



**RADNOR TOWNSHIP SCHOOL DISTRICT  
WAYNE, PENNSYLVANIA  
DELAWARE COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

# RADNOR TOWNSHIP SCHOOL DISTRICT

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**RADNOR TOWNSHIP SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Radnor Township School District  
Wayne, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Radnor Township School District, Wayne, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Radnor Township School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the financial statements of the Radnor Township School District as of and for the year ended June 30, 2011 which were audited by other auditors whose report dated December 20, 2011 expressed an unqualified opinion on those statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2012, on our consideration of the Radnor Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule – general fund and other post employment benefits schedule of funding progress on pages 3 through 15 and 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Radnor Township School District's financial statements as a whole. The reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to change in net assets of governmental activities on the statement of activities by fund on page 45 is presented for purposes of analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. The reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to change in net assets of governmental activities on the statement of activities by fund and the schedule of expenditures of federal awards and certain state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to change in net assets of governmental activities on the statement of activities by fund and the schedule of expenditures of federal awards and certain state grants have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to change in net assets of governmental activities on the statement of activities by fund and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the financial statements as a whole.

BBD, LLP

**Philadelphia, Pennsylvania**  
**December 18, 2012**

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2012**

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Management's discussion and analysis ("**MD&A**") of the financial performance of the Radnor Township School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2012. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

The MD&A of the District was prepared in connection with the audit of the District's June 30, 2012 financial statements. A financial audit is the verification of the financial statements of a legal entity, with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly, in all material respects. The purpose of an audit is to enhance the degree of confidence of intended users of the financial statements. An audit is not designed to provide assurance of 100% accuracy; rather it is designed to increase the possibility that a material misstatement is detected by audit procedures. A misstatement is defined as false or missing information, whether caused by fraud (including deliberate misstatement) or error.

### **DISTRICT PROFILE**

The District consists of five schools – three elementary schools, a middle school and a high school consisting of approximately 3,650 students. The District is located in the northern section of Delaware County approximately 15 miles northwest of Philadelphia, Pennsylvania. The District's 13.8 square mile area is coterminous with that of Radnor Township and is bordered by Lower Merion, Upper Merion, Tredyffrin, Newtown and Haverford Townships. There are a number of well-known unincorporated communities located within the District including Rosemont, St. Davids, Villanova and Wayne. The District employs 594 full-time and 24 part-time employees, including 333 professionals and 285 support personnel.

The District has become synonymous with excellence in education. The area receives both tangible and intangible benefits from the nearby presence of literally dozens of public and private educational institutions. The District has been given numerous awards for education excellence and has been recognized by several other local, state and national groups and publications for its outstanding educational quality.

The mission of the Radnor Township School District is to inspire in all students the love of learning and creating, and to empower them to discover and pursue their individual passions with knowledge, confidence and caring to shape the future.

### **FINANCIAL HIGHLIGHTS**

- On a government-wide basis, including all governmental activities and the business-type activity, the assets of the District exceeded liabilities resulting in total net assets at the close of the 2011-2012 fiscal year of \$19,926,702. During the 2011-2012 fiscal year, the District had an increase in total net assets of \$4,774,164. The net assets of governmental activities increased by \$4,721,402 and net assets of business-type activities increased by \$52,762.
- The General Fund reported an increase in fund balance of \$3,265,021, bringing the cumulative balance to \$18,583,921 at the conclusion of the 2011-2012 fiscal year.
- At June 30, 2012, the General Fund fund balance includes \$12,043,864 assigned by the School Board for the following purposes:
  - ◆ \$5,426,324 assigned for anticipated increases in the District's required share of retirement contributions.
  - ◆ \$4,014,000 assigned for future capital projects in accordance with the District's five year capital improvement plan.
  - ◆ \$1,327,258 assigned to fund future District-wide facility initiatives.
  - ◆ \$1,078,094 assigned to fund District-wide technology and curriculum initiatives.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

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- ◆ \$198,188 assigned for the payment of the long-term portion of early retirement incentive plan benefits.
- At June 30, 2012, the General Fund fund balance includes unassigned amounts of \$6,540,057 or 7.89% of the \$82,899,691 2012-2013 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditures budget.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

#### ***Governmental Activities***

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

#### ***Business-Type Activities***

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

The government-wide financial statements can be found on Pages 16 and 17 of this report.

### FUND FINANCIAL STATEMENTS

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

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2012**

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### ***Governmental Funds***

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

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

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

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

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

### ***Proprietary Funds***

The District maintains one type of proprietary fund. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

### ***Fiduciary Funds***

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

The fiduciary fund financial statements can be found on Pages 25 and 26 of this report.

### ***Notes to the Financial Statements***

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

The notes to the financial statements can be found on Pages 27 through 42 of this report.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund and a schedule concerning the District's progress in funding its obligation to provide other post-employment benefits as well as additional analysis consisting of a reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to change in net assets of governmental activities of the statement of activities by fund.

The required supplementary information and additional analysis can be found on Pages 43 and 45 of this report.

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# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net assets may serve over time as a useful indicator of the District's financial position. At the close of the 2011-2012 fiscal year the District's assets exceeded liabilities by \$19,926,702. The following table presents condensed information for the *Statement of Net Assets* of the District at June 30, 2012 and 2011.

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current assets	\$ 31,054,815	\$ 32,674,965	\$596,086	\$515,110	\$ 31,650,901	\$ 33,190,075
Noncurrent assets	<u>102,093,760</u>	<u>100,939,840</u>	<u>95,286</u>	<u>121,030</u>	<u>102,189,046</u>	<u>101,060,870</u>
<b>Total assets</b>	<u>133,148,575</u>	<u>133,614,805</u>	<u>691,372</u>	<u>636,140</u>	<u>133,839,947</u>	<u>134,250,945</u>
<b>LIABILITIES</b>						
Current liabilities	8,910,264	10,198,896	64,478	62,008	8,974,742	10,260,904
Non-current liabilities	<u>104,938,503</u>	<u>108,837,503</u>	<u>-</u>	<u>-</u>	<u>104,938,503</u>	<u>108,837,503</u>
<b>Total liabilities</b>	<u>113,848,767</u>	<u>119,036,399</u>	<u>64,478</u>	<u>62,008</u>	<u>113,913,245</u>	<u>119,098,407</u>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt	1,384,779	(2,735,914)	95,286	121,030	1,480,065	(2,614,884)
Restricted	263,140	4,257,168	-	-	263,140	4,257,168
Unrestricted	<u>17,651,889</u>	<u>13,057,152</u>	<u>531,608</u>	<u>453,102</u>	<u>18,183,497</u>	<u>13,510,254</u>
<b>Total net assets</b>	<u>\$ 19,299,808</u>	<u>\$ 14,578,406</u>	<u>\$626,894</u>	<u>\$574,132</u>	<u>\$ 19,926,702</u>	<u>\$ 15,152,538</u>

The District's total assets as of June 30, 2012 were \$133,839,947 of which \$29,366,524 or 21.94% consisted of unrestricted cash and investments and \$101,535,158 or 75.86% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2012 were \$113,913,245 of which \$102,900,076 or 90.33% consisted of general obligation debt used to acquire and construct capital assets.

Of the District's total net assets at June 30, 2012, \$18,183,497 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. The District's unrestricted net assets increased by \$4,673,243 primarily due to the results of current year operations.

Another portion of the District's net assets reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2012, the District's investment in capital assets, net of related debt, increased by \$4,094,949 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

The following table presents condensed information for the *Statement of Activities* of the District for 2012 and 2011:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,248,221	\$ 1,315,870	\$1,267,771	\$1,274,187	\$ 2,515,992	\$ 2,590,057
Operating grants and contributions	7,069,402	7,317,846	259,966	244,465	7,329,368	7,562,311
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	64,721,009	63,193,146	-	-	64,721,009	63,193,146
Other taxes	1,285,648	1,416,487	-	-	1,285,648	1,416,487
Grants and entitlements not restricted to specific programs	3,243,108	2,979,340	-	-	3,243,108	2,979,340
Investment earnings	102,000	144,347	122	316	102,122	144,663
Gain on sale of capital assets	118,311	146	-	-	118,311	146
<b>Total revenues</b>	<u>77,787,699</u>	<u>76,367,182</u>	<u>1,527,859</u>	<u>1,518,968</u>	<u>79,315,558</u>	<u>77,886,150</u>
<b>EXPENSES</b>						
Instruction	42,906,664	42,895,447	-	-	42,906,664	42,895,447
Instructional student support services	6,910,352	6,430,273	-	-	6,910,352	6,430,273
Administrative and financial support services	6,403,492	7,004,522	-	-	6,403,492	7,004,522
Operation and maintenance of plant services	7,222,309	7,248,593	-	-	7,222,309	7,248,593
Pupil transportation	3,656,688	2,874,280	-	-	3,656,688	2,874,280
Student activities	1,097,098	1,036,024	-	-	1,097,098	1,036,024
Community services	90,494	28,960	-	-	90,494	28,960
Interest and amortization expense related to non-current liabilities	4,779,200	4,599,882	-	-	4,779,200	4,599,882
Food service	-	-	1,475,097	1,463,016	1,475,097	1,463,016
<b>Total expenses</b>	<u>73,066,297</u>	<u>72,117,981</u>	<u>1,475,097</u>	<u>1,463,016</u>	<u>74,541,394</u>	<u>73,580,997</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 4,721,402</u>	<u>\$ 4,249,201</u>	<u>\$ 52,762</u>	<u>\$ 55,952</u>	<u>\$ 4,774,164</u>	<u>\$ 4,305,153</u>

