

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

AUDIT REPORT

JUNE 30, 2012

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

T 302.478.8940
F 302.468.4001
www.btcpa.com

November 15, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wallingford-Swarthmore School District (the "District"), Wallingford, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wallingford-Swarthmore School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2011 financial statements and, in our report dated October 31, 2011, we expressed an unqualified opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, as of June 30, 2012, and the respective changes in its financial position and its cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of Wallingford-Swarthmore School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of School Directors
Wallingford-Swarthmore School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wallingford-Swarthmore School District's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and Certain State Grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2012**

INTRODUCTION

The discussion and analysis of Wallingford-Swarthmore School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the transmittal letter, financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The District's net assets decreased by \$3.2 million due to expenses associated with the termination of the SWAP. The District was able to take advantage of favorable interest rates to refund many of its outstanding bond issues. This will decrease debt service requirements in future years. The actual results of operations in the general fund were consistent with the approved budget and resulted in a net decrease in fund balance of \$111,372.

DATA ANALYSIS: THE BASIC FINANCIAL STATEMENT

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

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

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District these cover and the types of information these contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2
Major Features of Wallingford-Swarthmore School District's
Government-wide and Fund Financial Statements**

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

ENTITY-WIDE REPORTING PROCESS:

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

Statement of Net Assets - which identifies what kinds of assets the District owns, what debts it owes and the composition of the net assets that remain.

Statement of Activities - Identifies the costs of providing public school services and the resources obtained to finance the services.

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

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

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

DISTRICT FUND REPORTING:

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

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

The Statement of Net Assets contains information about what the District owns and owes, i.e., assets and liabilities, and what is left after assets are used to satisfy liabilities. Net assets on may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$27,506,104 as of June 30, 2012. Assets exceeded liabilities by \$30,712,151 as of June 30, 2011.

A comparative analysis of fiscal years 2012 to 2011 follows:

**Table 1
June 30, 2012 and 2011
Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
ASSETS:						
Current and other assets	\$ 23,280,157	\$ 25,471,184	\$ 165,165	\$ 102,640	\$ 23,445,322	\$ 25,573,824
Capital assets	96,030,004	86,862,356	108,256	131,761	96,138,260	86,994,117
TOTAL ASSETS	\$ 119,310,161	\$ 112,333,540	\$ 273,521	\$ 234,401	\$ 119,583,682	\$ 112,567,941
LIABILITIES:						
Current liabilities	\$ 8,409,003	\$ 5,730,313	\$ 138,113	\$ 113,182	\$ 8,547,116	\$ 5,843,495
Long-term liabilities	83,530,462	76,012,295	-	-	83,530,462	76,012,295
TOTAL LIABILITIES	91,939,465	81,742,608	138,113	113,182	92,077,578	81,855,790
NET ASSETS:						
Invested in capital assets, net of debt	11,645,589	14,182,996	108,256	131,761	11,753,845	14,314,757
Capital projects	8,542,355	8,841,334	-	-	8,542,355	8,841,334
Unrestricted (deficit)	7,182,752	7,566,602	27,152	(10,542)	7,209,904	7,556,060
TOTAL NET ASSETS	27,370,696	30,590,932	135,408	121,219	27,506,104	30,712,151
TOTAL LIABILITIES AND NET ASSETS	\$ 119,310,161	\$ 112,333,540	\$ 273,521	\$ 234,401	\$ 119,583,682	\$ 112,567,941

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

The largest portion of the District's total assets (80%) reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's investment in capital assets net of related debt decreased by \$2,560,912 as a result of the work in progress and debt incurred for the addition and renovations to the Wallingford Elementary School ("WES").

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

The results of this year's operations as a whole are reported in the Statement of Activities. Table 2 is a summary of changes in net assets for the years ended June 30, 2012 and 2011. Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. General revenues include the local taxes assessed to community taxpayers, the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and other general revenues the District uses to finance the total net cost of programs.

**Table 2
Fiscal Years Ended June 30, 2012 and 2011
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
REVENUES						
<i>Program Revenues:</i>						
Charges for services	\$ 342,091	\$ 290,482	\$ 894,515	\$ 887,377	\$ 1,236,606	\$ 1,177,859
Operating grants	6,556,849	6,955,752	352,125	272,206	6,908,974	7,227,958
Total Program Revenues	6,898,940	7,246,234	1,246,640	1,159,583	8,145,580	8,405,817
<i>General Revenues:</i>						
Property and other taxes	51,174,798	50,398,513	-	-	51,174,798	50,398,513
Grants and entitlements	4,893,674	4,459,075	-	-	4,893,674	4,459,075
Other	458,016	811,491	-	-	458,016	811,491
Total General Revenues	56,526,488	55,669,079	-	-	56,526,488	55,669,079
TOTAL REVENUES	63,425,428	62,915,313	1,246,640	1,159,583	64,672,068	64,074,896

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

**Table 2
Fiscal Years Ended June 30, 2012 and 2011
Changes in Net Assets**

(continued)	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
EXPENSES						
<i>Program Expenses:</i>						
Instruction	38,742,930	37,654,343	-	-	38,742,930	37,654,343
Instructional student support	5,016,495	4,957,399	-	-	5,016,495	4,957,399
Administrative and financial support services	5,321,850	5,266,474	-	-	5,321,850	5,266,474
Operation and maintenance of plant services	4,676,843	4,997,353	-	-	4,676,843	4,997,353
Pupil transportation	3,284,903	3,406,821	-	-	3,284,903	3,406,821
Student activities	1,232,860	1,208,375	-	-	1,232,860	1,208,375
Community services	28	306	-	-	28	306
Interest on long-term debt	3,661,775	2,880,058	-	-	3,661,775	2,880,058
SWAP termination cost	4,693,000	-	-	-	4,693,000	-
Food service	-	-	1,247,431	1,230,422	1,247,431	1,230,422
TOTAL EXPENSES	66,630,684	60,371,129	1,247,431	1,230,422	67,878,115	61,601,551
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	(3,205,256)	2,544,184	(791)	(70,839)	(3,206,047)	2,473,345
Transfers	(14,980)	(13,569)	14,980	13,569	-	-
CHANGE IN NET ASSETS	<u>\$ (3,220,236)</u>	<u>\$ 2,530,615</u>	<u>\$ (14,189)</u>	<u>\$ (57,270)</u>	<u>\$ (3,206,047)</u>	<u>\$ 2,473,345</u>

Operating Grants decreased by \$318,984 due to the reduction in state and federal subsidies, including reductions in the PA Accountability Grant, ARRA and ACCESS, and offset by an increase in the state retirement subsidy. A 1.4% increase in the real estate tax millage was the reason for the \$776,285 increase in property and other taxes. The increase of \$434,599 in Grants and Entitlements was due to the shift of federal funds from the ARRA subsidy in 2010-2011 to the Basic Education Subsidy in 2011-2012.

