual employees.

Employee benefits increased primarily due to an increase in the required employer annual retirement contribution to 32.57% from 30.03%, which represents an 8.46% increase over the prior year.

Purchased services decreased by $311,325 or 2.25% in 2017-2018 compared to 2016-2017 as a result of a decrease in tuition and contracted education services primarily related to special education.

Supplies increased by $542,023 or 18.23% in 2017-2018 compared to 2016-2017 due to the budgeted purchase of new book and educational materials.

Debt service decreased by $499,322 or 4.76% consistent with scheduled debt service maturities on existing general obligation debt.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. At the conclusion of the 2017-2018 fiscal year, the Capital Projects Fund fund balance was a deficit of $166,183, representing a decrease of $166,183 in relation to the prior year and is unassigned. The deficit in the Capital Projects Fund will be funded by the issuance of general obligation debt in 2018-2019.

GENERAL FUND BUDGET INFORMATION

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

Actual revenues and other financing sources were $2,808,889 more than budgeted amounts and actual expenditures and other financing uses were $583,627 less than budgeted amounts resulting in a net overall positive variance of $3,392,516. The 2017-2018 General Fund budget included the use of $1,163,000 of fund balance to balance the budget. Major budgetary highlights for 2017-2018 were as follows:

- Actual local source revenues were $1,863,600 more than budgeted primarily due to better than anticipated collections for real estate, interim and realty transfer taxes and more than expected investment earnings which are indicators of an improving local economy.

- Actual state source revenues were $740,012 more than budgeted primarily due to higher than anticipated state appropriations for basic education, special education, transportation and retirement subsidies and the Ready to learn grant.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2017-2018, the net position of business-type activities and Food Service Fund decreased by $427,063 primarily due to the negative change in the actuarially determined net OPEB and pension liabilities and related deferred outflows and in flows in the amount of $238,121. As of June 30, 2018, the business-type activities and Food Service Fund had a deficit in net position of $1,939,884.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to $120,270,434 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total net decrease in the District's investment in capital assets for the current fiscal year was $4,558,687 or 3.79%.

Current year capital additions were $987,907 and depreciation expense was $5,546,594.

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

• Information technology – capital leases	$338,409
• 5 school buses – capital lease	$483,315
• Lynnewood Elementary School – construction in progress	$166,183

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $109,452,335 consisting of $105,710,000 in bonds payable and net deferred credits from bond premiums and discounts of $3,742,335. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by $6,163,020 or 5.33% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of $109,452,335 is within the current debt limitation of the District which was $256,413,929 as of June 30, 2018.

The District’s general obligation debt rating is a Standard & Poor’s AA/Stable underlying rating.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled $199,035,272 as of June 30, 2018. The District's net pension liability increased by $3,137,272 or 1.60% during the fiscal year.

The District reports a liability for its other post-employment benefits (***"OPEB"***) related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District’s OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled $10,718,325 as of June 30, 2018. The District’s OPEB liability decreased by $16,075 or 0.15% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases and compensated absences, which totaled $2,951,892 as of June 30, 2018. These liabilities decreased by $101,080 or 3.31% during the fiscal year.

The District uses swap contracts that have fixed interest payments made in exchange for variable interest payments received based on an underlying interest rate index. These interest payments received are meant to offset the variable interest cost of the hedged bond. These are considered hedging derivative instruments, and are used to reduce financial risks, such as offsetting increases in interest rate costs. As of June 30, 2018, the District had one interest rate swap related to its general obligation bonds, Series of 2009.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District adopted a balanced 2018-2019 budget totaling $124,379,377 which used $643,583 of General Fund fund balance as of June 30, 2018 and the real estate tax millage rate was increased by 2.40%.

- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant. The Commonwealth of Pennsylvania only accounted for approximately 17.25% of total revenue sources to fund costs supporting the District’s educational programs during fiscal 2017-2018. Local sources of revenue, primarily property taxes, now support approximately 81.33% of the costs of educational programs and services in the District.

- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the state level. The intent of this legislation was to provide a mechanism to relieve the burden of funding public education from property owners. This legislation put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:

- In the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (2.40% for School District of Haverford Township for 2018-2019), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.

- Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.

- Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.

- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System (***"PSERS"***). The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2019-2020 is projected at 34.79%. Currently, the employer contribution rate for 2018-2019 is 33.43%.

