

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents	1
FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited).....	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	12
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
<i>Proprietary Fund</i>	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Basic Financial Statements	23
Required Supplementary Information	
Budgetary Comparison Schedule	45
Notes to the Budgetary Comparison Schedule	46
Postemployment Benefits Other Than Pension Funding Progress	47
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	48
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	50
SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and Certain State Awards	52
Notes to the Schedule of Expenditures of Federal and Certain State Awards	54
Schedule of Findings and Questioned Costs	55
Summary Schedule of Prior Audit Findings	56

FINANCIAL SECTION

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Haverford Township as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District of Haverford Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Haverford Township as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, for the year ended June 30, 2013, the School District of Haverford Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, budgetary comparison information on pages 45 and 46 and postemployment benefits other than pension funding progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the School District of Haverford Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Haverford Township's internal control over financial reporting and compliance.



Oaks, Pennsylvania
November 26, 2013

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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

HIGHLIGHTS

The District's total net position increased by \$717,802 to a total of \$7,673,487. The governmental net position increased by \$696,352, and the business-type net position increased by \$21,450. State subsidies and federal grants accounted for \$15,027,365 or 16.0% of total District revenues. State revenues include \$2,103,691 of pass through funds from the property tax relief program which reduces local tax effort by providing taxpayers a credit, funded from state gaming fund proceeds, towards real estate tax assessments. The increase in net position was primarily attributable to improved cost containment.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND LEVEL FINANCIAL STATEMENTS

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The Governmental Funds statements tell how the School District's general services were financed in the short term, as well as what remains for future spending. Proprietary Fund statements offer short- and long-term financial information about the activities that the School District operates like a business, our Food Service Fund.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

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

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

GOVERNMENT-WIDE STATEMENTS

Statements of Net Position

The following table reflects the condensed statements of net position.

Table 1
Condensed Statements of Net Position
June 30, 2013 and 2012

	2013			2012		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 17,172,825	\$ 238,779	\$ 17,411,604	\$ 16,429,278	\$ 208,149	\$ 16,637,427
Capital assets	137,323,962	235,876	137,559,838	140,689,218	252,109	140,941,327
TOTAL ASSETS	154,496,787	474,655	154,971,442	157,118,496	460,258	157,578,754
DEFERRED OUTFLOWS OF RESOURCES						
Interest hedge swap	4,849,776	-	4,849,776	8,167,750	-	8,167,750
LIABILITIES						
Current and other liabilities	9,203,738	63,936	9,267,674	8,510,906	70,989	8,581,895
Long-term liabilities	138,030,281	-	138,030,281	142,041,174	-	142,041,174
TOTAL LIABILITIES	147,234,019	63,936	147,297,955	150,552,080	70,989	150,623,069
DEFERRED INFLOWS OF RESOURCES						
Interest hedge swap	4,849,776	-	4,849,776	8,167,750	-	8,167,750
NET POSITION						
Net investment in capital assets	1,956,376	235,876	2,192,252	7,552,153	252,109	7,804,262
Unrestricted	5,306,392	174,843	5,481,235	(985,737)	137,160	(848,577)
TOTAL NET POSITION	\$ 7,262,768	\$ 410,719	\$ 7,673,487	\$ 6,566,416	\$ 389,269	\$ 6,955,685

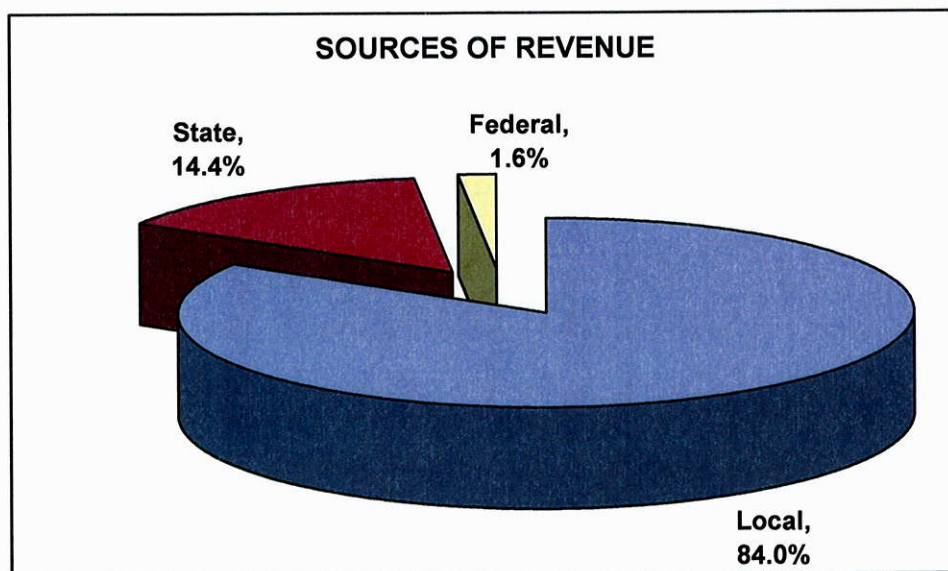
SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Statements of Activities