Total expenses for all categories increased by \$6.3 million in 2011-2012. Instruction expenses increased by \$1.1 million over 2010-2011. Salaries and benefits comprised a large portion of the expenses increase, as they increased by 4.24%, or approximately \$1.5 million over 2010-2011. The Pennsylvania State Employees' Retirement System rate increased from 5.64% to 8.65%. Operation and maintenance of plant services expenses decreased by \$320,510 due to the decrease in the cost of utilities. The increase in interest on long-term debt of \$781,717 was caused by the issuance of new debt, Series B of 2011, for the WES addition and renovation project. There was a one-time cost to terminate the SWAP of \$4.7 million.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

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

**Table 3
Fiscal Years Ended June 30, 2012 and 2011
Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$ 38,742,930	\$ 34,252,614	\$ 37,654,343	\$ 32,659,659
Instructional student support	5,016,495	4,687,672	4,957,399	4,595,161
Administrative and financial support services	5,321,850	5,096,330	5,266,474	5,083,798
Operation and maintenance of plant services	4,676,843	4,477,784	4,997,353	4,823,840
Pupil transportation	3,284,903	2,476,950	3,406,821	2,596,295
Student activities	1,232,860	1,127,281	1,208,375	1,106,472
Community services	28	(173,779)	306	(162,557)
Interest on long-term debt	3,661,775	3,093,892	2,880,058	2,422,227
SWAP termination cost	4,693,000	4,693,000	-	-
Total Expenses	\$ 66,630,684	59,731,744	\$ 60,371,129	53,124,895
Less:				
Unrestricted grants, subsidies		<u>4,893,674</u>		<u>4,459,075</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		\$ 54,838,070		\$ 48,665,820

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

**Table 3A
Business-type Activities**

	Total Cost of Services 2012	Net (Revenue) Expense 2012	Total Cost of Services 2011	Net (Revenue) Expense 2011
Change in Net Assets - Food Service	<u>\$ 1,247,431</u>	<u>\$ 791</u>	<u>\$ 1,230,422</u>	<u>\$ 70,839</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

The food services operation is run by ARAMARK Educational Services, Inc. With the change in federal law, ARAMARK must show a break-even or profit on its operating costs. If a deficit occurs, ARAMARK must reimburse the District for the amount of revenue guaranteed in the contract. All aspects of food services are analyzed on a regular basis, including staffing, food choices, and quality of product and dining environment. The Pennsylvania Department of Education is requiring the contract for food service providers to be bid for the 2013-2014 school year.

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

REVIEW OF GOVERNMENTAL FUNDS

The development, review and consideration of the 2011-2012 Comprehensive General Fund Operating Budget was completed in a manner consistent with past practice. The budget is also prepared to reflect the programs and services to be provided by the various revenue sources. We believe that all data presented in the budget was accurate in all material respects, that it was presented in a manner designed to set forth fairly the financial position and plan of operations of the District as measured by the financial activity of its various accounts, and that all disclosures necessary to maximize, and simplify, user comprehension were included.

The District's governmental funds reported a combined fund balance of \$17,382,527 as of June 30, 2012 and \$17,495,247 as of June 30, 2011, which is a decrease of \$112,720.

Governmental funds, which include the general fund, capital projects fund and the capital reserve fund, had total revenues of \$63.2 million at June 30, 2012 and \$62.9 million at June 30, 2011. Total expenditures were \$74.0 million at June 30, 2012 and \$62.5 million at June 30, 2011.

The general fund expenditures exceeded revenues by \$111,372, after a \$1.525 million transfer to the Capital Reserve, as of June 30, 2012. Total revenues were consistent with the budget, not including refund of prior year expenditures, which exceeded the budgeted revenues. Refund of prior year expenditures, which included Special Ed and Vo-tech reconciliations, was higher than the amount budgeted by \$229,462. Total net increase of revenues over budget is \$231,880.

Total expenditures, not including transfers, were \$1,505,461 better than the budget due to the refunding of the several of the District's bond issues (\$603,696); lower than expected debt service on the new issue, Series B of 2011, for the WES project (\$323,382) and budget debt service for the NPE project (\$425,000), which has not yet been issued. Transfers were higher than the budget due to the transfer of an additional \$425,000 to the NPE Capital Reserve Fund from the amount that had been budgeted for debt service.

General Fund Budget Information

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

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

Spending Review

		2011-2012 Original Budget	2011-2012 Actual Expenditures	Variance Positive (Negative)	Percent Change
Instructional Services:					
Regular programs	1100	\$ 25,521,562	\$ 26,094,358	\$ (572,796)	-2.2%
Special programs	1200	10,075,116	10,109,650	(34,534)	-0.3%
Vocational programs	1300	401,877	332,766	69,111	17.2%
Other instructional programs	1400	281,805	305,780	(23,975)	-8.5%
Community college	1600	169,733	169,733	-	0.0%
Pupil personnel	2100	2,050,963	2,135,230	(84,267)	-4.1%
Instructional staff services	2200	1,910,178	1,938,801	(28,623)	-1.5%
Administrative services	2300	3,107,321	2,943,867	163,454	5.3%
Pupil health	2400	827,084	660,494	166,590	20.1%
Business services	2500	907,344	830,721	76,623	8.4%
Operation and maintenance of plant	2600	4,499,391	4,413,965	85,426	1.9%
Student transportation services	2700	3,231,826	3,100,263	131,563	4.1%
Central services	2800	1,200,549	1,198,203	2,346	0.2%
Other support services	2900	49,980	49,926	54	0.1%
Student activities	3200	1,268,345	1,163,562	104,783	8.3%
Community services	3300	350	28	322	92.0%
Nonrecurring maintenance projects	4600	180,000	211,501	(31,501)	-17.5%
Debt service	5100	7,839,948	6,406,419	1,433,529	18.3%
Interfund transfers	5200	1,115,000	1,539,980	(424,980)	-38.1%
		<u>\$ 84,638,372</u>	<u>\$ 63,605,247</u>	<u>\$ 1,033,125</u>	<u>1.60%</u>

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

		2011-2012 Original Budget	2011-2012 Actual	\$ Lower (Higher) than Original Budget	Diff %
Instructional Services:					
Regular programs	1100	\$ 25,521,562	\$ 26,094,358	\$ (572,796)	-2.2%
Vocational programs	1300	401,877	332,766	69,111	17.2%
Pupil personnel	2100	2,050,963	2,135,230	(84,267)	-4.1%
Administrative services	2300	3,107,321	2,943,867	163,454	5.3%
Pupil health	2400	827,084	660,494	166,590	20.1%
Business services	2500	907,344	830,721	76,623	8.4%
Operation and maintenance of plant	2600	4,499,391	4,413,965	85,426	1.9%
Student transportation services	2700	3,231,826	3,100,263	131,563	4.1%
Student activities	3200	1,268,345	1,163,562	104,783	8.3%
Debt service	5100	7,839,948	6,406,419	1,433,529	18.3%
Interfund transfers	5200	1,115,000	1,539,980	(424,980)	-38.1%
Summary of significant spending changes		<u>\$ 50,770,661</u>	<u>\$ 49,621,625</u>	<u>\$ 1,149,036</u>	<u>2.3%</u>

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

Regular programs (1100) were higher than the budget due to additional expenditures for teaching assistants, substitute teachers, additional computer leases and technology supplies. A more favorable reconciliation from the Delaware County Intermediate Unit of the 2010-2011 Vocational-Technical School estimate contributed to the Vocational Programs (1300) expenditures coming in lower than the budget.