- The District's Board of School Directors has authorized to borrow up to $63 million dollars in general obligation debt to fund a capital improvement plan that involves the building of a new Lynnewood Elementary School, the addition of classrooms and partial renovations to the High School, and capital improvements to the Chatham Park and Coopertown Elementary Schools. The debt service associated with the new general obligation debt will phase in over six years adding approximately $2.5 million to future budgets. The resulting millage impact is anticipated to be an additional 0.83 mills and may require the District to exceed the Act 1 index.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, School District of Haverford Township 50 East Eagle Road Havertown, Pennsylvania 19083.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash	$ 21,257,507	$ 16,468	$ 21,273,975
Taxes receivable	1,867,635	-	1,867,635
Due from other governments	4,253,119	64,805	4,317,924
Internal balances	126,886	(126,886)	-
Other receivables	600,631	19,152	619,783
Inventories	-	36,560	36,560
Prepaid expenses	4,529,558	-	4,529,558
Total current assets	32,635,336	10,099	32,645,435
NONCURRENT ASSETS			
Capital assets, net	119,621,562	648,872	120,270,434
Total assets	152,256,898	658,971	152,915,869
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on debt refunding	554,512	-	554,512
Accumulated decrease in fair value of hedging derivative	3,979,101	-	3,979,101
Deferred charges OPEB - single employer	278,050	-	278,050
Deferred charges on proportionate share of OPEB - PSERS	591,024	6,141	597,165
Deferred charges on proportionate share of pension - PSERS	35,972,434	393,365	36,365,799
Total deferred outflows of resources	41,375,121	399,506	41,774,627
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	1,060,231	18,244	1,078,475
Accrued salaries, payroll withholdings and benefits	12,719,032	91,903	12,810,935
Unearned revenue	-	70,800	70,800
Accrued interest payable	580,301	-	580,301
Total current liabilities	14,359,564	180,947	14,540,511
NONCURRENT LIABILITIES			
Due within one year	7,311,434	-	7,311,434
Due in more than one year	316,029,461	2,796,030	318,825,491
Total noncurrent liabilities	323,340,895	2,796,030	326,136,925
Total liabilities	337,700,459	2,976,977	340,677,436
DEFERRED INFLOWS OF RESOURCES			
Grants received in advance	44,146	-	44,146
Deferred credits on proportionate share of OPEB - PSERS	376,846	5,154	382,000
Deferred credits on proportionate share of pension - PSERS	1,186,770	16,230	1,203,000
Total deferred inflows of resources	1,607,762	21,384	1,629,146
NET POSITION (DEFICIT)			
Net investment in capital assets	9,212,907	648,872	9,861,779
Unrestricted	(154,889,109)	(2,588,756)	(157,477,865)
Total net position (deficit)	$ (145,676,202)	$ (1,939,884)	$ (147,616,086)

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 77,767,276	$ 223,266	$ 11,511,538	$ -	$ (66,032,472)	$ -	$ (66,032,472)
Instructional student support	12,876,397	-	1,415,911	-	(11,460,486)	-	(11,460,486)
Administrative and financial support services	8,897,678	-	821,406	-	(8,076,272)	-	(8,076,272)
Operation and maintenance of plant services	9,808,390	135,694	658,156	-	(9,014,540)	-	(9,014,540)
Pupil transportation	5,156,056	-	1,795,219	-	(3,360,837)	-	(3,360,837)
Student activities	1,502,718	61,104	142,873	-	(1,298,741)	-	(1,298,741)
Community services	182,987	-	-	-	(182,987)	-	(182,987)
Interest and amortization expense related to noncurrent liabilities	3,930,169	-	432,128	-	(3,498,041)	-	(3,498,041)
Total governmental activities	120,121,671	420,064	16,777,231	-	(102,924,376)	-	(102,924,376)
BUSINESS-TYPE ACTIVITIES							
Food service	2,265,678	1,270,829	566,879	-	-	(427,970)	(427,970)
Total primary government	$ 122,387,349	$ 1,690,893	$ 17,344,110	$ -	(102,924,376)	(427,970)	(103,352,346)
GENERAL REVENUES							
Property taxes levied for general purposes					94,481,354	-	94,481,354
Other taxes levied for general purposes					1,710,211	-	1,710,211
Grants and entitlements not restricted to specific programs					5,500,709	-	5,500,709
Investment earnings					420,331	907	421,238
Gain on sale of capital assets					3,100	-	3,100
Total general revenues					102,115,705	907	102,116,612
CHANGE IN NET POSITION (DEFICIT)					(808,671)	(427,063)	(1,235,734)
NET POSITION (DEFICIT)							
Beginning of year					(144,867,531)	(1,512,821)	(146,380,352)
End of year					$ (145,676,202)	$ (1,939,884)	$ (147,616,086)

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	$ 21,257,507	$ -	$ 21,257,507
Taxes receivable	1,867,635	-	1,867,635
Due from other funds	290,095	-	290,095
Due from other governments	4,253,119	-	4,253,119
Other receivables	600,631	-	600,631
Prepaid items	738	-	738
Total assets	$ 28,269,725	$ -	$ 28,269,725
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,057,257	$ 2,974	$ 1,060,231
Due to other funds	-	163,209	163,209
Accrued salaries, payroll withholdings and benefits	12,719,032	-	12,719,032
Total liabilities	13,776,289	166,183	13,942,472
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	1,246,234	-	1,246,234
Grants received in advance	44,146	-	44,146
Total deferred inflows of resources	1,290,380	-	1,290,380
FUND BALANCES			
Nonspendable			
Prepaid items	738	-	738
Committed to			
Capital projects	2,608,385	-	2,608,385
Balance 2018-2019 budget	643,583	-	643,583
Unassigned	9,950,350	(166,183)	9,784,167
Total fund balances	13,203,056	(166,183)	13,036,873
Total liabilities, deferred inflows of resources and fund balances	$ 28,269,725	$ -	$ 28,269,725

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES	$ 13,036,873
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	119,621,562
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	1,246,234
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	554,512
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	35,277,892
Deferred outflows created from derivative hedging transactions are not reported as assets and liabilities in the governmental funds balance sheet.	3,979,101
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(323,340,895)
Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	(580,301)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	4,528,820
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (145,676,202)