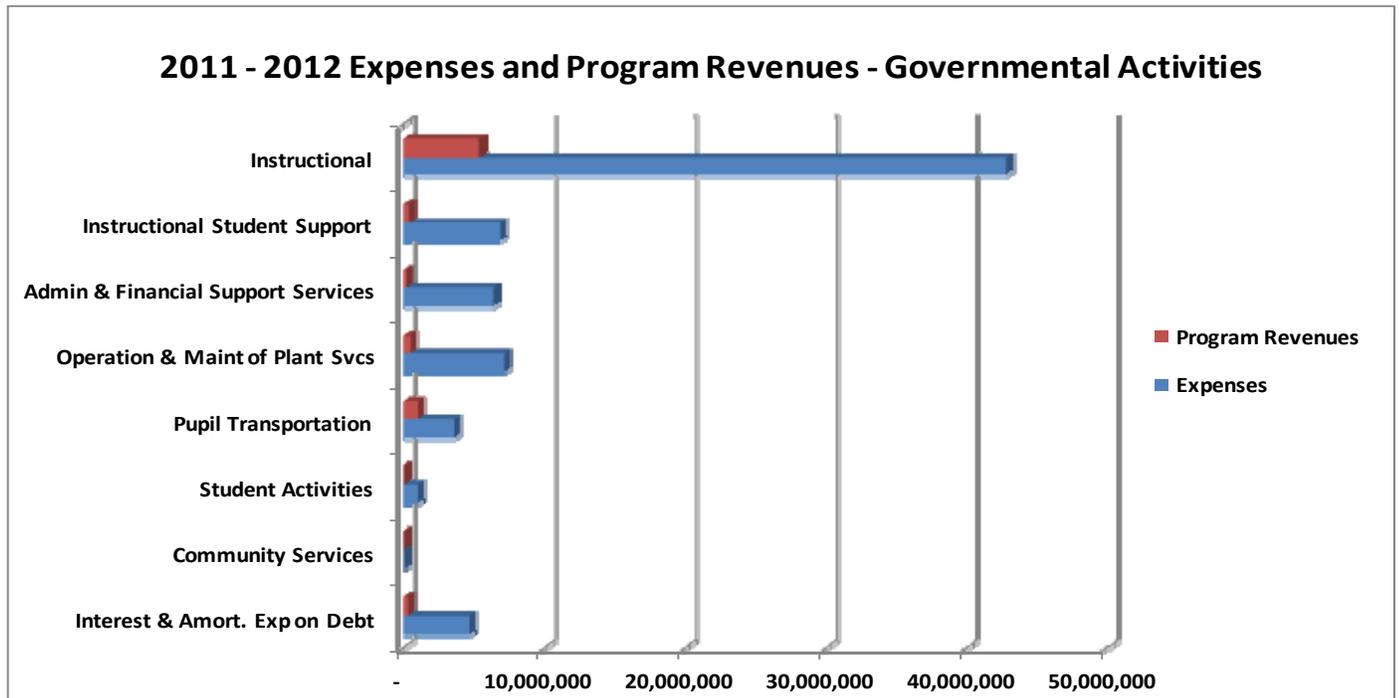
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing whose growth has slowed in recent years. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

# RADNOR TOWNSHIP SCHOOL DISTRICT

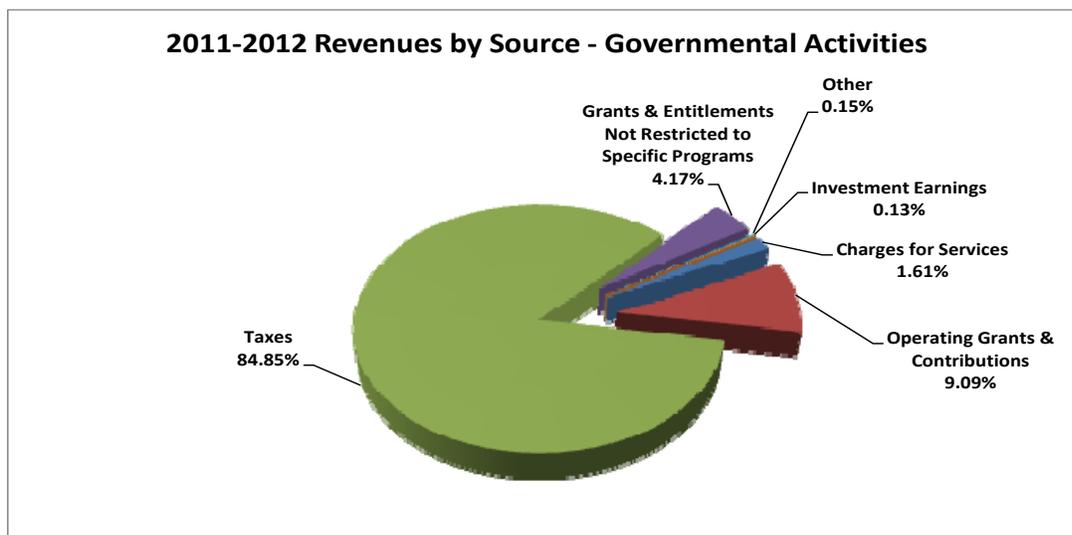
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

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



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



# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

### GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. **As of June 30, 2012, the District's governmental funds reported a combined fund balance of \$21,130,898 which is a decrease of \$378,681 from the prior year.** The following table summarizes the District's total governmental fund balances as of June 30, 2012 and 2011 and the total 2012 change in governmental fund balances.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>
General Fund	\$18,583,921	\$ 15,318,900	\$ 3,265,021
Capital Projects Fund	2,419,693	6,122,272	(3,702,579)
Debt Sinking Fund	92,742	-	92,742
Non-Major Governmental Fund	<u>34,542</u>	<u>68,407</u>	<u>(33,865)</u>
	<u>\$21,130,898</u>	<u>\$21,509,579</u>	<u>\$ (378,681)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2011-2012 fiscal year, the General Fund fund balance was \$18,583,921 representing an increase of \$3,265,021 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2011-2012 fiscal year.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>
Assigned for			
Capital projects	\$ 4,014,000	\$ 615,000	\$ 3,399,000
Debt service	-	344,220	(344,220)
Facility initiatives	1,327,258	-	1,327,258
Curriculum initiatives	214,000	-	214,000
Technology initiatives	864,094	1,537,429	(673,335)
Employer retirement rate stabilization	5,426,324	5,407,174	19,150
Early retirement incentive	198,188	2,180,893	(1,982,705)
Unassigned	<u>6,540,057</u>	<u>5,234,184</u>	<u>1,305,873</u>
	<u>\$18,583,921</u>	<u>\$15,318,900</u>	<u>\$ 3,265,021</u>

The School Board has assigned \$5,341,258 of General Fund fund balance for capital projects and facility initiatives as of June 30, 2012 in accordance with its five year capital improvement plan. General Fund fund balance assigned for the early retirement incentive decreased as these benefits were being recognized as expenditures in 2011-2012. Amounts assigned for employer retirement stabilization will be used in future years to offset the significant increases anticipated in the District's required share of retirement contributions.

At June 30, 2012, the General Fund fund balance had an unassigned balance of \$6,540,057 or 7.89% of the \$82,899,691 2012-2013 General Fund expenditure budget. The School Board, per District fund balance policy #620, has set a General Fund maximum unassigned fund balance of not less than 5% and not more than 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

At June 30, 2012 the total General Fund fund balance was \$18,583,921 or 22.42% of the \$82,899,691 2012-2013 General Fund expenditure budget. The following is an analysis of General Fund fund balances as of June 30, 2012 and 2012-2013 General Fund expenditures budgets for similar school districts in southeastern Pennsylvania.