Pupil personnel (2100) was greater due to reclassifications.

Administrative services (2300) expenditures were lower than the original budget because of a vacancy in the position of Principal at The Kids' Place and a miscoding in the budget of the costs for the Director of K-8 Curriculum.

Pupil health (2400) expenditures were lower than the budget due to reduced need for medical services for children with special needs.

Business services (2500) expenditures were lower than the budget. This was caused by the transfer of an employee to another department, fewer supplies needed in the copy center and fewer paying agent fees for our bonds.

Lower utilities prices resulted in expenditures lower than budgeted for operation and maintenance of plant (2600).

Student transportation (2700) expenditures were lower than the budget because of fewer bus repairs, oil changes and inspections due to the terms of the current contract. In addition, contracted transportation that had been budgeted for a student with special needs was not needed.

Student activities (3200) expenditures were lower than budgeted due to the actual costs for the Fall and Spring productions and the athletic program.

Debt service (5100) expenditures were lower than the budget due to the refunding of the several of the District's bond issues; lower than expected debt service on the new issue, Series B of 2011, for the WES project and budgeted debt service for the NPE project, which has not yet been issued. Transfers (5200) were higher than the budget due to the additional transfer to the Nether Providence Elementary Capital Reserve Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2012, the District had \$96,138,260 million Invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

**Table 4
Investment in Capital Assets
Fiscal Years Ended June 30, 2012 and 2011
Capital Assets - Net of Accumulated Depreciation**

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 128,010	\$ 128,010
Building and building improvements, net of accumulated depreciation	80,456,912	83,935,998
Furniture and equipment, net of accumulated depreciation	2,487,787	1,762,871
Construction-in-progress	<u>13,065,551</u>	<u>1,167,238</u>
Total	<u>\$ 96,138,260</u>	<u>\$ 86,994,117</u>

**Table 5
Outstanding Debt
As of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
General Obligation Notes and Bonds:		
Series of 2004	\$ 2,022,000	\$ 2,233,000
Series of 2005	-	9,690,000
Series of 2006	275,000	10,000,000
Series of 2007	-	5,450,000
Series of 2007A	-	6,935,000
Series of 2008	-	39,335,000
Series A of 2011	26,555,000	-
Series B of 2011	10,210,000	-
Series C of 2011	14,540,000	-
Series A of 2012	10,000,000	-
Series B of 2012	9,800,000	-
Series C of 2012	<u>8,960,000</u>	<u>-</u>
Total General Obligation Bonds	<u>\$ 82,362,000</u>	<u>\$ 73,643,000</u>

As of June 30, 2012, the District had total outstanding bond and note principal of \$82,362,000. During the year, the District made bond principal payments of \$3,695,700, not including advance refundings.

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

EXTERNAL ECONOMIC FACTORS:

Act 1

Act 1 of 2006 changed the way schools are funded. The law mandated the appointment of a Local Tax Study Commission, whose charge was to review the current tax structure and District demographics to formulate a recommendation for a personal income tax or an earned income tax to replace some of the District's real estate taxes through a homestead/farmstead exclusion. The Local Tax Study Commission recommended a .8% Personal Income Tax. The Board was then required to either accept or reject the LTSC's recommendation. The Board accepted the LTSC's recommendation and approved the question to be placed on the May ballot. The voters rejected the referendum issue in the May 2007 primary. Act 1 also accelerated the budget schedule and subjected all districts to a state calculated index. Wallingford-Swarthmore's index for 2011-2012 was 1.4%. The Act provided for some exceptions which are required either to be approved by the Court of Common Pleas or the Pennsylvania Department of Education. The District did not utilize any exceptions in the 2011-2012 budget. There is also a provision for the districts to receive Sterling Tax Credits and state gaming funds as they become available. The District budget must be prepared without the knowledge of federal or state revenues for the following year. During 2011-2012, the District received \$1,837,976 in State Property Tax Reduction funds.

Common Level Ratio

The Common Level Ratio in Delaware County is 67.5% for the 2012 tax year. When the Common Level Ratio drops below 85%, this increases the probability of assessment appeals by taxpayers. The problem can only be solved by a County-wide reassessment, which the District has no power to mandate.

INTERNAL ECONOMIC FACTORS:

Impact on Budget Development

Immediate and envisioned District disbursements, projected over a five-year period, are and will continue to be impacted by the poor U.S. economy, unfunded state and federal mandates, strategic planning, special education costs, and long-range facilities and capital improvements. An addition/renovation project is nearly complete for the Wallingford Elementary School and an addition/renovation project has begun for the Nether Providence Elementary School.

Wallingford Elementary School

The addition and renovations project of the Wallingford Elementary School began during Spring 2011. Completion is projected for Fall 2012.

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2012**

Nether Providence Elementary School

The process for an addition and renovations project for the Nether Providence Elementary School has begun. The Board of School Directors has selected an architect and construction manager. Construction is to begin in Spring 2013, with completion in Fall 2014.

Budget 2012-2013

The revenue budget for fiscal year 2012-2013 includes a property tax increase of .763 mils (a 2.0% increase), from 38.152 mils in Nether Providence and Rose Valley and 38.571 mils in Swarthmore and Rutledge to 38.915 mils in Nether Providence and Rose Valley and 39.334 mils in Swarthmore and Rutledge. The difference in the millage rates is the result of municipal participation in the Community College. Total budgeted revenue for fiscal year 2012-2013 is \$65,260,051.

The Board of School Directors approved the property tax increase in order to meet the projected expenditure increase of \$1,609,011 over the prior year's budgeted expenditures. Total budgeted expenditures for fiscal year 2012-2013 are \$67,047,383.

The unassigned fund balance is projected to absorb \$1,787,332 of the budgeted shortfall in General Fund revenues over expenditures for fiscal year 2012-2013. The budgeted projected General Fund unassigned fund balance as of June 30, 2013 is \$6,302,885.