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

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

Year ended June 30, 2018

	General Fund	Capital Projects Fund	Total
REVENUES			
Local sources	$ 97,016,723	$ -	$ 97,016,723
State sources	20,578,977	-	20,578,977
Federal sources	1,698,965	-	1,698,965
Total revenues	119,294,665	-	119,294,665
EXPENDITURES			
Current			
Instruction	71,515,766	-	71,515,766
Support services	34,003,363	821,724	34,825,087
Operation of noninstructional services	1,558,594	-	1,558,594
Facilities acquisition, construction and improvement services	5,103	166,183	171,286
Debt service	9,985,423	-	9,985,423
Total expenditures	117,068,249	987,907	118,056,156
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,226,416	(987,907)	1,238,509
OTHER FINANCING SOURCES (USES)			
Sale of/compensation for capital assets	3,100	-	3,100
Proceeds from extended term financing	-	821,724	821,724
Total other financing sources (uses)	3,100	821,724	824,824
NET CHANGE IN FUND BALANCES	2,229,516	(166,183)	2,063,333
FUND BALANCES			
Beginning of year	10,973,540	-	10,973,540
End of year	$ 13,203,056	$ (166,183)	$ 13,036,873

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

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

Year ended June 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 2,063,333
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay expenditures	$ 987,907	
Depreciation expense	(5,452,301)	(4,464,394)
Because some tax will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.		
Deferred inflows of resources June 30, 2017	(1,230,998)	
Deferred inflows of resources June 30, 2018	1,246,234	15,236
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of bonds payable	5,405,000	
Proceeds from extended term financing	(821,724)	
Repayment of capital leases payable	629,832	
Amortization of discounts, premiums and deferred amounts on refunding	665,601	5,878,709
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.		
Current year change in accrued interest payable	(15,348)	
Current year change in compensated absences	292,972	
Current year change in net pension liability - PSERS and deferred outflows and inflows	(6,810,352)	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(154,095)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	93,735	(6,593,088)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities.		2,291,533
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ (808,671)

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2018

	Major Fund Food Service Fund	Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	$ 16,468	$ -
Due from other governments	64,805	-
Other receivables	19,152	-
Inventories	36,560	-
Prepaid expenses	-	4,528,820
Total current assets	136,985	4,528,820
NONCURRENT ASSETS		
Capital assets, net	648,872	-
Total assets	785,857	4,528,820
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on proportionate share of pension - PSERS	393,365	-
Deferred charges on proportionate share of OPEB - PSERS	6,141	-
Total deferred outflows of resources	399,506	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)		
LIABILITIES		
Accounts payable	18,244	-
Due to other funds	126,886	-
Accrued salaries, payroll withholdings and benefits	91,903	-
Unearned revenue	70,800	-
Total liabilities	307,833	-
NONCURRENT LIABILITIES		
Net pension liability - PSERS	2,685,256	-
Net OPEB liability - PSERS	110,774	-
Total noncurrent liabilities	2,796,030	-
Total liabilities	3,103,863	-
DEFERRED INFLOWS OF RESOURCES		
Deferred credits on proportionate share of pension - PSERS	16,230	-
Deferred credits on proportionate share of OPEB - PSERS	5,154	-
Total deferred inflows of resources	21,384	-
NET POSITION (DEFICIT)		
Net investment in capital assets	648,872	-
Unrestricted (deficit)	(2,588,756)	4,528,820
Total net position (deficit)	$ (1,939,884)	$ 4,528,820

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

Year ended June 30, 2018

	Major Fund Food Service Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 1,270,829	$ 13,803,632
OPERATING EXPENSES		
Salaries and wages	743,121	-
Employee benefits	646,066	10,709,417
Purchased professional and technical services	748	870,229
Purchased property services	35,261	-
Other purchased services	1,209	-
Supplies	734,158	-
Depreciation	94,293	-
Other	10,822	3,607
Total operating expenses	2,265,678	11,583,253
Operating income (loss)	(994,849)	2,220,379
NONOPERATING REVENUES		
Earnings on investments	907	71,154
State sources	174,211	-
Federal sources	392,668	-
Total nonoperating revenues	567,786	71,154
CHANGE IN NET POSITION (DEFICIT)	(427,063)	2,291,533
NET POSITION (DEFICIT)		
Beginning of year	(1,512,821)	2,237,287
End of year	$ (1,939,884)	$ 4,528,820

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2018

	Major Fund Food Service Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	$ 1,298,535	$ -
Cash received for assessments made to other fund	-	13,803,632
Cash payments to employees for services	(1,095,200)	-
Cash payments to suppliers for goods and services	(724,978)	-
Cash payments for insurance claims	-	(13,000,950)
Cash payments for other operating expenses	-	(873,836)
Net cash used for operating activities	(521,643)	(71,154)
CASH FLOWS FROM NONCAPITALFINANCING ACTIVITIES		
State sources	179,079	-
Federal sources	358,125	-
Net cash provided by noncapital financing activities	537,204	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	907	71,154
Net increase in cash	16,468	-
CASH		
Beginning of year	-	-
End of year	$ 16,468	$ -
Reconciliation of operating income (loss) to net cash used for operating activities:		
Operating income (loss)	$ (994,849)	$ 2,220,379
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	94,293	-
Donated commodities used	60,360	-
(Increase) decrease in		
Other receivables	1,357	-
Inventories	20,244	-
Prepaid expenses	-	(2,291,533)
Deferred outflows of resources	143,242	-
Increase (decrease) in		
Accounts payable	(23,384)	-
Due to other funds	37,363	-
Accrued salaries, payroll withholdings and benefits	17,843	-
Unearned revenue	26,349	-
Net pension liability	99,256	-
Net OPEB liability	(4,101)	-
Deferred inflows of resources	384	-
Net cash used for operating activities	$ (521,643)	$ (71,154)
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	$ 60,360	$ -