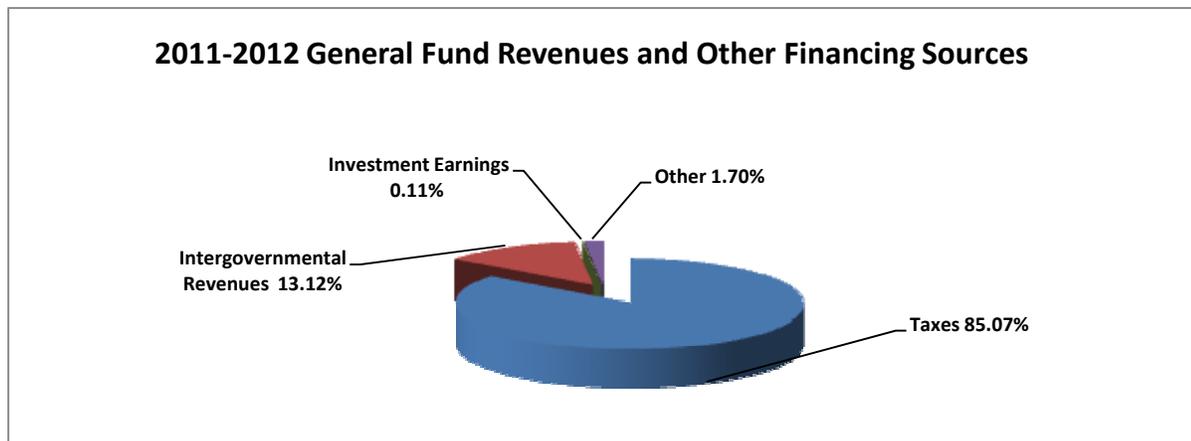
# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

<u>School District</u>	<u>County</u>	<u>General Fund Fund Balance June 30, 2012</u>	<u>2012-2013 General Fund Expenditure Budget</u>	<u>% of Fund Balance to Expenditure Budget</u>
Chichester	Delaware	\$ 9,698,654	\$ 63,026,794	15.39%
Garnet Valley	Delaware	\$ 7,450,829	\$ 84,250,373	8.84%
Great Valley	Chester	\$17,111,287	\$ 76,800,000	22.28%
Lower Merion	Montgomery	\$56,211,534	\$212,809,404	26.41%
Marple Newtown	Delaware	\$ 8,189,431	\$ 67,874,000	12.07%
Radnor Township	Delaware	\$18,583,921	\$ 82,899,691	22.42%
Rose Tree Media	Delaware	\$14,086,271	\$ 80,305,101	17.54%
Springfield	Delaware	\$ 6,627,638	\$ 65,806,303	10.07%
Tredyffrin Easttown	Chester	\$34,959,750	\$125,871,943	27.77%
Upper Merion	Montgomery	\$ 7,186,022	\$ 78,718,680	9.13%
Wallingford Swarthmore	Delaware	\$ 7,862,068	\$ 67,047,379	11.73%

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 85.07% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$66,155,640	\$64,475,634	\$1,680,006	2.61
Intergovernmental revenues	10,201,140	10,297,044	(95,904)	(0.93)
Investment earnings	87,302	140,614	(53,312)	(37.91)
Other	<u>1,318,233</u>	<u>1,635,170</u>	<u>(316,937)</u>	<u>(19.38)</u>
	<u>\$77,762,315</u>	<u>\$76,548,462</u>	<u>\$1,213,853</u>	<u>1.59</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

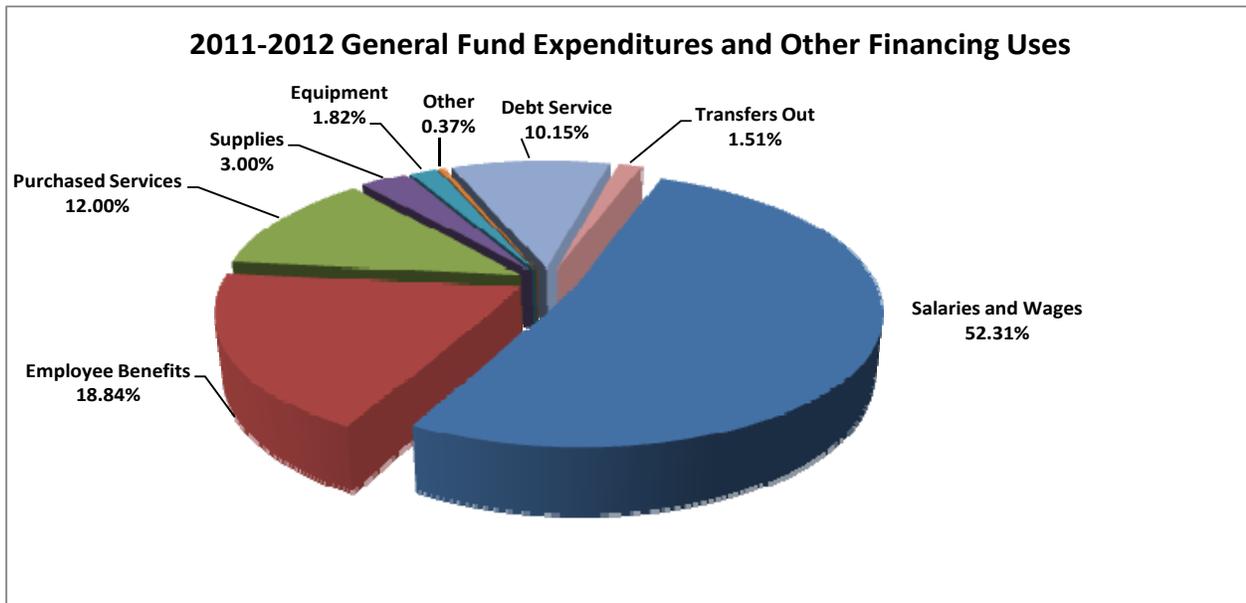
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

Net tax revenues increased by \$1,680,006 or 2.61% primarily due to a millage increase for real estate taxes of approximately 1.36% from 20.861 mills in 2010-2011 to 21.1439 in 2011-2012. The following table summarizes changes in the District's tax revenues for 2011-2012 compared to 2010-2011:

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$63,109,722	\$61,585,950	\$1,523,772	2.47
Interim tax	176,024	445,287	(269,263)	(60.47)
PURTA tax	88,759	85,895	2,864	3.33
Payment in lieu of tax	304,016	94,474	209,542	221.80
Occupational assessment tax	90,534	95,249	(4,715)	(4.95)
Transfer tax	1,091,765	1,140,868	(49,103)	(4.30)
Delinquent real estate tax	<u>1,294,820</u>	<u>1,027,911</u>	<u>266,909</u>	<u>25.97</u>
	<u>\$66,155,640</u>	<u>\$64,475,634</u>	<u>\$1,680,006</u>	<u>2.61</u>

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



### General Fund Expenditures and Other Financing Uses

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$38,971,702	\$37,346,959	\$ 1,624,743	4.35
Employee benefits	14,034,711	13,720,962	313,749	2.29
Purchased services	8,940,367	9,106,697	(166,330)	(1.83)
Supplies	2,234,977	2,210,512	24,465	1.11
Equipment	1,354,865	1,677,430	(322,565)	(19.23)
Other	272,172	151,720	120,452	79.39
Debt service	7,563,567	7,166,617	396,950	5.54
Transfers out	<u>1,124,933</u>	<u>4,730,000</u>	<u>(3,605,067)</u>	<u>(76.22)</u>
	<u>\$74,497,294</u>	<u>\$76,110,897</u>	<u>\$(1,613,603)</u>	<u>(2.12)</u>

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2012**

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Salaries and wages increased by \$1,624,743 or 4.35% in 2011-2012 compared to 2010-2011 which was due to provisions within employee labor contracts and the retirement severance package of \$50,000 per teacher offered in the current Radnor Township Education Association collective bargaining agreement. The severance package was structured to encourage older employees to retire before conventional retirement age and was taken by 23 District teachers effective June 30, 2012.

Employee benefits increased in 2011-2012 primarily due to rising medical insurance premiums and a significant increase in the required employer annual retirement contribution to 8.65% from 5.64%.

The slight decrease in purchased services during 2011-2012 can be attributed to decreases in expenditures for utilities, tuition, insurance and travel.

Expenditures for supplies (including books) were up a modest 1.1% due to curriculum initiatives implemented by the District in 2011-2012 while equipment expenses decreased by 19.23% due to increased technology equipment purchases in 2010-2011 translating into a decrease for these items in 2011-2012.

Debt service expenditures were up on a one-time basis in 2011-2012 due to the District's decision to advance refund a portion of its General Obligation Bonds, Series of 2006 in the amount of \$300,000.

Transfers out decreased in 2011-2012 compared to 2010-2011 due to a transfer of \$4,730,000 to the Capital Projects Fund in 2010-2011 primarily for the Wayne Elementary renovation project. Anticipated capital projects in 2011-2012 only required a transfer out to the Capital Projects Fund in 2011-2012 of \$1,041,600.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2011-2012, the fund balance in the Capital Projects Fund decreased by \$3,702,579 as the Wayne Elementary renovation project continued. The remaining fund balance of \$2,419,693 as of June 30, 2012 is restricted for future capital expenditures.