PUBLIC ACCESS TO DISTRICT FINANCIAL MANAGEMENT

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012
(With Summarized Comparative Data for June 30, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and cash equivalents	\$ 19,616,583	\$ 151,584	\$ 19,768,167	\$ 17,204,013
Taxes receivable	1,439,318	-	1,439,318	1,332,671
Due from other governments	1,247,779	49,460	1,297,239	1,098,338
Other receivables	485,922	-	485,922	1,255,351
Prepaid expenses	138,034	-	138,034	8,245
Internal balances	35,779	(35,779)	-	-
Issuance costs	316,742	-	316,742	516,610
Deferred outflow - interest rate SWAP	-	-	-	4,158,596
Land	128,010	-	128,010	128,010
Construction-in-progress	13,065,551	-	13,065,551	1,167,238
Buildings and improvements	102,337,603	-	102,337,603	103,262,661
Furniture and equipment	9,677,985	495,392	10,173,377	9,366,276
Accumulated depreciation	(29,179,145)	(387,136)	(29,566,281)	(26,930,068)
TOTAL ASSETS	\$ 119,310,161	\$ 273,521	\$ 119,583,682	\$ 112,567,941
LIABILITIES				
Accounts payable	2,269,247	100,262	2,369,509	912,273
Accrued salaries and benefits	1,904,822	-	1,904,822	1,309,939
Other liabilities	7,459	-	7,459	10,292
Accrued interest payable	357,671	-	357,671	184,359
Deferred revenues	70,419	37,851	108,270	70,489
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	3,105,000	-	3,105,000	3,030,000
Add: Bond premium	317,783	-	317,783	-
Less: Deferred amount on refunding	-	-	-	(2,642)
Less: Bond discount	(12,648)	-	(12,648)	(28,595)
Note payable	219,000	-	219,000	211,000
Accumulated compensated absences/ early retirement incentive	43,573	-	43,573	65,815
Judgment payable	126,677	-	126,677	80,565
Portion due or payable after one year:				
Bonds payable	77,235,000	-	77,235,000	68,380,000
Add: Bond premiums	3,321,817	-	3,321,817	-
Less: Deferred amount on refundings	-	-	-	(7,829)
Less: Bond discounts	(626,433)	-	(626,433)	(244,001)
Notes payable	1,803,000	-	1,803,000	2,022,000
Accumulated compensated absences/ early retirement incentives	934,173	-	934,173	1,029,884
Derivative instrument liability - interest rate SWAP	-	-	-	4,158,596
Other Post Employment Benefits	862,905	-	862,905	673,745
TOTAL LIABILITIES	91,939,465	138,113	92,077,578	81,855,790
NET ASSETS:				
Invested in capital assets, net of related debt	11,645,589	108,256	11,753,845	14,314,757
Restricted for capital purposes	8,542,355	-	8,542,355	8,841,334
Unrestricted	7,182,752	27,152	7,209,904	7,556,060
TOTAL NET ASSETS	27,370,696	135,408	27,506,104	30,712,151
TOTAL LIABILITIES AND NET ASSETS	\$ 119,310,161	\$ 273,521	\$ 119,583,682	\$ 112,567,941

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2012

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
					2012	2011
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 38,742,930	\$ 115,179	\$ 4,375,137	\$ -	\$ (34,252,614)	\$ (34,252,614)
Instructional student support	5,016,495	-	328,823	-	(4,687,672)	(4,687,672)
Administrative and financial support services	5,321,850	-	225,520	-	(5,096,330)	(5,096,330)
Operation and maintenance of plant services	4,676,843	-	199,059	-	(4,477,784)	(4,477,784)
Pupil transportation	3,284,903	-	807,953	-	(2,476,950)	(2,476,950)
Student activities	1,232,860	53,105	52,474	-	(1,127,281)	(1,127,281)
Community services	28	173,807	-	-	173,779	173,779
Interest on long-term debt	3,661,775	-	567,883	-	(3,093,892)	(3,093,892)
SWAP termination costs	4,693,000	-	-	-	(4,693,000)	(4,693,000)
TOTAL GOVERNMENTAL ACTIVITIES	86,630,684	342,091	6,556,849	-	(59,731,744)	(59,731,744)
BUSINESS-TYPE ACTIVITIES						
Food service	1,247,431	894,515	352,125	-	-	(791)
TOTAL BUSINESS-TYPE ACTIVITIES	1,247,431	894,515	352,125	-	-	(791)
TOTAL PRIMARY GOVERNMENT	\$ 67,878,115	\$ 1,236,606	\$ 6,908,974	\$ -	(59,732,535)	(53,185,734)
GENERAL REVENUES						
Property taxes, levied for general purposes					50,561,837	49,894,296
Taxes levied for specific purposes					612,961	504,217
Grants and entitlements not restricted to specific programs					4,893,674	4,459,075
Investment earnings					89,679	170,567
Transfers					(14,980)	-
Miscellaneous					368,337	640,924
TOTAL GENERAL REVENUES					56,511,508	56,669,079
CHANGE IN NET ASSETS					(3,220,236)	2,473,345
NET ASSETS, BEGINNING OF YEAR					30,590,932	28,236,806
NET ASSETS, END OF YEAR					\$ 27,370,696	\$ 30,712,151

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2012

(With Summarized Comparative Data for June 30, 2011)

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2012	2011
ASSETS					
Cash and cash equivalents	\$ 8,426,068	\$ 9,071,416	\$ 2,119,099	\$ 19,616,583	\$ 17,136,557
Taxes receivable	1,439,318	-	-	1,439,318	1,332,671
Due from other funds	35,779	25,000	-	60,779	200
Due from other governments	1,247,779	-	-	1,247,779	1,063,154
Other receivables	485,922	-	-	485,922	1,255,151
Prepaid expenses	138,034	-	-	138,034	8,245
TOTAL ASSETS	\$ 11,772,900	\$ 9,096,416	\$ 2,119,099	\$ 22,988,415	\$ 20,795,978
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 574,191	\$ 554,061	\$ 1,140,995	\$ 2,269,247	\$ 831,216
Due to other funds	25,000	-	-	25,000	-
Accrued salaries and benefits	1,948,395	-	-	1,948,395	1,375,754
Deferred revenues	1,229,110	-	-	1,229,110	1,002,904
Judgment payable	126,677	-	-	126,677	80,565
Other current liabilities	7,459	-	-	7,459	10,292
TOTAL LIABILITIES	3,910,832	554,061	1,140,995	5,605,888	3,300,731
FUND BALANCES:					
Nonspendable	138,034	-	-	138,034	8,245
Restricted for capital	-	8,542,355	978,104	9,520,459	9,521,807
Committed	1,060,000	-	-	1,060,000	1,060,000
Unassigned	6,664,034	-	-	6,664,034	6,905,195
TOTAL FUND BALANCES	7,862,068	8,542,355	978,104	17,382,527	17,495,247
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,772,900	\$ 9,096,416	\$ 2,119,099	\$ 22,988,415	\$ 20,795,978

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
JUNE 30, 2012**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 17,382,527
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Land	\$ 128,010	
Buildings and improvements	102,337,603	
Furniture and equipment	9,677,985	
Construction-in-progress	13,065,551	
Accumulated depreciation	<u>(29,179,145)</u>	96,030,004

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

Bonds payable	(80,340,000)	
Note payable	(2,022,000)	
Accumulated compensated absences/early retirement incentive	(934,173)	
Post Employment Benefits	(862,905)	
Accrued interest payable	<u>(357,671)</u>	(84,516,749)