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2018

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash	$ 130,407	$ 539,565
LIABILITIES		
Due to student groups	-	$ 539,565
NET POSITION		
Net position held in trust for scholarships	$ 130,407	

See accompanying notes

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2018

	Private-Purpose Trust
ADDITIONS	
Local contributions	$ 40,997
DEDUCTIONS	
Scholarships awarded and fees paid	51,352
CHANGE IN NET POSITION	(10,355)
NET POSITION	
Beginning of year	140,762
End of year	$ 130,407

See accompanying notes

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Revenue Recognition

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

Expenditure Recognition

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

Proprietary Fund

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

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

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

This 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 District's Proprietary Fund are charges for services. Operating expenses for the District's Proprietary Funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

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

Cash and Cash Equivalents

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

Interfund Receivables and Payables

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

Property Taxes

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

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

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by a local tax collector. The tax on real estate for public school purposes for fiscal 2017-2018 was 31.0538 mills ($31.0538 for $1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

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

Prepaid Items and Inventories

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

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

Unearned Revenues

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

Capital Assets

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

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

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

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

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized for the year ended June 30, 2018.

Compensated Absences

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

Long-Term Obligations

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

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

Fund Equity

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

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

Unassigned

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

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

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

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, GASB Statement No. 80 *"Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14",* GASB Statement No. 81, *"Irrevocable Split-Interest Agreements",* GASB Statement No. 82, *"Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73";* GASB Statement No. 85, *"Omnibus 2017"* and GASB Statement No. 86*, "Certain Debt Extinguishment Issues".*

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (***"RSI"***) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 80 amended the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*.

GASB Statement No. 81 required that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 required that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 required that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 had no impact on the financial statements of the District for the year ended June 30, 2018.

GASB Statement No. 82 addressed issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 85 established accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 established standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. GASB Statement No. 86 also amended accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an insubstance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB Statement No. 86 established an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The implementation of GASB Statement No. 86 had no impact on the financial statements of the District for the year ended June 30, 2018.

New Accounting Pronouncements

GASB Statement No. 83, *"Certain Asset Retirement Obligations"* will be effective for the District for the year ended June 30, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (***"AROs"***). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84, *"Fiduciary Activities"* will be effective for the District for the year ended June 30, 2019. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *"Leases"* will be effective for the District for the year ended June 30, 2021. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

(3) DEPOSITS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2018, the carrying amount of the District's deposits was $21,943,947 and the bank balance was $22,782,980. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, $500,000 was covered by federal depository insurance and $19,268,873 was collateralized by the District’s depositories in accordance with Act 72 and the collateral was held by the depositories’ agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania Local Government Investment Trust (***"PLGIT"***). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net assets value of $1 per share, is rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2018, PLGIT was rated as AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction in progress	$ -	$ 166,183	$ -	$ 166,183
Capital assets being depreciated				
Land and land improvements	4,345,058	-	-	4,345,058
Buildings and improvements	180,702,042	-	-	180,702,042
Furniture, equipment and vehicles	11,639,407	821,724	-	12,461,131
Books, periodicals and materials	3,697,339	-	-	3,697,339
Total capital assets being depreciated	200,383,846	821,724	-	201,205,570
Less accumulated depreciation for				
Land and land improvements	(2,080,229)	(184,678)	-	(2,264,907)
Buildings and improvements	(60,862,895)	(4,325,698)	-	(65,188,593)
Furniture, equipment and vehicles	(10,949,799)	(799,981)	-	(11,749,780)
Books, periodicals and materials	(2,404,967)	(141,944)	-	(2,546,911)
Total accumulated depreciation	(76,297,890)	(5,452,301)	-	(81,750,191)
Total capital assets being depreciated, net	124,085,956	(4,630,577)	-	119,455,379
Governmental activities, net	$ 124,085,956	$ (4,464,394)	$ -	$ 119,621,562
Business-type activities				
Machinery and equipment	1,534,578	-	-	1,534,578
Less accumulated depreciation	(791,413)	(94,293)	-	(885,706)
Business-type activities, net	$ 743,165	$ (94,293)	$ -	$ 648,872

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

Governmental activities	
Instruction	$ 3,647,751
Instructional student support	600,060
Administrative and financial support services	415,923
Operation and maintenance of plant services	468,949
Pupil transportation	249,453
Student activities	70,165
Total depreciation expense - governmental activities	$ 5,452,301
Business-type activities	
Food service	$ 94,293

(5) INTERNAL RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2018 is as follows:

Receivable To	Amount	Payable From	Amount
General Fund	$ 163,209	Capital Projects Fund	$ 163,209
General Fund	126,886	Food Service Fund	126,886
	$ 290,095		$ 290,095