### **GENERAL FUND BUDGET INFORMATION**

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

Actual revenues were \$2,253,536 more than budgeted amounts and actual expenditures were \$1,522,194 less than budgeted amounts. Major budgetary highlights for 2011-2012 were as follows:

- Actual local source revenues were \$1,265,079 more than budgeted amounts primarily due to more than anticipated collections for real estate and transfer taxes.
- Actual state source revenues were \$975,025 more than budgeted amounts due to revisions in the State budget that resulted in increases for the both the District's basic education and social security subsidies subsequent to the adoption of the District's final budget.
- Total instruction expenditures were \$346,154 less than budgeted amounts primarily within the regular and special education functions. Budgeted amounts for instruction expenditures were mostly underspent in the categories of salaries, employee benefits and contracted services.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

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- Total support service expenditures were \$1,132,379 less than budgeted amounts primarily within the instructional staff services, administrative services, operations and maintenance of plant services and student transportation services functions. Budgeted amounts for support service expenditures were mostly underspent in the categories of salaries, employee benefits and utilities.
- Budgeted amounts in the General Fund used \$1,265,000 of fund balance as of June 30, 2011 to balance the 2011-2012 General Fund budget which was not used as a result of the more than anticipated revenues and the less than anticipated expenditures during the year as outlined above.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2011-2012, the net assets of the business-type activities and Food Service Fund increased by \$52,762. As of June 30, 2012, the business-type activities and Food Service Fund had net assets of \$626,894.

### CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2012 amounted to \$101,535,158 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$1,065,421 or 1.06%. The increase was the result of current year capital additions in excess of current year depreciation expense and disposals.

Current year capital additions were \$6,149,907 and depreciation expense was \$5,084,486.

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

- Construction in progress – Wayne Elementary School renovation project \$3,736,901
- Five 72 passenger, one 36 passenger and one 48 passenger school buses \$ 536,200

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

- Twenty school buses \$ 956,679
- Six trucks and vehicles \$ 202,659

All capital disposals had a net book value of zero at the date of disposal.

### NON-CURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$102,900,076 consisting of \$83,670,000 in bonds payable, \$15,000,000 note payable and \$5,065,000 in Qualified School Construction Bonds, net of deferred charges of \$834,924. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$2,709,189 or 2.57% during the fiscal year.

On November 1, 2011, the District entered into a loan agreement with the State Public School Building Authority (the "**SPSBA**") for \$3,565,000 through its Qualified School Construction Bonds ("**QSCB**") program. The QSCB program was created by the American Recovery and Reinvestment Program ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation, and rehabilitation of schools as well as the purchase of land equipment. In connection, with entering into this loan agreement the District advanced refunded portions of its General Obligation Bonds, Series of 2005B and 2006 in the amount of \$3,700,000 with local sources previously set aside for capital projects. The General Obligation Bonds, Series of 2005B and 2006 have interest rates ranging from 3.00% to 5.00% through maturity. As a result, the net present value of the cash flow savings the District will realize in future debt service expenditures is anticipated to be \$1,768,908.

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2012**

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Pursuant to the loan agreements with the SPSBA under its QSCB program, the District established a Debt Sinking Fund. The District is required to make deposits annually into the Debt Sinking Fund. The deposits and investment earnings on the deposits are available for payment of maturities under the loan agreement. As of June 30, 2012, the fund balance in the Debt Sinking Fund was \$92,742 and is restricted for future debt service expenditures. The District maintains an Aa2 rating from Moody's for its general obligation debt.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$172,128,874 which exceeds the District's outstanding general obligation debt.

Other non-current liabilities consist of the District's liabilities for compensated absences, early retirement incentive plans and its net obligation for post-employment benefits, which totaled \$2,038,427 as of June 30, 2012. These liabilities decreased by \$1,189,811 or 36.86% during the fiscal year. The net decrease in other non-current liabilities is primarily due to the payment of approved early retirement incentive plan benefits for senior professional staff during 2011-2012.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The increase in net property tax base assessments within the District has been moderate and an increase in successful property tax assessment appeals has been modestly decreasing the District's existing property tax base.
  - The District's current student enrollment for 2012-2013 is 3,641 and is projected to decrease to 3,615 in 2013-2014.
  - Additional tax and enrollment information is available on the District's website: (<http://www.rtsd.org>).
  - The District adopted a balanced 2012-2013 budget totaling \$82,899,691 which used approximately \$2,999,000 of General Fund fund balance as of June 30, 2012 to balance the 2012-2013 budget and the real estate tax millage rate was increased by approximately 3.21%.
  - In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increases in real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
    - ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (1.7% for Radnor Township School District for 2012-2013), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
    - ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control. No Act 1 exceptions were applied for by the District in 2011-2012. The District applied for and received \$1,000,000 of exceptions for the 2012-2013 budget.
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# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

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- ♦ Gaming revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted gambling in Pennsylvania.) The District's distribution for 2011-2012 was \$1,453,067.
- On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**House Bill 2497**") into law. The legislation is now known as Act 120 of 2010. House Bill 2497 includes a series of actuarial and funding changes to the public school employee's retirement system ("**PSERS**") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. House Bill 2497 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation the employer contribution rate for 2013-2014 is projected at 16.93%. Currently, the employer contribution rate for 2012-2013 is 12.36% which is an increase of 42.89% from the 2011-2012 employer contribution rate of 8.65%. The increase in the employer contribution rate in 2012-2013 is estimated to increase the District's net retirement contribution by approximately \$889,000, of which the District's share is \$444,500.

The following table presents the projected employer contribution rates published by PSERS and the District's projected share of retirement contribution for the next five years:

<u>Fiscal Year Ending</u>	<u>Projected Employer Contribution Rate %</u>	<u>Projected Employer Retirement Contribution \$</u>	<u>District's Share of Employer Retirement Contribution \$</u>	<u>Increase Over Prior Year \$</u>
2013 – 2014	16.93%	\$ 6,555,000	\$3,277,500	\$974,000
2014 – 2015	21.25%	\$ 8,392,000	\$4,196,000	\$918,500
2015 – 2016	25.56%	\$10,296,000	\$5,148,000	\$952,000
2016 – 2017	26.26%	\$10,789,000	\$5,394,500	\$246,500
2017 – 2018	26.80%	\$11,231,000	\$5,615,500	\$221,000

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Administrator, Radnor Township School District, 135 South Wayne Avenue, Wayne, Pennsylvania 19087-4194.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2012 with summarized comparative totals for 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 16,462,828	\$539,919	\$ 17,002,747	\$ 19,192,464
Investments	12,363,777	-	12,363,777	11,096,329
Taxes receivable	1,224,028	-	1,224,028	1,461,538
Due from other governments	660,843	7,752	668,595	645,242
Internal balances	(10,076)	10,076	-	-
Other receivables	353,415	2,276	355,691	760,981
Inventories	-	36,063	36,063	33,521
<b>Total current assets</b>	<u>31,054,815</u>	<u>596,086</u>	<u>31,650,901</u>	<u>33,190,075</u>
<b>NON-CURRENT ASSETS</b>				
Restricted assets:				
Cash held by fiscal agent	799	-	799	-
Investments held by fiscal agent	91,943	-	91,943	-
Capital assets, net	101,439,872	95,286	101,535,158	100,469,737
Debt issuance costs, net	561,146	-	561,146	591,133
<b>Total non-current assets</b>	<u>102,093,760</u>	<u>95,286</u>	<u>102,189,046</u>	<u>101,060,870</u>
<b>Total assets</b>	<u>133,148,575</u>	<u>691,372</u>	<u>133,839,947</u>	<u>134,250,945</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	1,635,808	1,290	1,637,098	3,230,047
Accrued salaries, payroll withholdings and benefits	6,001,897	-	6,001,897	5,695,550
Accrued interest payable	1,187,912	-	1,187,912	1,202,387
Deferred revenues	9,623	63,188	72,811	79,013
Other liabilities	75,024	-	75,024	53,907
<b>Total current liabilities</b>	<u>8,910,264</u>	<u>64,478</u>	<u>8,974,742</u>	<u>10,260,904</u>
<b>NON-CURRENT LIABILITIES</b>				
Due within one year	3,995,979	-	3,995,979	3,735,569
Due in more than one year	100,942,524	-	100,942,524	105,101,934
<b>Total non-current liabilities</b>	<u>104,938,503</u>	<u>-</u>	<u>104,938,503</u>	<u>108,837,503</u>
<b>Total liabilities</b>	<u>113,848,767</u>	<u>64,478</u>	<u>113,913,245</u>	<u>119,098,407</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	1,384,779	95,286	1,480,065	(2,614,884)
Restricted	263,140	-	263,140	4,257,168
Unrestricted	17,651,889	531,608	18,183,497	13,510,254
<b>Total net assets</b>	<u>\$ 19,299,808</u>	<u>\$626,894</u>	<u>\$ 19,926,702</u>	<u>\$ 15,152,538</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2012 with summarized comparative totals for 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
							<u>2012</u>	<u>2011</u>
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$42,906,664	\$ 768,679	\$4,672,110	\$ -	\$(37,465,875)	\$ -	\$(37,465,875)	\$(36,623,806)
Instructional student support	6,910,352	-	443,870	-	(6,466,482)	-	(6,466,482)	(6,070,406)
Administrative and financial support services	6,403,492	-	266,505	-	(6,136,987)	-	(6,136,987)	(6,734,224)
Operation and maintenance of plant services	7,222,309	260,927	296,318	-	(6,665,064)	-	(6,665,064)	(6,843,626)
Pupil transportation	3,656,688	122,341	986,014	-	(2,548,333)	-	(2,548,333)	(1,886,125)
Student activities	1,097,098	42,502	49,332	-	(1,005,264)	-	(1,005,264)	(976,555)
Community services	90,494	53,772	-	-	(36,722)	-	(36,722)	10,616
Interest and amortization expense related to non-current liabilities	4,779,200	-	355,253	-	(4,423,947)	-	(4,423,947)	(4,360,139)
<b>Total governmental activities</b>	<u>73,066,297</u>	<u>1,248,221</u>	<u>7,069,402</u>	<u>-</u>	<u>(64,748,674)</u>	<u>-</u>	<u>(64,748,674)</u>	<u>(63,484,265)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	1,475,097	1,267,771	259,966	-	-	52,640	52,640	55,636
<b>Total primary government</b>	<u>\$74,541,394</u>	<u>\$2,515,992</u>	<u>\$7,329,368</u>	<u>\$ -</u>	<u>(64,748,674)</u>	<u>52,640</u>	<u>(64,696,034)</u>	<u>(63,428,629)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					64,721,009	-	64,721,009	63,193,146
Other taxes					1,285,648	-	1,285,648	1,416,487
Grants and entitlements not restricted to specific programs					3,243,108	-	3,243,108	2,979,340
Investment earnings					102,000	122	102,122	144,663
Gain on sale of capital assets					118,311	-	118,311	146
<b>Total general revenues</b>					<u>69,470,076</u>	<u>122</u>	<u>69,470,198</u>	<u>67,733,782</u>
<b>CHANGE IN NET ASSETS</b>					4,721,402	52,762	4,774,164	4,305,153
<b>NET ASSETS</b>								
Beginning of year					<u>14,578,406</u>	<u>574,132</u>	<u>15,152,538</u>	<u>10,847,385</u>
<b>End of year</b>					<u>\$ 19,299,808</u>	<u>\$626,894</u>	<u>\$ 19,926,702</u>	<u>\$ 15,152,538</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2012 with summarized comparative totals for 2011