Table 2
Condensed Statements of Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013			2012		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues	\$ 10,197,709	\$ 1,887,997	\$ 12,085,706	\$ 9,118,188	\$ 1,791,562	\$ 10,909,750
General revenues						
Property taxes	77,455,960	-	77,455,960	74,900,565	-	74,900,565
Other taxes	1,188,919	-	1,188,919	1,090,060	-	1,090,060
Grants, subsidies and contributions not restricted to specific programs	5,010,785	-	5,010,785	5,013,531	-	5,013,531
Rentals	139,679	-	139,679	165,976	-	165,976
Investment earnings	66,541	104	66,645	182,429	148	182,577
Miscellaneous	16,312	-	16,312	41,668	-	41,668
TOTAL REVENUES	94,075,905	1,888,101	95,964,006	90,512,417	1,791,710	92,304,127
EXPENSES						
Instruction	59,054,873	-	59,054,873	53,489,615	-	53,489,615
Instructional student support	11,351,979	-	11,351,979	10,993,005	-	10,993,005
Administration and finance	4,767,750	-	4,767,750	4,349,948	-	4,349,948
Operation and maintenance of plant services	7,458,339	-	7,458,339	7,355,392	-	7,355,392
Pupil transportation	4,056,312	-	4,056,312	4,228,618	-	4,228,618
Student activities	1,161,199	-	1,161,199	1,163,537	-	1,163,537
Community services	202,704	-	202,704	261,151	-	261,151
Interest on long-term debt	5,326,397	-	5,326,397	6,563,060	-	6,563,060
Food service	-	1,866,651	1,866,651	-	1,800,244	1,800,244
TOTAL EXPENSES	93,379,553	1,866,651	95,246,204	88,404,326	1,800,244	90,204,570
CHANGE IN NET POSITION	\$ 696,352	\$ 21,450	\$ 717,802	\$ 2,108,091	\$ (8,534)	\$ 2,099,557

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



SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

THE DISTRICT FUNDS

Governmental Funds

As of year-end, the Governmental Funds reported a combined fund balance of \$7,853,590, which compares to a prior year balance of \$7,977,536. The decrease of \$123,946 was attributable to a reduction in Capital Funds of \$1,278,497 and an increase in General Fund fund balance of \$1,154,551. The General Fund unassigned fund balance is \$4,695,642 compared to \$3,577,469 in 2012. The increase in unassigned fund balance is primarily attributable to improved cost containment in instructional and support services.

Several of the Governmental Funds are capital expenditure oriented and, therefore, may reflect capital expenditures (which are reflected in the current financial resource-based fund financial statements) as a spending of a portion of available net position. The General Fund experienced a \$1,154,551 net increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

For the year ended 2013, the District had \$137,323,962 in capital assets, less depreciation. The additions and retirement, less depreciation, were \$(3,365,256) and construction in progress was \$440,067. For the year ended 2013, food service had \$235,876 in capital assets, less depreciation. More detailed information about capital assets can be found in Note F to the financial statements.

Debt Administration

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

For the year ended 2013, the District had \$133,135,000 in general obligation bonds and notes, of which \$4,460,000 is due within one year. Additional information on the District's bonds and notes payable can be found in Note I to the basic financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

A significant factor that has an impact on funding for the District was the implementation of Act 1 of 2006, which became effective June 27, 2006. Real estate tax increases are limited to a State mandated index by the District, which is 1.7% for 2012-2013. In 2011, Act 25 eliminated six allowable referendum exceptions. The remaining exceptions provide for tax increases above the index for school construction, special education expenditures and retirement contributions if certain conditions are met.

The District's property tax base is relatively flat and has increased minimally over the past few years. Assessed values of taxable real estate increased .46% over the previous year. State gaming revenues provided tax relief to District taxpayers in 2012-2013 with an average reduction of \$164.77 per approved homesteaded property.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

REQUESTS FOR INFORMATION

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF NET POSITION***June 30, 2013*

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 13,981,937	\$ 139,772	\$ 14,121,709
Taxes receivable	1,643,805	-	1,643,805
Internal balances	(33,684)	33,684	-
Due from other governments	1,351,963	28,882	1,380,845
Other receivables	149,802	290	150,092
Inventories	-	36,151	36,151
Prepaid expenses	79,002	-	79,002
Capital assets			
Land and land improvements	2,983,829	-	2,983,829
Buildings and building improvements	178,972,551	-	178,972,551
Furniture, equipment and vehicles	20,501,071	879,372	21,380,443
Construction in progress	440,067	-	440,067
Accumulated depreciation	(65,573,556)	(643,496)	(66,217,052)
TOTAL ASSETS	154,496,787	474,655	154,971,442
DEFERRED OUTFLOWS OF RESOURCES			
Interest hedge swap	4,849,776	-	4,849,776
LIABILITIES			
Accounts payable	393,283	-	393,283
Accrued salaries and benefits	7,655,712	36,299	7,692,011
Accrued interest	1,154,743	-	1,154,743
Unearned revenue	-	27,637	27,637
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	4,460,000	-	4,460,000
Capital leases payable	440,576	-	440,576
Portion due or payable after one year			
Bonds and notes payable	130,601,379	-	130,601,379
Capital leases payable	694,657	-	694,657
Compensated absences	1,581,513	-	1,581,513
Net OPEB obligation	252,156	-	252,156
TOTAL LIABILITIES	147,234,019	63,936	147,297,955
DEFERRED INFLOWS OF RESOURCES			
Interest hedge swap	4,849,776	-	4,849,776
NET POSITION			
Net investment in capital assets	1,956,376	235,876	2,192,252
Unrestricted	5,306,392	174,843	5,481,235
TOTAL NET POSITION	\$ 7,262,768	\$ 410,719	\$ 7,673,487