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$ 111,115,000	$ -	$ 5,405,000	$ 105,710,000	$ 6,215,000
Bond premiums	4,551,771	-	766,701	3,785,070	533,777
Bond discounts	(51,416)	-	(8,681)	(42,735)	(8,681)
Total general obligation debt	115,615,355	-	6,163,020	109,452,335	6,740,096
Other noncurrent liabilities					
Capital leases payable	1,318,940	821,724	629,832	1,510,832	571,338
Compensated absences	1,734,032	-	292,972	1,441,060	-
OPEB liability	2,219,682	401,916	114,043	2,507,555	-
Net OPEB liability - PSERS	8,399,843	-	299,847	8,099,996	-
Net pension liability - PSERS	193,312,000	3,038,016	-	196,350,016	-
Derivative instrument liability - interest rate swap	5,671,760	-	1,692,659	3,979,101	-
Total other noncurrent liabilities	212,656,257	4,261,656	3,029,353	213,888,560	571,338
Total governmental activities	328,271,612	4,261,656	9,192,373	323,340,895	7,311,434
Business-type activities					
Net OPEB liability - PSERS	114,875	-	4,101	110,774	-
Net pension liability - PSERS	2,586,000	99,256	-	2,685,256	-
Total business-type activities	2,700,875	99,256	4,101	2,796,030	-
Total noncurrent liabilities	$ 330,972,487	$ 4,360,912	$ 9,196,474	$ 326,136,925	$ 7,311,434

Noncurrent liabilities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

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

General obligation debt outstanding as of June 30, 2018 consisted of the following:

Description	Interest Rate(s)	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
Series of 2006	3.30% - 5.50%	$ 35,635,000	03/15/2019	$ 3,640,000
Series of 2009	Variable	$ 45,750,000	03/01/2030	43,240,000
Series of 2010A	3.22% - 6.00%	$ 21,935,000	03/01/3035	18,665,000
Series of 2012	0.40% - 2.50%	$ 10,000,000	03/15/2019	1,330,000
Series of 2015A	0.55% - 5.00%	$ 13,545,000	03/15/2029	13,530,000
Series of 2015AA	1.50% - 4.00%	$ 4,235,000	03/15/2021	4,235,000
Series of 2017	0.95% - 5.00%	$ 21,070,000	09/15/2023	21,070,000
Total general obligation debt				$ 105,710,000

General obligation notes that bear interest at a variable rate are adjusted weekly based upon the Securities Industry and Financial Markets.

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

Year ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2019	$ 6,215,000	$ 4,811,552	$ 11,026,552
2020	6,385,000	4,478,954	10,863,954
2021	7,035,000	4,226,466	11,261,466
2022	7,355,000	3,921,781	11,276,781
2023	7,680,000	3,612,237	11,292,237
2024-2028	43,735,000	12,932,505	56,667,505
2029-2033	24,450,000	3,211,544	27,661,544
2034-2035	2,855,000	258,772	3,113,772
	$ 105,710,000	$ 37,453,811	$ 143,163,811

Build America Bonds

On June 8, 2010 the District issued General Obligation Bonds, Series of 2010A, in the amount of $21,935,000 under the Build America Bonds (***"BABs"***) program proceeds from which were used for the construction of a new senior high school. The BABs program was created by the American Recovery and Reinvestment Act (***"ARRA"***) and provides a federal subsidy of 35% of the interest paid on the bonds to fund capital expenditures.

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for information technology and maintenance equipment and transportation vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 571,338	$ 19,176	$ 590,514
2020	362,836	10,433	373,269
2021	335,250	4,768	340,018
2022	175,609	721	176,330
2023	65,799	16	65,815
	$ 1,510,832	$ 35,114	$ 1,545,946

(9) DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swap Agreement

The District uses a swap contract that has fixed interest payments made in exchange for variable interest payments received based on an underlying interest rate index. Hedging derivatives instruments are used to reduce financial risks, such as offsetting increases in variable interest rate costs of the hedged item. These derivative instruments are evaluated to determine if they are effective in significantly reducing the identified financial risk at year end. If the derivative is determined to be an effective hedge, its fair value is an asset or liability with a corresponding offset to deferred outflows or inflows of resources on the statement of net position. Deferred outflows or inflows of resources constitute changes in fair values of effectively-hedged derivative instruments. If the derivative instruments are determined to ineffective, they are considered investment derivatives in which their fair values are recognized against investment income in the statement of activities.

At June 30, 2018, the District had the following derivative financial instrument outstanding:

	Changes in Fair Value		Fair Value at June 30, 2018		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash flow hedge					
Pay fixed interest rate swaps	Deferred outflows of resources	$1,692,659	Debt	($3,979,101)	$33,100,000

The District currently has one interest rate swap agreement. The District utilized a regression method analysis to evaluate the hedge effectiveness for its interest rate swap. This method evaluates effectiveness by measuring the statistical relationship between the fair value or cash flows of the interest rate swap and the item it is hedged against. The analysis confirmed that the changes in cash flows of the interest rate swap instrument substantially offsets the changes in cash flows of the item hedged against and met within reason all required criteria.

Fair Value

The fair value of the interest rate swap was derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. The interest rate swaps were valued based upon Level 2 inputs.

Objective and Terms of Hedging Derivative Instrument

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay fixed interest rate swaps	Hedge changes in cash flows on the GOB Series of 2009	$33,100,000	04/17/2008	03/01/2030	Pay 3.75900%; receives variable rate equal to USD-SIFMA municipal swap index	AA/AA-

Credit Risk

As of June 30, 2018, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and AA- by Standard & Poor's as of June 30, 2018.

Interest Rate Risk

The District is exposed to interest rate risk on its swap agreement. On the District's pay-fixed interest rate swap, as the USD-SIFMA municipal swap index decreases, the District's net payment on the swap increases.

Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swap because the variable rate payments received by the District on this hedging derivative instrument are based on a rate or index other than interest rates the District pays on its hedged variable rate debt, which is remarketed every week.

Termination Risk

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

(10) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2016:

Active employees	791
Vested former participants	-
Retired participants	18
Total	809

Funding Policy

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

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, and by rolling forward the liabilities from the July 1, 2016 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is $2,507,555, all of which is unfunded. As of June 30, 2018, the OPEB liability of $2,507,555 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its OPEB liability for the year ended June 30, 2018 was as follows:

Balance as of July 1, 2017	$2,219,682
Changes for the year:	
Service cost	198,958
Interest on total OPEB liability	58,686
Changes in assumptions	144,272
Benefit payments	(114,043)
Net changes	287,873
Balance as of June 30, 2018	$2,507,555

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $154,095. At June 30, 2018, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$134,654	$ -
Contributions subsequent to the measurement date	143,396	-
	$278,050	$ -

$143,396 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ 9,618
2020	9,618
2021	9,618
2022	9,618
2023	9,618
Thereafter	86,564
	$134,654

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
OPEB liability	$2,192,403	$2,507,555	$2,891,143

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 3.13%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
OPEB Liability	$2,702,525	$2,507,555	$2,325,208

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2018, was determined by rolling forward the OPEB Liability as of July 1, 2016 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 3.13% - 20 year high-grade municipal rate index. The discount rate changed from 2.49% to 3.13%.
- Salary growth – an annual rate of 3.50% and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%
- Assumed healthcare cost trends – 6.00% in 2017, and 5.50% in 2018 through 2023.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2016 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of- pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS’ health options program or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ health options program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% 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 OPEB plan from the District were $446,165 the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $8,210,770 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB 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, 2017, the District's proportion was 0.4030 percent, which was an increase of 0.0077 percent from its proportion measured as of June 30, 2016. As of June 30, 2018, the net OPEB liability of $8,099,996 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $110,774 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2018, the District recognized negative OPEB expense of $93,735. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$382,000
Net difference between projected and actual investment earnings	9,000	-
Changes in proportions	142,000	-
Contributions subsequent to the measurement date	446,165	-
	$597,165	$382,000

$446,165 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	$ (38,000)
2019	(38,000)
2020	(38,000)
2021	(38,000)
2022	(39,000)
Thereafter	(40,000)
	$(231,000)

Actuarial Assumptions

The OPEB liability as of June 30, 2017, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 3.13% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.40%	0.60%
Fixed income	23.60%	1.50%
	100.00%	

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, 2017.

Discount Rate

The discount rate used to measure the OPEB liability was 3.13%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual health insurance premium assistance. As of June 30, 2017, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30,2017, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the OPEB liability	$8,208,626	$8,210,770	$8,212,491

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the OPEB liability	$9,333,464	$8,210,770	$7,278,144

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at www.psers.pa.gov.

(11) PENSION PLAN

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.

Plan Description

PSERS is a governmental cost sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public 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.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 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 of 3 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 upon 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.

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

Member Contributions

Active members who joined PSERS 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 PSERS 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 PSERS 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 service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% 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 pension plan from the District were $17,061,799 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $199,035,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2016 to June 30, 2017. The 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, 2017, the District's proportion was 0.4030 percent, which was an increase of 0.0077 percent from its proportion measured as of June 30, 2016. As of June 30, 2018, the net pension liability of $196,350,016 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining $2,685,256 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2018, the District recognized pension expense of $6,810,352. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 2,076,000	$1,203,000
Changes in assumptions	5,407,000	-
Net difference between projected and actual investment earnings	4,612,000	-
Changes in proportions	7,209,000	-
Contributions subsequent to the measurement date	17,061,799	-
	$36,365,799	$1,203,000

$17,061,799 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 ended June 30:	
2018	$ 5,190,000
2019	7,866,000
2020	4,989,000
2021	56,000
	$18,101,000

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward PSERS' total pension liability at June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension 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 pension 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 pension 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0 %	5.1%
Fixed income	36.0 %	2.6%
Commodities	8.0 %	3.0%
Absolute return	10.0 %	3.4%
Risk parity	10.0 %	3.8%
Infrastructure/MLPs	8.0 %	4.8%
Real estate	10.0 %	3.6%
Alternative investments	15.0 %	6.2%
Cash	3.0 %	0.6%
Financing (LIBOR)	(20.0)%	1.1%
	100.0 %	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) that the current rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$244,995,109	$199,035,272	$160,232,163

Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS' website at www.psers.state.pa.us.

(12) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the ***"DCVTS"***). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative School Board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint Board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2017-2018 was $765,290.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the ***"DCVTSA"***). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint Board comprised of representative School Board members of the participating school districts in the DCVTS. During 2017-2018, the District did not have any financial transactions with the DCVTSA.

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

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the ***"DCCC"***). The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2017-2018 was $1,292,893.

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

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

Year ending June 30,	
2019	$ 273,865
2020	273,500
2021	273,071
2022	263,405
2023	254,092
2024-2028	1,173,455
2029-2033	1,173,596
2034-2035	164,177
	$ 3,849,161

Delaware County Intermediate Unit

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

(13) OPERATING LEASES

The District leases office and information technology equipment under non-cancelable operating leases expiring at various dates through January 2021. Rent expense for the office and computer equipment including additional operating costs, was $247,605 for 2017-2018.