	Major Funds			Non-Major Governmental Fund	Totals	
	General Fund	Capital Projects Fund	Debt Sinking Fund		2012	2011
<b>ASSETS</b>						
Cash	\$13,699,831	\$2,721,930	\$ -	\$41,067	\$16,462,828	\$18,714,023
Investments	12,363,777	-	-	-	12,363,777	11,096,329
Restricted assets:						
Cash held by fiscal agent	-	-	799	-	799	-
Investments held by fiscal agent	-	-	91,943	-	91,943	-
Taxes receivable	1,224,028	-	-	-	1,224,028	1,461,538
Due from other funds	-	-	-	-	-	14,890
Due from other governments	660,843	-	-	-	660,843	635,655
Other receivables	351,634	-	-	1,781	353,415	755,055
<b>Total assets</b>	<b>\$28,300,113</b>	<b>\$2,721,930</b>	<b>\$92,742</b>	<b>\$42,848</b>	<b>\$31,157,633</b>	<b>\$32,677,490</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,325,265	\$ 302,237	\$ -	\$ 8,306	\$ 1,635,808	\$ 3,258,195
Due to other funds	10,076	-	-	-	10,076	2,525
Accrued salaries, payroll withholdings and benefits	7,368,687	-	-	-	7,368,687	6,773,335
Deferred revenues	937,140	-	-	-	937,140	1,115,351
Other liabilities	75,024	-	-	-	75,024	18,505
<b>Total liabilities</b>	<b>9,716,192</b>	<b>302,237</b>	<b>-</b>	<b>8,306</b>	<b>10,026,735</b>	<b>11,167,911</b>
<b>FUND BALANCES</b>						
Restricted for						
Capital projects	-	2,419,693	-	-	2,419,693	2,053,692
Debt service	-	-	92,742	-	92,742	-
Assigned for						
Capital projects	4,014,000	-	-	-	4,014,000	4,683,580
Debt service	-	-	-	-	-	344,220
Facility initiatives	1,327,258	-	-	-	1,327,258	-
Curriculum initiatives	214,000	-	-	-	214,000	-
Technology initiatives	864,094	-	-	-	864,094	1,537,429
Employer retirement rate stabilization	5,426,324	-	-	-	5,426,324	5,407,174
Early retirement incentive	198,188	-	-	-	198,188	2,180,893
Community pool	-	-	-	34,542	34,542	68,407
Unassigned	6,540,057	-	-	-	6,540,057	5,234,184
<b>Total fund balances</b>	<b>18,583,921</b>	<b>2,419,693</b>	<b>92,742</b>	<b>34,542</b>	<b>21,130,898</b>	<b>21,509,579</b>
<b>Total liabilities and fund balances</b>	<b>\$28,300,113</b>	<b>\$2,721,930</b>	<b>\$92,742</b>	<b>\$42,848</b>	<b>\$31,157,633</b>	<b>\$32,677,490</b>

See accompanying notes

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

June 30, 2012

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 21,130,898
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	101,439,872
Deferred charges for debt issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net assets.	561,146
Some of the District's taxes 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 governmental funds balance sheet.	927,517
Non-current liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(103,571,713)
Accrued interest payable on long-term liabilities is included in the government-wide statement of net assets, but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,187,912)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 19,299,808</u></u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2012 with summarized comparative totals for 2011

	Major Funds			Non-Major Governmental Funds	Totals	
	General Fund	Capital Projects Fund	Debt Sinking Fund		2012	2011
<b>REVENUES</b>						
Local sources	\$67,560,895	\$ 11,423	\$ 9,409	\$ 53,787	\$67,635,514	\$66,255,403
State sources	9,070,644	-	-	-	9,070,644	8,396,885
Federal sources	1,130,496	-	-	-	1,130,496	1,900,300
<b>Total revenues</b>	<u>77,762,035</u>	<u>11,423</u>	<u>9,409</u>	<u>53,787</u>	<u>77,836,654</u>	<u>76,552,588</u>
<b>EXPENDITURES</b>						
Current						
Instruction	42,102,202	-	-	-	42,102,202	40,989,836
Support services	22,661,708	656,665	-	-	23,318,373	22,280,798
Operation of noninstructional services	1,044,883	-	-	87,652	1,132,535	2,167,400
Facilities acquisition, construction and improvement services	-	4,307,660	-	-	4,307,660	1,323,972
Debt service	7,563,568	3,474,307	-	-	11,037,875	7,166,617
<b>Total expenditures</b>	<u>73,372,361</u>	<u>8,438,632</u>	<u>-</u>	<u>87,652</u>	<u>81,898,645</u>	<u>73,928,623</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,389,674</u>	<u>(8,427,209)</u>	<u>9,409</u>	<u>(33,865)</u>	<u>(4,061,991)</u>	<u>2,623,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refund of prior year expenditures	-	-	-	-	-	177,049
Sale of/compensation for capital assets	280	118,030	-	-	118,310	146
Issuance of debt	-	3,565,000	-	-	3,565,000	1,490,035
Transfers in	-	1,041,600	83,333	-	1,124,933	5,123,095
Transfers out	(1,124,933)	-	-	-	(1,124,933)	(5,123,095)
<b>Total other financing sources (uses)</b>	<u>(1,124,653)</u>	<u>4,724,630</u>	<u>83,333</u>	<u>-</u>	<u>3,683,310</u>	<u>1,667,230</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>3,265,021</u>	<u>(3,702,579)</u>	<u>92,742</u>	<u>(33,865)</u>	<u>(378,681)</u>	<u>4,291,195</u>
<b>FUND BALANCES</b>						
Beginning of year	<u>15,318,900</u>	<u>6,122,272</u>	<u>-</u>	<u>68,407</u>	<u>21,509,579</u>	<u>17,218,384</u>
<b>End of year</b>	<u>\$18,583,921</u>	<u>\$ 2,419,693</u>	<u>\$92,742</u>	<u>\$ 34,542</u>	<u>\$21,130,898</u>	<u>\$21,509,579</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2012

**NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS** \$ (378,681)

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

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

Capital outlay expenditures	\$ 6,126,559	
Depreciation expense	<u>(5,035,394)</u>	1,091,165

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

Deferred tax revenues at June 30, 2011	(1,091,092)	
Deferred tax revenues at June 30, 2012	<u>927,517</u>	(163,575)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(3,565,000)	
Repayment of bonds payable	6,325,000	
Amortization of issuance costs, discounts, premiums and deferred amounts on refunding	<u>(80,798)</u>	2,679,202

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.