Refunded debt and bond issuance costs resulted in deferred charges and credits which will be amortized over the live of new debt but do not represent current rights.	(2,683,777)
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Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds	<u>1,158,691</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 27,370,696</u>
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The accompanying notes are an integral part of these financial statements.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Comparative Data for the Year Ended June 30, 2011)

	Major Funds			Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2012	2011
REVENUES					
Local sources	\$ 51,739,496	\$ 14,198	\$ 27,061	\$ 51,780,755	\$ 51,520,738
State sources	10,599,084	-	-	10,599,084	9,834,927
Federal sources	851,439	-	-	851,439	1,508,082
TOTAL REVENUES	63,190,019	14,198	27,061	63,231,278	62,863,747
EXPENDITURES					
Current:					
Instruction	37,012,287	-	-	37,012,287	35,474,289
Support services	17,271,470	-	-	17,271,470	17,438,251
Operation of noninstructional services	1,163,590	-	-	1,163,590	1,136,382
Capital outlay	211,501	1,838,177	10,156,940	12,206,618	2,528,269
Debt service	6,406,419	-	-	6,406,419	5,918,641
TOTAL EXPENDITURES	62,065,267	1,838,177	10,156,940	74,060,384	62,495,832
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,124,752	(1,823,979)	(10,129,879)	(10,829,106)	367,915
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,525,000	-	1,525,000	2,850,317
Transfers out	(1,539,980)	-	-	(1,539,980)	(2,863,886)
Refund of prior year expenditures	329,462	-	-	329,462	316,502
Refund of prior year receipts	(25,806)	-	-	(25,806)	(2,802)
Bond proceeds	-	-	10,490,000	10,490,000	-
Bond interest	-	-	(126,463)	(126,463)	-
Bond issuance costs	-	-	(331,322)	(331,322)	-
SWAP termination costs	-	-	(4,693,000)	(4,693,000)	-
Bond premiums	-	-	3,812,916	3,812,916	-
Bond discounts	-	-	(649,621)	(649,621)	-
Issuance of debt - refunding	-	-	70,245,000	70,245,000	-
Payment of debt - refunding	-	-	(68,320,000)	(68,320,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,236,124)	1,525,000	10,427,510	10,716,386	300,331
NET CHANGE IN FUND BALANCES	(111,372)	(298,979)	297,631	(112,720)	688,246
FUND BALANCES, BEGINNING OF YEAR	7,973,440	8,841,334	680,473	17,495,247	16,827,001
FUND BALANCES, END OF YEAR	\$ 7,862,068	\$ 8,542,355	\$ 978,104	\$ 17,382,527	\$ 17,495,247

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ (112,720)

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

Capital outlays are reported in governmental funds as expenditures recorded as either District-wide (capital outlay) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$12,376,426) exceeded depreciation (\$3,208,778) in the period.

9,167,648

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.

194,151

Governmental funds report debt retirement, issuance costs, bond discounts and deferred amounts on refunding as expenditures and bond premiums as revenue. However, these amounts are reported on the statement of net assets as deferred charges and credits and are amortized over the life of the debt. This is the amount by which current issuance costs, bond premium and bond discounts exceeded amortization.

(12,202,554)

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave), special termination benefits (early retirement), and post-employment benefits – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which compensated absences, special termination benefits, and post employment benefits earned exceeded amounts paid.

(93,449)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(173,312)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (3,220,236)

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 52,649,974	\$ 52,649,974	\$ 51,739,496	\$ (910,478)
State sources	10,198,158	10,198,158	10,599,084	400,926
Federal sources	317,719	339,469	851,439	511,970
TOTAL REVENUES	<u>63,165,851</u>	<u>63,187,601</u>	<u>63,190,019</u>	<u>2,418</u>
EXPENDITURES				
Instruction:				
Regular programs	25,521,562	25,513,204	26,094,358	(581,154)
Special programs	10,075,116	10,075,116	10,109,650	(34,534)
Vocational programs	401,877	401,877	332,766	69,111
Other instructional programs	281,805	281,805	305,780	(23,975)
Higher education programs	169,733	169,733	169,733	-
Total Instruction	<u>36,450,093</u>	<u>36,441,735</u>	<u>37,012,287</u>	<u>(570,552)</u>
Support services:				
Pupil personnel services	2,050,963	2,053,363	2,135,230	(81,867)
Instructional staff services	1,910,178	1,915,856	1,938,801	(22,945)
Administrative services	3,107,321	3,117,577	2,943,867	173,710
Pupil health	827,084	827,084	660,494	166,590
Business services	907,344	907,344	830,721	76,623
Operation and maintenance of plant services	4,499,391	4,505,205	4,413,965	91,240
Student transportation services	3,231,826	3,231,826	3,100,283	131,563
Central and other support services	1,200,549	1,206,509	1,198,203	8,306
Other support services	49,980	49,980	49,926	54
Total Support Services	<u>17,784,636</u>	<u>17,814,744</u>	<u>17,271,470</u>	<u>543,274</u>
Operation of noninstructional activities:				
Student activities	1,268,345	1,268,345	1,163,562	104,783
Community services	350	350	28	322
Total Operation of Noninstructional Activities	<u>1,268,695</u>	<u>1,268,695</u>	<u>1,163,590</u>	<u>105,105</u>
Capital outlay	180,000	180,000	211,501	(31,501)
Debt service	7,839,948	7,839,948	6,406,419	1,433,529
TOTAL EXPENDITURES	<u>63,523,372</u>	<u>63,545,122</u>	<u>62,065,267</u>	<u>1,479,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(357,521)</u>	<u>(357,521)</u>	<u>1,124,752</u>	<u>1,482,273</u>
OTHER FINANCING USES				
Transfers out	(1,115,000)	(1,115,000)	(1,539,980)	(424,980)
Refund of prior year expenditures	100,000	100,000	329,462	229,462
Refund of prior year receipts	-	-	(25,606)	(25,606)
Budgetary reserve	(800,000)	(800,000)	-	800,000
TOTAL OTHER FINANCING USES	<u>(1,815,000)</u>	<u>(1,815,000)</u>	<u>(1,236,124)</u>	<u>578,876</u>
NET CHANGE IN FUND BALANCE	<u>(2,172,521)</u>	<u>(2,172,521)</u>	<u>(111,372)</u>	<u>2,061,149</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,973,440</u>	<u>7,973,440</u>	<u>7,973,440</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,800,919</u>	<u>\$ 5,800,919</u>	<u>\$ 7,862,068</u>	<u>\$ 2,061,149</u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2012
(With Comparative Data for June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 151,584	\$ 67,456
Due from other governments	49,460	35,184
Total Current Assets	<u>201,044</u>	<u>102,640</u>
CAPITAL ASSETS:		
Furniture and equipment	495,392	495,392
Accumulated depreciation	(387,136)	(363,631)
Capital Assets, Net	<u>108,256</u>	<u>131,761</u>
TOTAL ASSETS	<u>\$ 309,300</u>	<u>\$ 234,401</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 100,262	\$ 81,057
Deferred revenue	37,851	32,125
Due to other funds	35,779	-
Total Current Liabilities	<u>173,892</u>	<u>113,182</u>
NET ASSETS:		
Invested in net assets, net of related debt	108,256	131,761
Unrestricted (deficit)	27,152	(10,542)
Total Net Assets	<u>135,408</u>	<u>121,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 309,300</u>	<u>\$ 234,401</u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Data for the Year Ended June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
OPERATING REVENUES		
Food service revenues	\$ 894,515	\$ 887,377
Total Operating Revenues	<u>894,515</u>	<u>887,377</u>
OPERATING EXPENSES		
Contract services	562,262	557,445
Supplies	614,803	600,836
Depreciation	23,505	27,548
Other operating expenses	46,861	44,593
Total Operating Expenses	<u>1,247,431</u>	<u>1,230,422</u>
OPERATING LOSS	<u>(352,916)</u>	<u>(343,045)</u>
NONOPERATING REVENUES		
State sources	42,960	24,786
Federal sources	309,165	247,420
Total Nonoperating Revenues	<u>352,125</u>	<u>272,206</u>
LOSS BEFORE TRANSFERS	(791)	(70,839)
Transfers in	<u>14,980</u>	<u>13,569</u>
CHANGE IN NET ASSETS	14,189	(57,270)
NET ASSETS, BEGINNING OF YEAR	<u>121,219</u>	<u>178,489</u>
NET ASSETS, END OF YEAR	<u>\$ 135,408</u>	<u>\$ 121,219</u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Data for the Year Ended June 30, 2011)