Future minimum lease payments under these leases are as follows:

Year ending June 30,	
2019	$ 198,090
2020	197,586
2021	60,574
	$ 456,250

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

(15) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2017-2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended June 30, 2018:

Insurance claims surplus (liability) - beginning of year	$ 2,237,287
Current year insurance claims, fees and changes in estimates	13,874,786
Insurance claims and fees paid	(11,583,253)
Insurance claims surplus (liability) - end of year	$ 4,528,820

(16) PRIOR PERIOD ADJUSTMENTS

During 2018, the District made prior period adjustments to restate capital assets reported in previously issued financial statements based on an original cost valuation, to record the beginning balance of the Internal Service Fund and to record its OPEB liability and deferred outflows and inflows of resources related to employer OPEB contributions in accordance with GASB Statement No. 75. This prior period adjustment and its effect on net position at July 1, 2017 and on changes in net position for the year ended June 30, 2017 are summarized in the following table:

	Governmental Activities	Business-Type Activities	Total
Net position (deficit) at July 1, 2017, as previously stated	$(138,607,483)	$(1,988,627)	$(140,596,110)
Prior period adjustments to			
Restate capital assets based upon original cost valuation	1,085,583	584,933	1,670,516
To record beginning net position in Internal Service Fund	2,237,287	-	2,237,287
To adjust single employer OPEB liability to reflect unfunded actuarial liability	(1,747,637)	-	(1,747,637)
To record deferred outflows of resources related to single employer OPEB liability	144,272	-	144,272
To record PSERS net OPEB liability	(8,399,843)	(114,875)	(8,514,718)
To record deferred outflows of resources related to PSERS net OPEB liability	420,290	5,748	426,038
Net position at July 1, 2017, as restated	$(144,867,531)	$(1,512,821)	$(146,380,352)

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2018, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in the financial statements.

On December 18, 2018, the District issued general obligation bonds, Series of 2018, in the amount of $9,380,000 the proceeds from which will be used to finance a portion of a capital improvement program consisting of (a) the designing, constructing, and equipping of additions, renovations and improvements to Haverford High School, Coopertown Elementary School, and Chatham Park Elementary School; (b) the designing, constructing, and equipping of Lynnewood Elementary School; (c) the purchase of a modular; (d) various other capital improvements to District facilities; (e) and to pay for the cost of issuance.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 95,153,123	$ 95,153,123	$ 97,016,723	$ 1,863,600
State sources	19,838,965	19,838,965	20,578,977	740,012
Federal sources	1,483,176	1,496,788	1,698,965	202,177
Total revenues	116,475,264	116,488,876	119,294,665	2,805,789
EXPENDITURES				
Instruction				
Regular programs	46,525,903	46,372,007	46,458,812	(86,805)
Special programs	22,744,181	22,781,981	22,422,601	359,380
Vocational programs	618,663	618,663	765,290	(146,627)
Other instructional programs	569,465	560,165	565,182	(5,017)
Nonpublic programs	-	1,341	10,988	(9,647)
Higher education programs	1,292,892	1,292,892	1,292,893	(1)
Total instruction	71,751,104	71,627,049	71,515,766	111,283
Support services				
Pupil support services	5,701,716	5,758,765	5,607,454	151,311
Instructional staff services	3,817,489	3,828,696	3,931,404	(102,708)
Administrative services	5,192,967	5,198,159	5,178,003	20,156
Pupil health	2,241,496	2,186,431	2,225,571	(39,140)
Business services	1,105,782	1,141,447	1,232,703	(91,256)
Operation and maintenance of plant services	9,436,116	9,429,376	9,193,948	235,428
Student transportation services	4,858,360	4,876,360	4,890,626	(14,266)
Support services - central	1,540,709	1,612,845	1,630,396	(17,551)
Other support services	113,013	113,013	113,258	(245)
Total support services	34,007,648	34,145,092	34,003,363	141,729
Operation of noninstructional services				
Student activities	1,344,020	1,344,242	1,375,607	(31,365)
Community services	215,000	215,000	182,987	32,013
Total operation of noninstructional services	1,559,020	1,559,242	1,558,594	648
Facilities acquisition, construction and improvement services	-	-	5,103	(5,103)
Debt service	10,320,492	10,320,493	9,985,423	335,070
Total expenditures	117,638,264	117,651,876	117,068,249	583,627
Excess (deficiency) of revenues over (under) expenditures	(1,163,000)	(1,163,000)	2,226,416	3,389,416
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	3,100	3,100
NET CHANGE IN FUND BALANCE	$ (1,163,000)	$ (1,163,000)	2,229,516	$ 3,392,516
FUND BALANCE				
Beginning of year			10,973,540	
End of year			$ 13,203,056	