Current year change in accrued interest payable	14,475	
Current year change in early retirement incentive	1,612,464	
Current year change in compensated absences	(55,167)	
Current year change in net post employment benefit (OPEB) obligation	<u>(78,481)</u>	<u>1,493,291</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$4,721,402

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET ASSETS – PROPRIETARY FUND

June 30, 2012 with summarized comparative totals for 2011

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$539,919	\$478,441
Accounts receivable	2,276	5,927
Due from other governments	7,752	9,586
Due from other funds	10,076	-
Inventories	<u>36,063</u>	<u>33,521</u>
<b>Total current assets</b>	<u>596,086</u>	<u>527,475</u>
<b>NON-CURRENT ASSETS</b>		
Capital assets, net	<u>95,286</u>	<u>121,030</u>
<b>Total assets</b>	<u>691,372</u>	<u>648,505</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	1,290	7,254
Due to other funds	-	12,365
Deferred revenue	<u>63,188</u>	<u>54,754</u>
<b>Total liabilities</b>	<u>64,478</u>	<u>74,373</u>
<b>NET ASSETS</b>		
Invested in capital assets	95,286	121,030
Unrestricted	<u>531,608</u>	<u>453,102</u>
<b>Total net assets</b>	<u>\$626,894</u>	<u>\$574,132</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND

Year ended June 30, 2012 with summarized comparative totals for 2011

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$1,267,771	\$1,274,187
<b>OPERATING EXPENSES</b>		
Salaries	402,727	425,958
Employee benefits	147,922	128,231
Purchased professional and technical services	50,750	47,500
Purchased property services	42,487	41,231
Other purchased services	22,984	15,481
Supplies	759,135	756,084
Depreciation	<u>49,092</u>	<u>48,531</u>
<b>Total operating expenses</b>	<u>1,475,097</u>	<u>1,463,016</u>
<b>Operating loss</b>	<u>(207,326)</u>	<u>(188,829)</u>
<b>NON-OPERATING REVENUES</b>		
Earnings on investments	122	316
State sources	62,882	47,454
Federal sources	<u>197,084</u>	<u>197,011</u>
<b>Total non-operating revenues</b>	<u>260,088</u>	<u>244,781</u>
<b>CHANGE IN NET ASSETS</b>	52,762	55,952
<b>NET ASSETS</b>		
Beginning of year	<u>574,132</u>	<u>518,180</u>
<b>End of year</b>	<u>\$ 626,894</u>	<u>\$ 574,132</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS – PROPRIETARY FUND

Year ended June 30, 2012 with summarized comparative totals for 2011

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$1,279,856	\$1,280,927
Payments to suppliers	(838,556)	(840,342)
Payments to employees	(573,090)	(554,911)
<b>Net cash used for operating activities</b>	<u>(131,790)</u>	<u>(114,326)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	63,208	48,718
Federal sources	<u>153,286</u>	<u>155,576</u>
<b>Net cash provided by noncapital financing activities</b>	<u>216,494</u>	<u>204,294</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of capital assets	<u>(23,348)</u>	<u>(12,208)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	<u>122</u>	<u>316</u>
<b>Net increase in cash</b>	61,478	78,076
<b>CASH</b>		
Beginning of year	<u>478,441</u>	<u>400,365</u>
<b>End of year</b>	<u>\$ 539,919</u>	<u>\$ 478,441</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss	\$ (207,326)	\$ (188,829)
<b>Adjustments to reconcile operating loss to net cash used for operating activities</b>		
Depreciation	49,092	48,531
Donated commodities used	45,306	55,348
(Increase) decrease in		
Accounts receivable	3,651	2,046
Due from other funds	(10,076)	-
Inventories	(2,542)	(823)
Increase (decrease) in		
Accounts payable	(5,964)	(34,571)
Due to other funds	(12,365)	(722)
Deferred revenue	<u>8,434</u>	<u>4,694</u>
<b>Net cash used for operating activities</b>	<u>\$ (131,790)</u>	<u>\$ (114,326)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>Noncash noncapital financing activity</b>		
USDA donated commodities	<u>\$ 45,306</u>	<u>\$ 55,348</u>

See accompanying notes

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS – FIDUCIARY FUND**

June 30, 2012

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	<b>Private- Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash	\$ 55,573	\$71,733
Investments	327,273	-
Other receivables	<u>250</u>	<u>-</u>
<b>Total assets</b>	<u>383,096</u>	<u>71,733</u>
 <b>LIABILITIES</b>	 <u>-</u>	 <u>\$71,733</u>
 <b>NET ASSETS</b>		
Net assets held in trust for scholarships	<u>\$383,096</u>	

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See accompanying notes

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET ASSETS – FIDUCIARY FUND**

Year ended June 30, 2012 with summarized comparative totals for 2011

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	<b>Private-Purpose Trust Fund</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>ADDITIONS</b>		
Local contributions	\$ 1,523	\$235,477
<b>DEDUCTIONS</b>		
Scholarships awarded and fees paid	<u>6,900</u>	<u>7,500</u>
<b>CHANGE IN NET ASSETS</b>	(5,377)	227,977
<b>NET ASSETS</b>		
Beginning of year	<u>388,473</u>	<u>160,496</u>
<b>End of year</b>	<b><u>\$383,096</u></b>	<b><u>\$388,473</u></b>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

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

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

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

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

The Debt Sinking Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

### ***Revenue Recognition***

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

### ***Expenditure Recognition***

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### ***Proprietary Funds***

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following major proprietary fund:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

### ***Fiduciary Funds***

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments are stated at fair value based upon quoted market prices.

### **Receivables and Payables**

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

### **Property Taxes**

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

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 – February 15	- Penalty period, 10% of gross levy
February 28	- Lien date

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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The County Board of Assessments determines assessed valuations of property, and the taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal 2011-2012 was 21.1439 mills (\$21.14 for \$1,000 of assessed valuation), which includes an additional levy for the District's sponsorship of the Delaware County Community College of 0.4497 mills (\$0.45 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

Installment One	-	August 31
Installment Two	-	October 31
Installment Three	-	December 31

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

### **Prepaid Items and Inventories**

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

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

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years, land improvements – 15-20 years and furniture and equipment – 5-20 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2012.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. The portion of the liability resulting from employee resignations and retirements, if applicable, is reported as a liability in the governmental funds' financial statements.

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# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### **Long-Term Obligations**

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

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

### **Fund Equity**

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

#### ***Non-spendable***

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

#### ***Restricted***

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

#### ***Committed***

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

#### ***Assigned***

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

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

#### ***Unassigned***

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

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# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Per District policy #620, the School Board has set a General Fund maximum unassigned fund balance of not less than 5% and not more than 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

### **Comparative Data**

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

### **Use of Estimates**

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

### **New Accounting Pronouncements**

GASB has issued the following statements not yet implemented by the District. The District's management has not yet determined the effect, if any, these statements will have on the District's financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the District for the year ending June 30, 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements ("**SCAs**"), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, will be effective for the District for the year ending June 30, 2013. The objective of this Statement is to modify certain requirements for inclusion of component units in the financial reporting entity. This Statement amends Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the District for the year ending June 30, 2013. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, will be effective for the District for the year ending June 30, 2013. The objective of this Statement is to standardize the presentation of deferred balances and their effects on a government's net position.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

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

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

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

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

#### Excess of Expenditures Over Appropriation

During the year ended June 30, 2012, there were no expenditures in excess of appropriations.

### (3) DEPOSITS AND INVESTMENTS

#### Deposits

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2012, the carrying amount of the District's deposits was \$17,130,852 and the bank balance was \$18,004,000. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$267,115 was covered by federal depository insurance, and \$10,854,265 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2012, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

##### Investments

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

As of June 30, 2012, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (In Years)</b>				
		<b>Less than 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>11 – 15</b>	<b>16 – 20</b>
Certificates of deposit	\$11,196,429	\$7,563,612	\$3,632,817	\$ -	\$ -	\$ -
U.S. Treasury strips	1,586,564	494,975	999,646	-	-	91,943
	<u>\$12,782,993</u>	<u>\$8,058,587</u>	<u>\$4,632,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$91,943</u>

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2012.

### **Interest Rate Risk**

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investments subject to interest rates risk as of June 30, 2012.

### **Credit Risk**

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

### **Restricted Deposits and Investments**

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (**See Note 6**). The total carrying amounts and related bank balances of these cash and investment accounts are \$92,742 as of June 30, 2012, which are invested in U.S. Treasury securities.