	Major Fund	
	Food Service Fund	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 900,241	\$ 896,922
Payments for contract services	(562,262)	(557,445)
Payments to suppliers	(507,954)	(615,265)
Payments for other operating expenses	(46,861)	(44,593)
NET CASH USED BY OPERATING ACTIVITIES	<u>(216,836)</u>	<u>(320,381)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	30,928	26,044
Federal sources	255,056	209,674
Transfer from general fund	14,980	13,569
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>300,964</u>	<u>249,287</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	84,128	(71,094)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>67,456</u>	<u>138,550</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 151,584</u>	<u>\$ 67,456</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (352,916)	\$ (343,045)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	23,505	27,548
Donated commodities	51,865	42,649
(Increase) Decrease in:		
Other receivables	-	2,621
Increase (Decrease) in:		
Accounts payable	19,205	(14,995)
Deferred revenue	5,726	6,924
Due to other funds	35,779	(42,083)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (216,836)</u>	<u>\$ (320,381)</u>
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	<u>\$ 51,865</u>	<u>\$ 42,649</u>

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

**WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012**

	Private - Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 91,848	\$ 130,175
TOTAL ASSETS	<u>\$ 91,848</u>	<u>\$ 130,175</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ -	\$ 130,175
Total Liabilities	-	130,175
 NET ASSETS:		
Reserved for trust	91,848	-
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 91,848</u>	<u>\$ 130,175</u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Data for the Year Ended June 30, 2011)

	Private-Purpose Trust	
	<u>2012</u>	<u>2011</u>
ADDITIONS		
Local contributions	<u>\$ 19,487</u>	<u>\$ 11,365</u>
TOTAL ADDITIONS	<u>19,487</u>	<u>11,365</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>6,514</u>	<u>2,979</u>
TOTAL DEDUCTIONS	<u>6,514</u>	<u>2,979</u>
CHANGE IN NET ASSETS	12,973	8,386
NET ASSETS, BEGINNING OF YEAR	<u>78,875</u>	<u>70,489</u>
NET ASSETS, END OF YEAR	<u><u>\$ 91,848</u></u>	<u><u>\$ 78,875</u></u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wallingford-Swarthmore School District (the "District") operates three elementary schools, one middle school and one senior high school to provide education and related services to the residents of Swarthmore, Rutledge and Rose Valley Boroughs and Nether Providence Township. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member Board form of government.

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

Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

The entity-wide financial statements report net assets in one of three components. Invested in net assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings attributable to acquiring, constructing or improving those assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net assets arising from the capital projects fund. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Fund Financial Statements

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

Governmental Funds

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

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Reserve Fund** and the **Capital Projects Fund** are used to account for the acquisition, construction and renovation of major capital facilities and their related capital assets.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

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

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Fiduciary Funds

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

Early Implementation of GASB Statements

During the current year, the District elected to implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the District's current year financial statements.

During the current year, the District elected to implement GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which are followed for proprietary fund and entity-wide reporting. The District's notes to the financial statements have been revised to reflect the level of disclosure required by the new Statement.

Cash and Cash Equivalents

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

Receivables and Payables

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

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Property Taxes

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

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

Real estate taxes for the District are collected from the Township of Nether Providence and the Borough of Rose Valley. The tax on real estate for public school purposes for fiscal 2011-2012 was 38.15 mills (\$38.15 per \$1,000 of assessed valuation) as levied by the Board. Real estate taxes also are collected from the Boroughs of Rutledge and Swarthmore, and their tax on real estate for public school purposes for fiscal 2011-2012 was 38.57 mills (\$38.57 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Delaware County Board of Assessments, and the District is responsible for collection.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, composite assets of more than \$10,000 and critical control assets as defined by District policy. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Compensated Absences

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

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Balances

As of June 30, 2012, fund balances of the governmental funds are classified, if applicable, as follows:

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

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Unassigned – all other spendable amounts.

	General Fund	Capital Projects Funds	Total Governmental Funds
Nonspendable	\$ 138,034	\$ -	\$ 138,034
Restricted:			
Bond funds	-	978,104	978,104
Capital reserve	-	8,542,355	8,542,355
Committed:			
PSERS	710,000	-	710,000
Bus fleet	350,000	-	350,000
Unassigned	6,664,034	-	6,664,034
Total Fund Balances	\$ 7,862,068	\$ 9,520,459	\$ 17,382,527

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the comparative data was derived.