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 37,601,305	\$ 144,837	\$ 2,634,591	\$ -
Special programs	19,071,951	-	3,732,667	-
Vocational education programs	625,774	-	-	-
Other instructional programs	407,418	-	151,080	-
Nonpublic school programs	16,703	-	-	-
Higher education programs	1,331,722	-	-	-
Support services				
Pupil personnel services	4,211,756	-	800,649	-
Instructional staff services	3,110,103	-	269,265	-
Administration services	4,767,750	-	256,816	-
Pupil health services	1,927,283	-	227,675	-
Business services	848,765	-	49,366	-
Operation and maintenance of plant services	7,458,339	-	289,546	-
Student transportation services	4,056,312	-	1,422,466	-
Central services	1,084,111	-	52,571	-
Other services	169,961	-	-	-
Operation of non-instructional services				
Student activities	1,161,199	-	66,662	-
Community services	202,704	-	-	-
Interest on long-term debt	5,326,397	-	-	99,518
TOTAL GOVERNMENTAL ACTIVITIES	<u>93,379,553</u>	<u>144,837</u>	<u>9,953,354</u>	<u>99,518</u>
BUSINESS-TYPE ACTIVITIES				
Food service	<u>1,866,651</u>	<u>1,392,066</u>	<u>495,931</u>	<u>-</u>
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 95,246,204	\$ 1,536,903	\$ 10,449,285	\$ 99,518

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Real estate transfer taxes

Grants and contributions not restricted to specific programs

Rentals

Investment earnings

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (34,821,877)	\$ -	\$ (34,821,877)
(15,339,284)	-	(15,339,284)
(625,774)	-	(625,774)
(256,338)	-	(256,338)
(16,703)	-	(16,703)
(1,331,722)	-	(1,331,722)
(3,411,107)	-	(3,411,107)
(2,840,838)	-	(2,840,838)
(4,510,934)	-	(4,510,934)
(1,699,608)	-	(1,699,608)
(799,399)	-	(799,399)
(7,168,793)	-	(7,168,793)
(2,633,846)	-	(2,633,846)
(1,031,540)	-	(1,031,540)
(169,961)	-	(169,961)
(1,094,537)	-	(1,094,537)
(202,704)	-	(202,704)
(5,226,879)	-	(5,226,879)
<u>(83,181,844)</u>	<u>-</u>	<u>(83,181,844)</u>
 -	 21,346	 21,346
 <u>(83,181,844)</u>	 <u>21,346</u>	 <u>(83,160,498)</u>
 77,455,960	 -	 77,455,960
96,871	-	96,871
1,092,048	-	1,092,048
5,010,785	-	5,010,785
139,679	-	139,679
66,541	104	66,645
16,312	-	16,312
<u>83,878,196</u>	<u>104</u>	<u>83,878,300</u>
 696,352	 21,450	 717,802
 6,566,416	 389,269	 6,955,685
 <u>\$ 7,262,768</u>	 <u>\$ 410,719</u>	 <u>\$ 7,673,487</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**BALANCE SHEET****GOVERNMENTAL FUNDS***June 30, 2013*

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 10,902,991	\$ 3,078,946	\$ 13,981,937
Taxes receivable	373,565	-	373,565
Due from other governments	1,351,963	-	1,351,963
Other receivables	149,802	-	149,802
Prepaid items	<u>79,002</u>	<u>-</u>	<u>79,002</u>
TOTAL ASSETS	\$ <u>12,857,323</u>	\$ <u>3,078,946</u>	\$ <u>15,936,269</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 389,833	\$ -	\$ 389,833
Due to other funds	33,684	-	33,684
Accrued salaries and benefits	7,655,712	-	7,655,712
Refundable deposit for building use	<u>3,450</u>	<u>-</u>	<u>3,450</u>
TOTAL LIABILITIES	<u>8,082,679</u>	<u>-</u>	<u>8,082,679</u>
FUND BALANCES			
Nonspendable, prepaid items	79,002	-	79,002
Assigned to capital projects	-	3,078,946	3,078,946
Unassigned	<u>4,695,642</u>	<u>-</u>	<u>4,695,642</u>
TOTAL FUND BALANCES	<u>4,774,644</u>	<u>3,078,946</u>	<u>7,853,590</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>12,857,323</u>	\$ <u>3,078,946</u>	\$ <u>15,936,269</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 7,853,590
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and land improvements	2,983,829
Buildings and building improvements	178,972,551
Furniture, equipment and vehicles	20,501,071
Construction in progress	440,067
Accumulated depreciation	(65,573,556)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(1,154,743)
Bonds and notes payable	(135,061,379)
Capital leases payable	(1,135,233)
Compensated absences	(1,581,513)
Net OPEB obligation	(252,156)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
	<u>1,270,240</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>7,262,768</u></u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS***Year Ended June 30, 2013*