## (4) CAPITAL ASSETS

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,952,500	\$ -	\$ -	\$ 2,952,500
Construction in progress	1,323,972	3,736,901	-	5,060,873
<b>Total capital assets not being depreciated</b>	<u>4,276,472</u>	<u>3,736,901</u>	<u>-</u>	<u>8,013,373</u>
Capital assets being depreciated				
Buildings and improvements	5,190,729	119,703	-	5,310,432
Land improvements	122,262,476	87,634	-	122,350,110
Furniture and equipment	20,088,107	2,182,321	2,809,588	19,460,840
<b>Total capital assets being depreciated</b>	<u>147,541,312</u>	<u>2,389,658</u>	<u>2,809,588</u>	<u>147,121,382</u>

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

Less accumulated depreciation for				
Buildings and improvements	(3,277,617)	(256,667)	-	(3,534,284)
Land improvements	(34,156,386)	(2,875,580)	-	(37,031,966)
Furniture and equipment	<u>(14,035,074)</u>	<u>(1,903,147)</u>	<u>(2,809,588)</u>	<u>(13,128,633)</u>
<b>Total accumulated depreciation</b>	<u>(51,469,077)</u>	<u>(5,035,394)</u>	<u>(2,809,588)</u>	<u>(53,694,883)</u>
<b>Total capital assets being depreciated, net</b>	<u>96,072,235</u>	<u>(2,645,736)</u>	<u>-</u>	<u>93,426,499</u>
<b>Governmental activities, net</b>	<u>\$100,348,707</u>	<u>\$ 1,091,165</u>	<u>\$ -</u>	<u>\$101,439,872</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 915,790	\$ 23,348	\$ -	\$ 939,138
Less accumulated depreciation	<u>(794,760)</u>	<u>(49,092)</u>	<u>-</u>	<u>(843,852)</u>
<b>Business-type activities, net</b>	<u>\$ 121,030</u>	<u>\$ (25,744)</u>	<u>\$ -</u>	<u>\$ 95,286</u>

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

<b>Governmental activities</b>	
Instruction	\$3,221,611
Instructional student support	492,654
Administrative and financial support services	477,710
Operation and maintenance of plant services	504,055
Pupil transportation	259,628
Student activities	<u>79,736</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$5,035,394</u>
<b>Business-type activities</b>	
Food service	<u>\$ 49,092</u>

As of June 30, 2012, the District had outstanding construction projects to be completed. Construction commitments and the amount completed as of June 30, 2012 are as follows:

<u>Description</u>	<u>Project Amount</u>	<u>Completed Through June 30, 2012</u>	<u>Commitment</u>
Wayne Elementary Renovation Project	<u>\$6,043,488</u>	<u>\$4,880,883</u>	<u>\$1,162,605</u>

**(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	<u>\$10,076</u>	General Fund	<u>\$10,076</u>

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

A summary of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$1,041,600	General Fund	\$1,041,600
Debt Sinking Fund	<u>83,333</u>	General Fund	<u>83,333</u>
	<u>\$1,124,933</u>		<u>\$1,124,933</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Transfers represent monies to subsidize costs associated with capital purchases and debt service expenditures.

### (6) NON-CURRENT LIABILITIES

The following summarizes the changes in non-current liabilities for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$ 89,995,000	\$ -	\$6,325,000	\$ 83,670,000	\$2,680,000
Note payable	15,000,000	-	-	15,000,000	-
Qualified school construction bonds	1,500,000	3,565,000	-	5,065,000	-
Bond premiums	1,497,595	-	79,870	1,417,725	79,869
Bond discounts	(284,032)	-	(16,333)	(267,699)	(16,333)
Deferred amounts on refunding	(2,099,298)	-	(114,348)	(1,984,950)	(114,347)
<b>Total general     obligation debt</b>	<u>105,609,265</u>	<u>3,565,000</u>	<u>6,274,189</u>	<u>102,900,076</u>	<u>2,629,189</u>
<b>Other long-term liabilities</b>					
Early retirement incentive	2,836,219	-	1,273,363	1,562,856	1,364,668
Compensated absences	376,588	5,071	-	381,659	2,122
OPEB obligation	15,431	614,878	536,397	93,912	-
<b>Total other long-term     liabilities</b>	<u>3,228,238</u>	<u>619,949</u>	<u>1,809,760</u>	<u>2,038,427</u>	<u>1,366,790</u>
<b>Total non-current     liabilities</b>	<u>\$108,837,503</u>	<u>\$4,184,949</u>	<u>\$8,083,949</u>	<u>\$104,938,503</u>	<u>\$3,995,979</u>

Non-current liabilities are generally liquidated by the General Fund.

#### General Obligation Debt

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

#### Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program, the SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. On December 1, 2010, the District borrowed \$1,500,000 from the SPSBA under the QSCB program. The District is required to deposit \$83,333 annually into a sinking fund through the maturity date of September 1, 2028. On November 1, 2011, the District borrowed \$3,565,000 from the SPSBA under the QSCB program. The District is required to deposit \$198,056 annually into a sinking fund through the maturity date of September 1, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

General obligation debt outstanding as of June 30, 2012 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2004	1.15% - 4.50%	\$26,530,000	10/01/2025	\$ 18,365,000
Series of 2005A	2.50% - 5.00%	\$14,815,000	11/15/2028	10,235,000
Series of 2005B	3.00% - 5.00%	\$44,000,000	02/15/2035	32,910,000
Series of 2005C	3.00% - 4.75%	\$11,855,000	11/15/2025	9,945,000
Series of 2006	3.50% - 4.375%	\$9,970,000	02/15/2035	6,485,000
Series of 2007A	3.75% - 5.00%	\$5,965,000	02/15/2035	<u>5,730,000</u>
<b>Total general obligation bonds</b>				<u>83,670,000</u>
<b>General obligation note</b>				
Series of 2002	Variable	\$24,625,000	07/25/2028	<u>15,000,000</u>
<b>Qualified school construction bonds</b>				
Series of 2010B	6.495%	\$1,500,000	09/01/2028	1,500,000
Series of 2011A	5.088%	\$3,565,000	09/01/2029	<u>3,565,000</u>
<b>Total qualified school construction bonds</b>				<u>5,065,000</u>
<b>Total general obligation debt</b>				<u>\$103,735,000</u>

The general obligation note bears interest at a variable rate that is adjusted weekly based upon the Bond Market Association Municipal Swap Index.

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2013	\$ 2,680,000	\$ 4,202,378	\$ 281,389	\$ 7,163,767
2014	2,785,000	4,097,668	281,389	7,164,057
2015	2,905,000	3,985,483	281,389	7,171,872
2016	3,020,000	3,872,168	281,389	7,173,557
2017	3,145,000	3,752,085	281,389	7,178,474
2018-2022	17,930,000	16,956,727	1,406,945	36,293,672
2023-2027	22,425,000	13,568,253	1,406,945	37,400,198
2028-2032	32,770,000	8,348,230	(4,304,168)	36,814,062
2033-2036	<u>16,075,000</u>	<u>1,370,374</u>	<u>-</u>	<u>17,445,374</u>
	<u>\$103,735,000</u>	<u>\$60,153,366</u>	<u>\$ (83,333)</u>	<u>\$163,805,033</u>

### In-Substance Defeasance

The District has advance refunded portions of its general obligation bonds, Series of 2005B (the "**Series 2005B Bonds**") by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. At June 30, 2012, \$9,370,000 of the Series 2005B Bonds is considered defeased. The District has authorized to call the remaining defeased bonds for redemption on August 15, 2015.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Interest Rate Management Plan

The 2000 General Obligation Note (the "**Series 2000 Note**") of the District have been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreements relative to the Series 2000 Note at June 30, 2012 was an asset of \$3,352,207. The value of the swap agreements relative to the District's Series 2000 Note is not reflected on the District's statement of net assets.

### Early Retirement Incentive

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's various ERIP plans provide for the payment of specific annuity amounts to the participating retiree or the payments of a specified dollar amount to be applied toward participating retiree healthcare premiums through Medicare eligible age.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2012, 31 retirees received benefits under the District's ERIP plans and the District paid \$1,273,363 in ERIP benefits to retirees.

As of June 30, 2012, the District had six ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2012 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>			<u>Present Value of ERIP Benefits</u>		
	<u>Total</u>	<u>Contribution</u>	<u>Health</u>	<u>Total</u>	<u>Retirement Annuity</u>	<u>Healthcare Premium</u>
July 1, 1999	1	-	1	\$ 14,019	\$ -	\$ 14,019
July 1, 2005	2	-	2	66,922	-	66,922
July 1, 2006	4	-	4	78,955	-	78,955
July 1, 2007	9	-	9	172,968	-	172,968
July 1, 2008	2	-	2	79,992	-	79,992
July 1, 2012	23	23	-	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
				<u>\$1,562,856</u>	<u>\$1,150,000</u>	<u>\$412,856</u>

### Other Post-Employment Benefits

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### Funding Policy

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

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012, 2011 and 2010 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$614,878	87.24%	\$93,912
2011	\$614,758	100.00%	\$15,431
2010	\$669,033	100.00%	\$17,704

The following table shows the components of the District's OPEB cost for the year, the amount actually contributed by the District and changes in the District's net OPEB obligation:

Annual required contribution	\$ 615,693
Interest on net OPEB obligation	694
Adjustment to annual required contribution	<u>(1,509)</u>
Annual OPEB cost (expense)	614,878
Contributions made	<u>(536,397)</u>
Increase in net OPEB obligation	78,481
Net OPEB obligation – beginning of year	<u>15,431</u>
Net OPEB obligation – end of year	<u>\$ 93,912</u>

### Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$3,949,720, all of which was unfunded. The covered payroll (annual payroll of active employees was \$38,192,162 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 10.34%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District 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 following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### Actuarial Methods and Assumptions

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

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 7.50%, decreasing 0.50% per year to an ultimate rate of 5.50% in 2014 and later. The UAAL is being amortized based on the level dollar, 30-year open period.