Use of Estimates in the Preparation of Financial Statements

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2012:

Regular programs	\$ 581,154
Special programs	\$ 34,534
Vocational programs	\$ 23,975
Pupil personnel services	\$ 81,867
Instructional staff services	\$ 22,945
Capital outlay	\$ 31,501

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

NOTE 3 DEPOSITS

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but adheres to Commonwealth of Pennsylvania law (Act 72) for the collateralization requirements governing public funds. At June 30, 2012, the carrying amount of the District's deposits was \$19,990,190 and the bank balance was \$20,498,720. Of the bank balance, \$261,920 was covered by federal depository insurance, and \$689,236 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining cash deposits in the amount of \$19,547,564 are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2012, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

NOTE 4 DEFERRED REVENUES

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

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

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Reclass/ Decreases	Ending Balance
Government-type activities:				
Capital assets not being depreciated:				
Land	\$ 128,010	\$ -	\$ -	\$ 128,010
Construction-in-progress	1,167,238	11,898,313	-	13,065,551
Total Capital Assets Not Being Depreciated	1,295,248	11,898,313	-	13,193,561
Capital assets being depreciated:				
Buildings and improvements	103,262,661	164,699	1,089,757	102,337,603
Furniture and equipment	8,870,884	313,414	(493,687)	9,677,985
Total Capital Assets Being Depreciated	112,133,545	478,113	596,070	112,015,588

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
(continued)				
Less accumulated depreciation for:				
Buildings and improvements	19,326,663	2,554,028	-	21,880,691
Furniture and equipment	7,239,774	654,750	596,070	7,298,454
Total accumulated depreciation	26,566,437	3,208,778	596,070	29,179,145
Total Capital Assets Being Depreciated, Net	85,567,108	(1,640,908)	1,089,757	82,836,443
Governmental Activities, Net	<u>\$86,862,356</u>	<u>\$10,257,405</u>	<u>\$1,089,757</u>	<u>\$96,030,004</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 495,392	\$ -	\$ -	\$ 495,392
Total Capital Assets Being Depreciated	495,392	-	-	495,392
Less accumulated depreciation for:				
Furniture and equipment	363,631	23,505	-	387,136
Total accumulated depreciation	363,631	23,505	-	387,136
Business-type Activities, Net	<u>\$ 131,761</u>	<u>\$ (23,505)</u>	<u>\$ -</u>	<u>\$ 108,256</u>

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

Governmental activities:	
instruction	\$ 2,141,929
Instructional student support	273,991
Administrative and financial support services	290,668
Operation and maintenance of plant services	255,439
Pupil transportation	179,415
Student activities	67,336
Total Depreciation Expense - Governmental Activities	<u>\$ 3,208,778</u>
Business-type Activities - Food Service	<u>\$ 23,505</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 35,779	Food Service Fund	\$ 35,779
Capital Reserve	25,000	General Fund	25,000
	<u>\$ 60,779</u>		<u>\$ 60,779</u>

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS (cont'd)

Interfund transfers for the year ended June 30, 2012 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	
Food Service Fund	General Fund	\$ 14,980
Capital Reserve Fund	General Fund	\$ 1,525,000

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

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
Bonds payable	\$ 71,410,000	\$ 80,735,000	\$ 71,805,000	\$ 80,340,000
Note payable	2,233,000	-	211,000	2,022,000
Deferred amount on refunding	(10,571)	-	(10,571)	-
Bond premium	-	3,812,916	173,316	3,639,600
Bond discounts	(272,596)	(649,621)	(283,136)	(639,081)
Accumulated compensated absences/early retirement incentive	1,095,699	-	117,953	977,746
TOTALS	<u>\$ 74,455,532</u>	<u>\$ 83,898,295</u>	<u>\$ 72,013,562</u>	<u>\$ 86,340,265</u>

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

General Obligation Bonds

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

\$ 275,000

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

26,555,000

Series of 2011B, maturing through May 1, 2031, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 1 and November 1.

10,210,000

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

14,540,000

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Series of 2012A, maturing through May 15, 2027, bearing interest ranging from 2.30% to 2.65%, interest payable semi-annually on May 15 and November 15. The Series of 2012A was used to (1) advance refund the Series of 2006 and to (2) pay the costs of issuing the bonds. The cash flow savings and economic benefit were \$1,987,878 and \$1,641,948, respectively.

10,000,000

Series of 2012B, maturing through May 15, 2016, bearing interest ranging from 1.00% to 3.00%, interest payable semi-annually on May 15 and November 15. The Series of 2012B was used to (1) advance refund the Series of 2007 and to (2) pay the costs of issuing the bonds. The cash flow savings and economic benefit were \$576,368 and \$564,078, respectively.

9,800,000

Series of 2012C, maturing through May 15, 2022, bearing interest ranging from 0.5% to 3.00%, interest payable semi-annually on May 15 and November 15. The Series of 2012C was used to (1) advance refund the Series of 2005 and to (2) pay the costs of issuing the bonds. The cash flow savings and economic benefit were \$1,035,008 and \$1,014,790, respectively.

8,960,000

General Obligation Note

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

2,022,000

TOTAL \$82,362,000

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2013	\$ 3,324,000	\$ 3,102,220	\$ 6,426,220
2014	2,568,000	2,984,514	5,552,514
2015	2,697,000	2,892,286	5,589,286
2016	4,137,000	2,747,147	6,884,147
2017	7,017,000	2,597,353	9,614,353
2018-2022	24,779,000	10,394,061	35,173,061
2023-2027	30,180,000	5,092,963	35,272,963
2028-2031	7,660,000	583,509	8,243,509
	<u>\$ 82,362,000</u>	<u>\$ 30,394,053</u>	<u>\$112,756,053</u>

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 6.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2010, 2011 and 2012 were \$1,458,376, \$1,746,079 and \$2,720,839, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 9 JOINT VENTURES

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

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 JOINT VENTURES (cont'd)

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>	<u>DCVTSA</u>
2013	\$ 28,092	\$ 29,784
2014	29,148	-
2015	29,180	-
2016	29,083	-
2017	29,055	-
2018-2033	338,599	-
Total	483,157	29,784
Less: Interest requirements	(150,338)	(968)
Outstanding rental payments	<u>\$ 332,819</u>	<u>\$ 28,816</u>

NOTE 10 OPERATING LEASES

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

<u>Year Ending June 30,</u>	
2013	\$ 553,929
2014	553,929
Total	<u>\$ 1,107,858</u>

Rental expenditures were \$999,059 for the year ended June 30, 2012.

NOTE 11 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2012, the District contributed \$17,394 to the Plan. Retirees paid group premiums of \$294,735 in fiscal 2012.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 343,900
Interest on net OPEB obligation	30,319
Adjustment to annual required contribution	<u>(41,361)</u>
Annual OPEB cost (expense)	332,858
Contributions made	<u>(143,698)</u>
Increase in net OPEB obligation	189,160
Net OPEB obligation - beginning of year	<u>673,745</u>
Net OPEB obligation - end of year	<u>\$ 862,905</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2/1/2010	\$ -	\$2,520,547	\$2,520,547	0.00%	\$28,898,612	11.46%
2/1/2009	\$ -	\$2,701,580	\$2,701,580	0.00%	\$26,566,272	10.17%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of eight percent in 2012, reduced by decrements to an ultimate rate of five percent in 2015 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2012 was 26 years.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2011-2012 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 COMMITMENTS

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

<u>Item / Description</u>	<u>Contractor Name</u>	<u>Contract Amount</u>	<u>Completed to June 30, 2012</u>	<u>Commitments</u>
Wallingford Elementary School				
- additions and renovations				
Construction	E. R. Stuebner, Inc.	\$ 9,071,835	\$ 6,782,038	\$ 2,289,797
Construction management	Reynolds Construction	564,456	514,956	49,500
Architecture	Godshall Kane Architects	856,000	793,294	62,706
Fire protection	Apex Plumbing & Heating, Inc.	248,000	155,530	92,470
Plumbing	Guy M. Cooper	700,331	588,228	112,103
HVAC	Allstates Mechanical, Inc.	1,970,000	1,685,444	284,556
Electrical	Pagoda Electrical, Inc.	1,892,457	1,421,359	471,098
Nether Providence Elem. School				
- additions and renovations				
Construction management	Reynolds Construction	554,250	35,200	519,050
Architecture	Godshall Kane Architects	657,220	129,379	527,841
TOTAL		<u>\$ 16,514,549</u>	<u>\$ 12,105,428</u>	<u>\$ 4,409,121</u>

In addition, the District has incurred costs totaling \$960,123 for project costs that were not under a formal contract as of June 30, 2012.