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 78,887,424	\$ 12,566	\$ 78,899,990
State sources	13,549,631	-	13,549,631
Federal sources	<u>1,477,734</u>	<u>-</u>	<u>1,477,734</u>
TOTAL REVENUES	<u>93,914,789</u>	<u>12,566</u>	<u>93,927,355</u>
EXPENDITURES			
Instruction	56,089,537	-	56,089,537
Support services	26,442,181	-	26,442,181
Operation of non-instructional services	1,303,401	-	1,303,401
Facilities acquisition, construction and improvement services	858,858	614,923	1,473,781
Refund of prior year revenues	47,801	-	47,801
Debt service	<u>9,568,926</u>	<u>76,023</u>	<u>9,644,949</u>
TOTAL EXPENDITURES	<u>94,310,704</u>	<u>690,946</u>	<u>95,001,650</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(395,915)</u>	<u>(678,380)</u>	<u>(1,074,295)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	3,385,000	3,385,000
Premium on refunding bonds issued	-	130,591	130,591
Payment to refunded bond escrow agent	-	(3,424,100)	(3,424,100)
Proceeds from capital leases	858,858	-	858,858
Transfers in	691,608	-	691,608
Transfers out	<u>-</u>	<u>(691,608)</u>	<u>(691,608)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,550,466</u>	<u>(600,117)</u>	<u>950,349</u>
NET CHANGE IN FUND BALANCES	<u>1,154,551</u>	<u>(1,278,497)</u>	<u>(123,946)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,620,093</u>	<u>4,357,443</u>	<u>7,977,536</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,774,644</u>	<u>\$ 3,078,946</u>	<u>\$ 7,853,590</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

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

Year Ended June 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (123,946)

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.

(4,130,168)

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

148,550

Issuance of bonds and notes is a revenue in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net position. Repayment of bonds, notes and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items, including the Authority lease obligation.

4,663,540

In the statement of activities, certain operating expenses--compensated absences (vacations and sick time) and special termination benefits (retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

203,810

The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.

(91,545)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 794,187

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

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

Year Ended June 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
FORWARDED

\$ (123,946)

SUBTOTAL ADJUSTMENTS FORWARDED

794,187

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.

26,111

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 696,352

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF NET POSITION****PROPRIETARY FUND***June 30, 2013*

	<u>Enterprise Fund Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 139,772
Due from other funds	33,684
Due from other governments	28,882
Other receivables	290
Inventories	36,151
TOTAL CURRENT ASSETS	<u>238,779</u>
CAPITAL ASSETS	
Furniture and equipment	879,372
Accumulated depreciation	<u>(643,496)</u>
TOTAL CAPITAL ASSETS	<u>235,876</u>
TOTAL ASSETS	<u>474,655</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued salaries and benefits	36,299
Unearned revenue	<u>27,637</u>
TOTAL CURRENT LIABILITIES	<u>63,936</u>
NET POSITION	
Net investment in capital assets	235,876
Unrestricted	<u>174,843</u>
TOTAL NET POSITION	<u>\$ 410,719</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF REVENUES, EXPENSES AND****CHANGES IN NET POSITION****PROPRIETARY FUND***Year Ended June 30, 2013*

	<u>Enterprise Fund Food Service Fund</u>
OPERATING REVENUES	
Daily sales	\$ 918,255
Catering, vending and other	<u>473,811</u>
TOTAL OPERATING REVENUES	<u>1,392,066</u>
OPERATING EXPENSES	
Cost of sales	714,372
Salaries	763,063
Employee benefits and payroll taxes	340,475
Purchased property services	17,875
Office supplies	493
Depreciation	28,133
Other operating expenses	<u>2,240</u>
TOTAL OPERATING EXPENSES	<u>1,866,651</u>
OPERATING LOSS	<u>(474,585)</u>
NONOPERATING REVENUES	
Interest and investment revenue	104
State subsidies	120,499
Federal subsidies	<u>375,432</u>
TOTAL NONOPERATING REVENUES	<u>496,035</u>
CHANGE IN NET POSITION	21,450
NET POSITION AT BEGINNING OF YEAR	<u>389,269</u>
NET POSITION AT END OF YEAR	<u>\$ 410,719</u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF CASH FLOWS****PROPRIETARY FUND***Year Ended June 30, 2013*

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,397,749
Payments to employees	(1,116,322)
Payments to suppliers	<u>(661,264)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(379,837)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Facility acquisition, construction and improvements	<u>(11,900)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	340,487
State sources	<u>112,068</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>452,555</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investments	<u>45,090</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	105,908
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>33,864</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>139,772</u></u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2013

Enterprise
Fund
Food
Service Fund

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (474,585)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	28,133
Donated foods	67,326
(Increase) decrease in	
Due from other funds	(33,684)
Other receivables	(48)
Inventories	15,118
Increase (decrease) in	
Accrued salaries and benefits	(12,784)
Unearned revenue	5,731
Due to other funds	24,956

NET CASH USED BY OPERATING ACTIVITIES \$ (379,837)

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 67,326

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***June 30, 2013*

	<u>Scholarship and Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 17,552	\$ 545,903
Due from other funds	<u>92,751</u>	<u>-</u>
TOTAL ASSETS	<u>110,303</u>	<u>\$ 545,903</u>
LIABILITIES		
Due to other funds	-	\$ 92,751
Due to student organizations	<u>-</u>	<u>453,152</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 545,903</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 110,303</u>	

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	<u>Scholarship and Trust Funds</u>
ADDITIONS	
Contributions	\$ 22,358
Investment earnings	<u>123</u>
TOTAL ADDITIONS	22,481
DEDUCTIONS	
Scholarships awarded and fees paid	<u>32,374</u>
CHANGE IN NET POSITION	(9,893)
NET POSITION AT BEGINNING OF YEAR	<u>120,196</u>
NET POSITION AT END OF YEAR	\$ <u><u>110,303</u></u>

See accompanying notes to the basic financial statements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation and Accounting

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

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

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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

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

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

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

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

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are food service charges. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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

Fund Accounting

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

Governmental Funds

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

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

Proprietary Fund

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

Fiduciary Funds

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

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

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

Cash and Cash Equivalents

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

Investments

Investments are valued at fair value.