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	2017	2016	2015	2014
District's proportion of the net pension liability	0.4030%	0.3953%	0.3868%	0.3753%
District's proportionate share of the net pension liability	$ 199,035,272	$ 195,898,000	$ 167,543,000	$ 148,547,000
District's covered-employee payroll	$ 53,658,233	$ 51,200,446	$ 49,766,024	$ 47,889,410
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371%	383%	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	52%	50%	46%	57%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	2017	2016	2015	2014
Contractually required contribution	$ 15,414,379	$ 12,576,000	$ 9,988,000	$ 7,476,000
Contributions in relation to the contractually required contribution	$ 15,414,379	12,576,000	9,988,000	7,476,000
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 53,658,233	$ 51,200,446	$ 49,766,024	$ 47,889,410
Contributions as a percentage of covered-employee payroll	29%	25%	20%	16%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	2018
TOTAL OPEB LIABILITY	
Service cost	$ 198,958
Interest on total OPEB liability	58,686
Changes of assumptions	144,272
Benefit payments	(114,043)
Net change in total OPEB liability	287,873
Total OPEB liability, beginning	2,219,682
Total OPEB liability, ending	$ 2,507,555
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	$ 49,284,101
Net OPEB liability as a % of covered payroll	5%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	2017
District's proportion of the net OPEB liability	0.4030%
District's proportionate share of the net OPEB liability	$ 8,210,770
District's covered-employee payroll	$ 53,658,233
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15%
Plan fiduciary net position as a percentage of the total OPEB liability	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	2017
Contractually required contribution	$ 445,549
Contributions in relation to the contractually required contribution	$ 445,549
Contribution deficiency (excess)	-
District's covered-employee payroll	$ 53,658,233
Contributions as a percentage of covered-employee payroll	1%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2018	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-170186	08/01/16 - 09/30/18	$ 213,689	$ 60,268	$ 5,770	$ 54,498	$ 54,498	$ -	$ -
Title I - Improving Basic Programs	I	84.010	013-180186	08/15/17 - 09/30/18	194,355	139,097	-	170,235	170,235	31,138	-
Total CFDA #84.010						199,365	5,770	224,733	224,733	31,138	-
Title II - Improving Teacher Quality	I	84.367	020-160186	08/01/16 - 09/30/18	106,420	30,079	(48,614)	78,693	78,693	-	-
Title II - Improving Teacher Quality	I	84.367	020-170186	08/15/17 - 09/30/18	110,103	39,504	-	-	-	(39,504)	-
Total CFDA #84.367						69,583	(48,614)	78,693	78,693	(39,504)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-180186	08/15/17 - 09/30/18	10,000	5,000	-	358	358	(4,642)	-
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/17 - 06/30/18	836,413	836,413	-	836,413	836,413	-	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/17 - 06/30/18	3,472	3,472	-	3,472	3,472	-	-
Total U.S. Department of Education						1,113,833	(42,844)	1,143,669	1,143,669	(13,008)	-
U.S. Department of Health and Social Services											
Passed-Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/16 - 06/30/17	N/A	9,305	9,305	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/17 - 06/30/18	N/A	5,031	-	19,427	19,427	14,396	-
Total U.S. Department of Health and Social Services						14,336	9,305	19,427	19,427	14,396	-

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount		Total Received for Year		Accrued (Deferred) Revenue July 1, 2017		Revenue Recognized	Expenditures		Accrued (Deferred) Revenue June 30, 2018	Passed Through to Subrecipients
U.S. Department of Agriculture															
Passed-Through the Pennsylvania Department of Education															
Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A		3,071		3,071		-	-		-	-
Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A		12,212		-		14,813	14,813		2,601	-
Total CFDA #10.553							15,283		3,071		14,813	14,813		2,601	-
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A		81,797		81,797		-	-		-	-
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A		261,045		-		317,495	317,495		56,450	-
Total CFDA #10.555							342,842		81,797		317,495	317,495		56,450	-
Passed-Through the Pennsylvania Department of Agriculture															
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	a)	70,985	b)	(8,506)	c)	60,360	60,360	d)	(19,131)	-
Total U.S. Department of Agriculture							429,110		76,362		392,668	392,668		39,920	-
Total Federal Awards							$ 1,557,279		$ 42,823		$ 1,555,764	$ 1,555,764		$ 41,308	$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)							$ 839,885		$ -		$ 839,885	$ 839,885		$ -	$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)							$ 429,110		$ 76,362		$ 392,668	$ 392,668		$ 39,920	$ -

Footnotes

a) Total amount of commodities received
b) Beginning inventory July 1
c) Total amount of commodities used
d) Ending inventory June 30

Source Codes

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

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

(2) BASIS OF ACCOUNTING

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

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2017-2018 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was $175,884.

(5) BUILD AMERICA BONDS PROGRAM

The District participates in the Build America Bonds (***"BABs"***) program which was created by the American Recovery and Reinvestment Act (***"ARRA"***). In conjunction with the BABs program, the District receives subsidy reimbursements for a portion of the interest paid on the bonds. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of BABs subsidy payments recognized for the year ended June 30, 2018 was $359,985.

(6) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2018.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

There were no audit findings for the year ended June 30, 2017.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of School District of Haverford Township, Havertown, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise School District of Haverford Township's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 School District of Haverford Township's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

Philadelphia, Pennsylvania
December 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited School District of Haverford Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District of Haverford Township's major federal programs for the year ended June 30, 2018. School District of Haverford Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (***"Uniform Guidance"***). Those standards and the Uniform Guidance 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 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 School District of Haverford Township's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2018.

Report on Internal Control over Compliance

Management of 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 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BBD, LLP

Philadelphia, Pennsylvania
December 17, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the School District of Haverford Township were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the School District of Haverford Township are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

3. No instances of noncompliance material to the financial statements of the School District of Haverford Township, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for the School District of Haverford Township expresses an unmodified opinion on all major federal programs.

6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The programs tested as major programs were:

   Special Education Cluster:

   I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
   I.D.E.A. – Part B, Section 619 – CFDA Number 84.173

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The School District of Haverford Township did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None