NOTE 15 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 15, 2012, the date the financial statements were available to be issued.

SINGLE AUDIT

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

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

T 302.478.8940
F 302.468.4001
www.btcpa.com

November 15, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of School Directors
Wallingford-Swarthmore School District

Compliance and Other Matters

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

We noted certain matters that we reported to management of Wallingford-Swarthmore School District in a separate letter dated November 15, 2012.

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

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

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

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

November 15, 2012

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

Compliance

We have audited the compliance of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Wallingford-Swarthmore School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Wallingford-Swarthmore School District's management. Our responsibility is to express an opinion on Wallingford-Swarthmore School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wallingford-Swarthmore School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wallingford-Swarthmore School District's compliance with those requirements.

In our opinion, Wallingford-Swarthmore School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

To the Board of School Directors
Wallingford-Swarthmore School District

we considered Wallingford-Swarthmore School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control over compliance.

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

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

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

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unqualified

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

 Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027

IDEA

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

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2011	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2012
U.S. Department of Education Passed through PA Department of Education										
Title I - Academic Achievement		84.010	077-10-0458A	07/01/09-09/30/10	\$ 5,000	\$ -	\$ (125)	\$ 125	\$ 125	\$ -
Title I		84.010	013-11-0458	07/01/10-09/30/11	126,162	25,209	2,065	23,144	23,144	-
Title I		84.010	013-12-0458	07/01/11-06/30/12	120,083	57,337	-	86,351	86,351	29,014
Total CFDA #84.010						82,546	1,940	109,620	109,620	29,014
Title II - Improving Teacher Quality		84.367	020-11-0458	07/01/10-06/30/11	79,768	31,788	(1,978)	33,766	33,766	-
Title II - Improving Teacher Quality		84.367	020-12-0458	07/01/10-06/30/12	67,037	35,930	-	61,455	61,455	25,525
Total CFDA #84.367						67,718	(1,978)	95,221	95,221	25,525
Drug-free Schools		84.186	100-10-0458	07/01/09-09/30/10	7,223	5,244	2,137	3,107	3,107	-
Total CFDA #84.186						5,244	2,137	3,107	3,107	-
ARRA - Fiscal Stabilization Fund - Basic Education		84.394	126-100458	07/01/10-06/30/11	151,114	211,560	211,560	-	-	-
Total CFDA #84.394						211,560	211,560	-	-	-
ARRA - Education Jobs Fund		84.410	126-100458	08/10/10-09/30/11	3,174	-	-	-	-	-
Subgrant from U.S. Department of Education Passed through Delaware County I.U.						-	-	3,174	3,174	3,174
I.D.E.A.		84.027	062-08-0025	07/01/10-06/30/11		565,582	-	9,669	9,669	9,669
I.D.E.A.		84.027	062-08-0025	07/01/10-06/30/12	585,335	565,582	-	585,335	585,335	19,753
Total CFDA #84.027						932,650	213,659	806,126	806,126	29,422
TOTAL U.S. DEPARTMENT OF EDUCATION						51,865	-	51,865	51,865	-
U.S. Department of Agriculture Passed through PA Department of Agriculture Value of USDA Commodities		10.555	N/A	07/01/11-06/30/12	N/A					
U.S. Department of Agriculture Passed through PA Department of Education										
National School Lunch Program		10.555	N/A	07/01/10-06/30/11	N/A	39,360	19,529	19,831	19,831	-
National School Lunch Program		10.555	N/A	07/01/11-06/30/12	N/A	131,184	-	152,209	152,209	21,025
Total CFDA #10.555						222,409	19,529	223,905	223,905	21,025
Breakfast Program		10.553	N/A	07/01/10-06/30/11	N/A	8,180	3,521	4,659	4,659	-
Breakfast Program		10.553	N/A	07/01/11-06/30/12	N/A	22,870	-	26,470	26,470	3,600
Total CFDA #10.553						31,050	3,521	31,129	31,129	3,600
Milk Program		10.556	N/A	07/01/10-06/30/11	N/A	1,137	503	634	634	-
Milk Program		10.556	N/A	07/01/11-06/30/12	N/A	3,801	-	4,730	4,730	929
Total CFDA #10.556						4,938	503	5,364	5,364	929
Total Child Nutrition Cluster						258,397	23,553	260,398	260,398	25,554
Child and Adult Care Food Program		10.558	N/A	07/01/10-06/30/11	N/A	9,850	8,084	1,766	1,766	-
Child and Adult Care Food Program		10.558	N/A	07/01/11-06/30/12	N/A	38,674	-	47,001	47,001	8,327
Total CFDA #10.558						48,524	8,084	48,767	48,767	8,327

Continued on next page.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THRU GRANTOR'S NUMBER</u>	<u>GRANT PERIOD BEGINNING / ENDING DATES</u>	<u>GRANT AMOUNT</u>	<u>TOTAL RECEIVED FOR YEAR</u>	<u>ACCRUED (DEFERRED) REVENUE 07/01/2011</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 06/30/2012</u>
(cont'd)										
U.S. Department of Agriculture										
Passed through PA Department of Education										
State Matching Share	S	N/A	N/A	07/01/10-06/30/11	N/A	7,224	3,547	3,677	3,677	15,579
State Matching Share	S	N/A	N/A	07/01/11-06/30/12	N/A	23,704	-	39,283	39,283	
						337,849	35,184	352,125	352,125	49,460
TOTAL U.S. DEPARTMENT OF AGRICULTURE						\$1,270,499	\$248,843	\$ 1,158,251	\$ 1,158,251	\$ 136,595
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS										
TOTAL FEDERAL AWARDS										
TOTAL STATE GRANTS						\$1,238,571	\$245,296	\$ 1,115,291	\$ 1,115,291	\$ 121,016
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						30,928	3,547	42,960	42,960	15,579
						\$1,270,499	\$248,843	\$ 1,158,251	\$ 1,158,251	\$ 136,595

Source Codes

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

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures are reported in the Schedule of Expenditures of Federal Awards under CFDA #10.555. The Value of USDA Commodities represent surplus food consumed by the District during the 2011-2012 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2012 was \$45,313.