Short-Term Interfund Receivables/Payables

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

Allowance for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Capital Assets

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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

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

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

Long-Term Obligations

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

In the fund financial statements, Governmental Funds recognize bond/note premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2013, the School District adopted new accounting guidance, implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. It is the interest hedge swap reported in the government-wide statement of net position.

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

Compensated Absences

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

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

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

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

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

Net Position

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

GASB Statement No. 54

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

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

- **Committed** - Amounts that can be used only for specific purposes determined by a formal resolution by the Board of School Directors. This includes the budget reserve account.
- **Assigned** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- **Unassigned** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 12). As discussed in Note A, restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Use of Estimates

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

Budgetary Process

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

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

- The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.
- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Board to make budgetary transfers between major function and major object code only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2012-2013 budget transfers.

NOTE B CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$14,979,093 of the School District's bank balance of \$15,479,093 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>14,979,093</u>
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Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE C REAL ESTATE TAXES

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

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

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

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

NOTE D RECEIVABLES

Receivables at June 30, 2013, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	General Fund	Food Service Fund
Real estate taxes	\$ 373,565	\$ -
Federal subsidies	41,540	14,531
State subsidies	1,310,423	14,351
Other revenue	149,802	290
	<u>\$ 1,875,330</u>	<u>\$ 29,172</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 33,684
Scholarship and Trust Funds	Agency Funds	92,751
		<u>\$ 126,435</u>

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

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ <u>691,608</u>

Funds are transferred from the capital projects fund to pay for new equipment, equipment maintenance and to pay certain debt service requirements.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 289,082	\$ 150,985	\$ -	\$ 440,067
Capital assets being depreciated				
Land and land improvements	2,983,829	-	-	2,983,829
Buildings and building improvements	178,507,520	465,031	-	178,972,551
Furniture, equipment and vehicles	19,070,431	1,430,640	-	20,501,071
TOTAL CAPITAL ASSETS BEING DEPRECIATED	200,561,780	1,895,671	-	202,457,451
Accumulated depreciation				
Land and land improvements	(2,081,120)	(24,617)	-	(2,105,737)
Buildings and building improvements	(41,039,529)	(4,178,598)	-	(45,218,127)
Furniture, equipment and vehicles	(17,040,995)	(1,208,697)	-	(18,249,692)
TOTAL ACCUMULATED DEPRECIATION	(60,161,644)	(5,411,912)	-	(65,573,556)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	140,400,136	(3,516,241)	-	136,883,895
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	140,689,218	(3,365,256)	-	137,323,962
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	867,472	11,900	-	879,372
Accumulated depreciation	(615,363)	(28,133)	-	(643,496)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	252,109	(16,233)	-	235,876
CAPITAL ASSETS, net	\$ 140,941,327	\$ (3,381,489)	\$ -	\$ 137,559,838

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,620,817
Support services	1,706,955
Operation of non-instructional services	84,140
	<u>\$ 5,411,912</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE G LEASES

Capital Leases

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

The assets acquired through capital leases are as follows:

Equipment	\$ 1,946,724
Accumulated depreciation	<u>(786,458)</u>
	<u>\$ 1,160,266</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 461,604
2015	289,250
2016	285,868
2017	<u>149,393</u>
	<u>1,186,115</u>
Amount representing interest	<u>(50,882)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 1,135,233</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**NOTES TO THE BASIC FINANCIAL STATEMENTS***June 30, 2013***Operating Leases**

The School District leases copiers, computer equipment and buses under noncancelable operating leases. Total costs for such leases were approximately \$435,351 for the year ended June 30, 2013. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 395,878
2015	303,487
2016	298,735
2017	<u>100,619</u>
	<u>\$ 1,098,719</u>

NOTE H BONDS AND NOTES PAYABLE

The School District issues school revenue bonds and general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities. The original amount of school revenue bonds and general obligation bonds and notes issued in prior years was \$170,545,000. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the School District. These bonds and notes generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 4,460,000	\$ 5,622,013	\$ 10,082,013
2015	5,190,000	5,258,772	10,448,772
2016	5,615,000	5,063,993	10,678,993
2017	5,860,000	4,830,832	10,690,832
2018	6,120,000	4,863,634	10,983,634
2019 to 2023	34,975,000	20,185,865	55,160,865
2024 to 2028	43,610,000	11,831,417	55,441,417
2029 to 2033	24,450,000	2,899,449	27,349,449
2034 to 2036	<u>2,855,000</u>	<u>258,772</u>	<u>3,113,772</u>
	<u>\$ 133,135,000</u>	<u>\$ 60,814,747</u>	<u>\$ 193,949,747</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE I CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
BONDS AND NOTES PAYABLE (Note H)		
School Revenue Bonds, Series of 2006	3.75% to 5.25%	03/15/29
General Obligation Bonds and Notes		
Series of 2004	1.75% to 5.00%	03/15/14
Series of 2006	3.30% to 5.50%	03/15/19
Series of 2009	Variable	03/01/30
Series of 2010A	3.22% to 6.00%	03/01/35
Series of 2010AA	1.00% to 3.55%	03/01/21
Series of 2012	.400% to 2.50%	03/15/24
Series of 2013	.700% to 3.00%	03/15/18
Deferred amounts		
Issuance discount		
Issuance premium		
TOTAL BONDS AND NOTES PAYABLE		
CAPITAL LEASES		
AUTHORITY LEASE OBLIGATION (Note K)		
COMPENSATED ABSENCES (Note N)		
NET OPEB OBLIGATION		
TOTAL LONG-TERM LIABILITIES		

Advance Refunding

The School District issued \$3,385,000 of General Obligation Bonds, Series of 2013, to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,190,000 of General Obligation Bonds, Series of 2004. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column of the statement of net position.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 28,230,000	\$ -	\$ (110,000)	\$ 28,120,000	\$ -
5,010,000	-	(4,085,000)	925,000	925,000
22,085,000	-	(2,700,000)	19,385,000	2,850,000
45,260,000	-	(295,000)	44,965,000	315,000
21,930,000	-	(5,000)	21,925,000	310,000
4,440,000	-	(5,000)	4,435,000	5,000
10,000,000	-	(5,000)	9,995,000	5,000
-	3,385,000	-	3,385,000	50,000
(337,522)	-	80,571	(256,951)	-
2,633,346	130,591	(580,607)	2,183,330	-
<u>139,250,824</u>	<u>3,515,591</u>	<u>(7,705,036)</u>	<u>135,061,379</u>	<u>4,460,000</u>
817,952	764,912	(447,631)	1,135,233	440,576
26,464	-	(26,464)	-	-
1,785,323	33,885	(237,695)	1,581,513	-
<u>160,611</u>	<u>158,988</u>	<u>(67,443)</u>	<u>252,156</u>	<u>-</u>
\$ <u><u>142,041,174</u></u>	\$ <u><u>4,473,376</u></u>	\$ <u><u>(8,484,269)</u></u>	\$ <u><u>138,030,281</u></u>	\$ <u><u>4,900,576</u></u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE J DERIVATIVE INSTRUMENTS

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

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

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

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

Derivative Instruments

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

As of June 30, 2013, the counterparty was rated AA- by Standard & Poor's, Aa3 by Moody's Investors Service and AA by Fitch.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP**NOTES TO THE BASIC FINANCIAL STATEMENTS***June 30, 2013*

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

<u>Type</u>	<u>Objective</u>	<u>Fair Market Value of Derivative at June 30, 2013 Positive (Negative)</u>
INTEREST RATE HEDGE SWAP 2009 pay-fixed interest rate swap	Hedge changes in cash flows on Series of 2009 Bonds	\$ <u>(4,849,776)</u>

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

Change in Fair Value for the Period Ended June 30, 2013

	<u>Classification</u>	<u>Amount</u>
INTEREST RATE HEDGE SWAP Cash flow hedges, 2008 pay- fixed interest rate swaps	Deferred outflow	\$ <u>3,317,974</u>

Fair Value at June 30, 2013

	<u>Classification</u>	<u>Fair Value Positive (Negative)</u>	<u>Notional Amount</u>
INTEREST RATE HEDGE SWAP Cash flow hedges, 2008 pay- fixed interest rate swaps	Debt	\$ <u>(4,849,776)</u>	\$ <u>35,000,000</u>

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

<u>Notional Amount as of June 30, 2013</u>	<u>Amount of Bonds Outstanding at June 30, 2013</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Terms</u>
\$ <u>35,000,000</u>	\$ <u>44,965,000</u>	January 28, 2009	March 1, 2030	Pay 3.759%, receive variable rate equal to USD-SIFMA Municipal Swap Index, reset weekly

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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

The derivative described previously was determined to be effective, and the fair market value of the interest rate swap was a negative \$(4,849,776) as of June 30, 2013. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the government-wide statement of net position as a liability and a corresponding deferred outflow was recorded.

Risks Associated With Interest Rate Hedge Swaps

Credit Risk - As of June 30, 2013, the School District is not exposed to credit risk since the Interest Rate Hedge Swap has a negative value and therefore is a liability. However, should interest rates change and the net fair market value of the Interest Rate Hedge Swap become positive, the School District would be subject to credit risk in the amount of the net fair market value.

Interest Rate Risk - As of June 30, 2013, the School District is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap, as the USD-SIFMA Municipal Index decreases, the School District's net payment on the swap increases.

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

Termination Risk - The School District or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If this were to occur, the School District would be exposed to the variable remarketing rate on the bonds. If the Interest Rate Hedge Swap is terminated, the bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the Interest Rate Hedge Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the Interest Rate Hedge Swap's fair market value. As of June 30, 2013, the Interest Rate Hedge Swap had a negative fair value equal to \$4,849,776 on the associated Series of 2009 variable rate bonds.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE K AUTHORITY LEASE OBLIGATION

The School District has entered into a long-term lease agreement with the Delaware County Vocational-Technical School Authority (the "Authority") for the use of school facilities funded by the Authority. The facilities are maintained and operated by the Authority under a long-term lease that expires in 2012 unless the bond issue is retired earlier. The start of the Authority lease was December 15, 1992, and called for semiannual payments commencing December 15, 1993.

Lease rental commitments stated at amounts equivalent to the outstanding bonds of the Authority at June 30, 2013, were:

	<u>Final Lease Year</u>	<u>Rentals Paid in Current Year</u>	<u>Lease Commitments</u>
COUNTY-OPERATED SCHOOLS			
Vocational-Technical School	2013	\$ <u>26,464</u>	\$ <u>-</u>

NOTE L DEFEASED DEBT

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

As of June 30, 2013, the School District has defeased debt outstanding of \$21,910,000.

NOTE M PENSIONS

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535).

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

Annual Financial Report: The System 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 Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member Contributions

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

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was \$5,815,483, \$3,835,154 and \$2,484,789, respectively, equal to the required contribution for each year.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE N COMPENSATED ABSENCES

Sick Pay

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

The liability to current employees is estimated and will change since unused vacation and sick time will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years is \$1,465,438. In addition, also included in compensated absences is \$116,075 of future payments for obligations due under the School District's early retirement incentive plan.

NOTE O RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE P POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

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

Normal cost	\$ 91,733
Amortization of unfunded actuarial accrued liability	69,888
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>161,621</u>
Interest on net OPEB obligation	7,227
Adjustment to ARC	<u>(9,860)</u>
ANNUAL OPEB EXPENSE	158,988
Net OPEB contributions during the year	<u>(67,443)</u>
INCREASE IN NET OPEB OBLIGATION	91,545
Net OPEB obligation at beginning of year	<u>160,611</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 252,156</u>

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 187,129	86.73%	\$ 154,140
2012	186,721	96.53%	160,611
2013	158,988	42.42%	252,156

Funded Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability for benefits was \$1,138,391 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$43,303,151, and the ratio of the UAAL to the covered payroll was 2.63%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 47, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2013

Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements of .5% to an ultimate rate of 5.0% after seven years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was 30 years.

NOTE Q PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2012.

GASB Statement No. 65 states that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred.

For the government-wide governmental activities, the School District has treated debt issuance costs of \$1,782,780 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$8,349,196 to \$6,566,416.

NOTE R SUBSEQUENT EVENTS

In August 2013, the School District approved the issuance of General Obligation Notes, Series of 2013, in the aggregate amount not to exceed \$5,814,000. Note proceeds are to be used to advance refund a portion of the 2006 Bond series.

In October 2013, the School District approved the issuance of General Obligation Notes, Series of 2014, in the aggregate amount not to exceed \$9,900,000. Note proceeds are to be used to advance refund a portion of the 2006 Bond series.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 77,834,865	\$ 77,834,865	\$ 78,887,424	\$ 1,052,559
State sources	13,576,693	13,576,693	13,549,631	(27,062)
Federal sources	1,458,000	1,458,000	1,477,734	19,734
TOTAL REVENUES	92,869,558	92,869,558	93,914,789	1,045,231
EXPENDITURES				
Instruction				
Regular programs	36,390,507	36,349,238	35,917,433	431,805
Special programs	17,766,543	17,699,134	17,935,415	(236,281)
Vocational education programs	624,526	644,526	587,827	56,699
Other instructional programs	529,801	535,001	382,206	152,795
Nonpublic school programs	-	-	15,689	(15,689)
Adult education programs	1,250,967	1,250,967	1,250,967	-
Support services				
Pupil personnel	4,069,510	4,070,522	3,958,493	112,029
Instructional staff	3,021,037	2,983,072	2,944,686	38,386
Administration	4,265,927	4,246,140	4,507,792	(261,652)
Pupil health	1,685,027	1,684,323	1,812,963	(128,640)
Business	942,784	942,784	798,486	144,298
Operation and maintenance of plant services	7,454,204	7,413,372	7,105,341	308,031
Pupil transportation services	4,364,562	4,349,362	4,060,437	288,925
Central and other services	1,182,837	1,132,392	1,139,231	(6,839)
Other support services	110,620	110,620	114,752	(4,132)
Operation of non-instructional services				
Student activities	1,292,513	1,345,886	1,112,989	232,897
Community services	260,000	260,000	190,412	69,588
Facilities acquisition, construction and improvement services	-	-	858,858	(858,858)
Debt service	8,988,029	9,678,709	9,568,926	109,783
Refund of prior year revenues	-	-	47,801	(47,801)
TOTAL EXPENDITURES	94,199,394	94,696,048	94,310,704	385,344
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,329,836)	(1,826,490)	(395,915)	1,430,575
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	858,858	858,858
Transfers in	-	-	691,608	691,608
Budgetary reserve	-	160,913	-	(160,913)
TOTAL OTHER FINANCING SOURCES	-	160,913	1,550,466	1,389,553
NET CHANGE IN FUND BALANCE	(1,329,836)	(1,665,577)	1,154,551	2,820,128
FUND BALANCE AT BEGINNING OF YEAR	3,620,093	3,620,093	3,620,093	-
FUND BALANCE AT END OF YEAR	\$ 2,290,257	\$ 1,954,516	\$ 4,774,644	\$ 2,820,128

See accompanying notes to the budgetary comparison schedule.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

NOTE A BUDGETARY INFORMATION

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

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

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

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

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
Year Ended June 30, 2013

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ -	\$ 1,627,958	\$ 1,627,958	0.00%	\$ 29,684,555	5.48%
2010	-	1,751,513	1,751,513	0.00%	40,464,332	4.33%
2012	-	1,138,391	1,138,391	0.00%	43,303,151	2.63%

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Haverford Township as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District of Haverford Township's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
November 26, 2013

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the School District of Haverford Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the School District of Haverford Township's major federal programs for the year ended June 30, 2013. School District of Haverford Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion of Each Major Federal Program

In our opinion, the School District of Haverford Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this report

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

Maillie LLP

Oaks, Pennsylvania
November 26, 2013

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

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through the Tuscarora Intermediate Unit 11				
Title I - Improving Basic Programs	I	84.010	N/A	July 1, 2011 to September 30, 2012
School Improvement Grants	I	84.377	N/A	November 21, 2012 to June 30, 2013
Passed through the Pennsylvania Department of Education				
Title I - Improving Basic Programs	I	84.010	013-120186	July 1, 2011 to September 30, 2012
Title I - Improving Basic Programs	I	84.010	013-130186	July 1, 2012 to September 30, 2013
Title II - Improving Teacher Quality	I	84.367	020-120186	July 1, 2011 to September 30, 2012
Title II - Improving Teacher Quality	I	84.367	020-130186	July 1, 2012 to September 30, 2013
Title III - Language Instruction	I	84.365	010-120186	July 1, 2011 to September 30, 2012
ARRA - Education Jobs Fund	I	84.410	140-120186	July 1, 2012 to September 30, 2013
U.S. DEPARTMENT OF PUBLIC WELFARE				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance ACCESS - Administrative Claiming	I	93.778	N/A	July 1, 2012 to September 30, 2013
Passed through the Delaware County Intermediate Unit				
Individual Disability Education Act	I	84.027	N/A	July 1, 2012 to June 30, 2013
Individual Disability Education Act - 619	I	84.173	N/A	July 1, 2012 to June 30, 2013
TOTAL FORWARD				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2011 to September 30, 2012
National School Lunch Program, Federal	I	10.555	N/A	July 1, 2012 to September 30, 2013
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
\$ 25,000	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -
15,000	-	-	15,000	15,000	15,000
250,068	(5,666)	(5,666)	-	-	-
243,128	232,781	-	240,712	240,712	7,931
119,082	39,175	12,786	26,389	26,389	-
116,780	86,164	-	95,054	95,054	8,890
15,857	10,092	1,919	8,173	8,173	-
3,235	3,235	-	3,235	3,235	-
17,586	7,867	-	17,586	17,586	9,719
927,887	927,887	-	927,887	927,887	-
10,699	<u>10,699</u>	<u>-</u>	<u>10,699</u>	<u>10,699</u>	<u>-</u>
	<u>1,324,734</u>	<u>21,539</u>	<u>1,344,735</u>	<u>1,344,735</u>	<u>41,540</u>
N/A	44,350	44,350	-	-	-
N/A	<u>276,914</u>	<u>-</u>	<u>290,695</u>	<u>290,695</u>	<u>13,781</u>
	<u>\$ 321,264</u>	<u>\$ 44,350</u>	<u>\$ 290,695</u>	<u>\$ 290,695</u>	<u>\$ 13,781</u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
SUBTOTAL FORWARDED				
National School Lunch Program, State	S	N/A	N/A	July 1, 2011 to September 30, 2012
National School Lunch Program, State	S	N/A	N/A	July 1, 2012 to September 30, 2013
National School Breakfast Program, Federal	I	10.553	N/A	July 1, 2011 to September 30, 2012
National School Breakfast Program, Federal	I	10.553	N/A	July 1, 2012 to September 30, 2013
National School Breakfast Program, State	S	N/A	N/A	July 1, 2011 to September 30, 2012
National School Breakfast Program, State	S	N/A	N/A	July 1, 2012 to September 30, 2013
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2011 to June 30, 2012
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of foods received from Department of Agriculture.
 (B) Beginning inventory at July 1, 2012.
 (C) Total amount of foods used.
 (D) Ending inventory at June 30, 2013.

Source Codes:

I = Indirect funding
 S = State share

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2012</u>
	\$ <u>1,324,734</u>	\$ <u>21,539</u>	\$ <u>1,344,735</u>	\$ <u>1,344,735</u>	\$ <u>41,540</u>
	321,264	44,350	290,695	290,695	13,781
N/A	5,614	5,614	-	-	-
N/A	30,208	-	31,715	31,715	1,507
N/A	2,562	2,562	-	-	-
N/A	16,661	-	17,411	17,411	750
N/A	306	306	-	-	-
N/A	1,801	-	1,875	1,875	74
N/A	<u>67,943</u> (A)	<u>(3,919)</u> (B)	<u>67,326</u>	<u>67,326</u> (C)	<u>(4,536)</u> (D)
	<u>446,359</u>	<u>48,913</u>	<u>409,022</u>	<u>409,022</u>	<u>11,576</u>
	1,771,093	70,452	1,753,757	1,753,757	53,116
	<u>(37,929)</u>	<u>(5,920)</u>	<u>(33,590)</u>	<u>(33,590)</u>	<u>(1,581)</u>
	\$ <u><u>1,733,164</u></u>	\$ <u><u>64,532</u></u>	\$ <u><u>1,720,167</u></u>	\$ <u><u>1,720,167</u></u>	\$ <u><u>51,535</u></u>

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

NOTE A BASIS OF PRESENTATION

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

NOTE B DONATED FOOD

Nonmonetary assistance is reported in the schedule of expenditures of federal and certain state awards at the fair market value of the food received and disbursed. Donated food was valued according to cost estimates provided by the U.S.D.A. At June 30, 2013, the School District had donated food of \$4,536 in inventory.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

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

<u>Program</u>	<u>CFDA</u>
Special Education Cluster	84.027, 84.173

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

SCHOOL DISTRICT OF HAVERFORD TOWNSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

None.