## (7) PENSION PLAN

### Plan Description

The District contributes to the Public School Employees' Retirement System ("**PSERS**"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, 5 North 5<sup>th</sup> Street, Harrisburg, PA 17101-0125; or by accessing its website at <http://www.psers.state.pa.us/publications/general/cafr.htm>.

### Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25% and 10.30% of annual salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2012, the rate of employer contribution was 8.65% of covered payroll. The District's contributions to PSERS for the years ended June 30, 2012, 2011 and 2010 were \$3,760,241, \$2,214,845 and \$1,800,291, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS reimbursing the District 50% of its contribution each year.

## (8) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

### Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2011-2012 was \$112,858.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. The participating school districts have entered into a long-term lease agreement with the DCVTSA to provide rental payments sufficient to retire the DCVTSA's outstanding debt obligations. The agreement expires in 2012-2013 unless the debt is retired earlier. The District's share of rent expense for 2011-2012 was \$23,026.

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

### Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2032-2033 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2011-2012 was \$1,363,802.

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

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

<u>Year ending June 30,</u>	<u>DCVTSA</u>	<u>DCCC</u>
2013	\$20,715	\$ 285,839
2014	-	285,839
2015	-	286,096
2016	-	230,251
2017	-	230,024
2018-2022	-	855,963
2023-2027	-	829,408
2028-2032	-	829,408
2033	-	165,882
	<u>\$20,715</u>	<u>\$3,998,710</u>

### Delaware County Intermediate Unit

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### (9) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

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

#### Litigation

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

### (10) RISK MANAGEMENT

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

### (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2012, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in the financial statements.

On October 1, 2012, the District issued General Obligation Bonds, Series of 2012, in the amount of \$9,995,000. The bonds are payable in periodic installments through February 2035 and bear interest payable semi-annually at rates ranging from 0.55% to 3.20%. The proceeds from the issuance of the bonds were used to advance refund a portion of the District's general obligation bonds Series of 2005B; to currently refund a portion of the District's general obligation bonds Series of 2006 and to pay for the costs of issuance.

**REQUIRED SUPPLEMENTARY INFORMATION**

# RADNOR TOWNSHIP SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$66,200,087	\$66,295,816	\$67,560,895	\$1,265,079
State sources	8,063,490	8,095,619	9,070,644	975,025
Federal sources	<u>1,084,537</u>	<u>1,117,064</u>	<u>1,130,496</u>	<u>13,432</u>
<b>Total revenues</b>	<u>75,348,114</u>	<u>75,508,499</u>	<u>77,762,035</u>	<u>2,253,536</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	31,114,233	31,115,883	30,884,058	231,825
Special programs	9,769,179	10,111,394	9,997,499	113,895
Vocational programs	118,496	112,859	112,859	-
Other instructional programs	20,868	34,722	34,288	434
Higher education programs	<u>1,246,312</u>	<u>1,073,498</u>	<u>1,073,498</u>	<u>-</u>
<b>Total instruction</b>	<u>42,269,088</u>	<u>42,448,356</u>	<u>42,102,202</u>	<u>346,154</u>
<b>Support services</b>				
Pupil support services	2,314,705	2,212,538	2,126,819	85,719
Instructional staff services	3,551,210	3,682,706	3,569,476	113,230
Administrative services	4,624,849	4,422,215	4,186,539	235,676
Pupil health	685,276	679,729	667,865	11,864
Business services	842,030	830,098	794,493	35,605
Operation and maintenance of plant services	7,004,004	7,065,141	6,587,338	477,803
Student transportation services	3,632,521	3,552,457	3,392,994	159,463
Support services – central	1,227,628	1,275,022	1,262,003	13,019
Other support services	<u>72,898</u>	<u>74,181</u>	<u>74,181</u>	<u>-</u>
<b>Total support services</b>	<u>23,955,121</u>	<u>23,794,087</u>	<u>22,661,708</u>	<u>1,132,379</u>
<b>Operation of non-instructional services</b>				
Student activities	1,092,658	1,085,545	1,042,040	43,505
Community services	<u>2,728</u>	<u>2,843</u>	<u>2,843</u>	<u>-</u>
<b>Total operation of non-instructional services</b>	<u>1,095,386</u>	<u>1,088,388</u>	<u>1,044,883</u>	<u>43,505</u>
<b>Debt service</b>	<u>7,502,308</u>	<u>7,563,724</u>	<u>7,563,568</u>	<u>156</u>
<b>Total expenditures</b>	<u>74,821,903</u>	<u>74,894,555</u>	<u>73,372,361</u>	<u>1,522,194</u>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<u>526,211</u>	<u>613,944</u>	<u>4,389,674</u>	<u>3,775,730</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of/compensation for capital assets	-	-	280	280
Transfers out	(1,037,200)	(1,124,933)	(1,124,933)	-
Budgetary reserve	<u>(754,011)</u>	<u>(754,011)</u>	<u>-</u>	<u>754,011</u>
<b>Total other financing sources (uses)</b>	<u>(1,791,211)</u>	<u>(1,878,944)</u>	<u>(1,124,653)</u>	<u>754,291</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,265,000)</u>	<u>\$ (1,265,000)</u>	<u>3,265,021</u>	<u>\$4,530,021</u>
<b>FUND BALANCE</b>				
Beginning of year – General Fund			15,318,900	
<b>End of year – General Fund</b>			<u>\$18,583,921</u>	

\* General Fund only. See page 20 for changes in fund balances of all governmental funds.

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS**

Year ended June 30, 2012

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/2010	\$ -	\$3,949,720	\$3,949,720	0.00%	\$38,192,162	10.34%
07/01/2008	\$ -	\$4,606,259	\$4,606,259	0.00%	\$34,029,506	13.54%

## **SUPPLEMENTARY INFORMATION**

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2012

	Major Funds			Non-Major Governmental Funds	Total
	General Fund	Capital Projects Fund	Debt Sinking Fund		
<b>NET CHANGE IN FUND BALANCES GOVERNMENTAL FUNDS</b>	<b>\$ 3,265,021</b>	<b>\$(3,702,579)</b>	<b>\$92,742</b>	<b>\$(33,865)</b>	<b>\$ (378,681)</b>
Amounts reported for governmental activities in the statement of activities are different because:					
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.					
Capital outlay expenditures	1,300,566	4,825,993	-	-	6,126,559
Depreciation expense	(5,035,394)	-	-	-	(5,035,394)
	<u>(3,734,828)</u>	<u>4,825,993</u>	<u>-</u>	<u>-</u>	<u>1,091,165</u>
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount in the current period.					
Deferred tax revenues at June 30, 2011	(1,091,092)	-	-	-	(1,091,092)
Deferred tax revenues at June 30, 2012	927,517	-	-	-	927,517
	<u>(163,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,575)</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.					
Issuance of debt	-	(3,565,000)	-	-	(3,565,000)
Repayment of bonds payable	2,925,000	3,400,000	-	-	6,325,000
Amortization of issuance costs, discounts, premiums and deferred amounts on refunding	(80,798)	-	-	-	(80,798)
	<u>2,844,202</u>	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>2,679,202</u>
Some expenses in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.					
Current year change in accrued interest payable	14,475	-	-	-	14,475
Current year change in early retirement incentive	1,612,464	-	-	-	1,612,464
Current year change in compensated absences	(55,167)	-	-	-	(55,167)
Current year change in net post employment benefit (OPEB) obligation	(78,481)	-	-	-	(78,481)
	<u>1,493,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,493,291</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 3,704,111</b>	<b>\$ 958,414</b>	<b>\$92,742</b>	<b>\$(33,865)</b>	<b>\$ 4,721,402</b>

**SINGLE AUDIT**

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS**

Year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Project 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>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2012</u>
<b><u>U.S. Department of Education</u></b>										
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>										
Title I – Improving Basic Programs	I	84.010	013-110354	07/01/10 – 09/30/11	\$ 151,725	\$ 10,726	\$ 10,768	\$ (42)	\$ (42)	\$ -
Title I – Improving Basic Programs	I	84.010	013-120354	07/01/11 – 09/30/12	146,281	109,704	-	138,336	138,336	28,632
Title I – Academic Achievement	I	84.010	077-110354	07/01/10 – 09/30/11	5,000	714	-	-	-	(714)
Title II – Improving Teacher Quality	I	84.367	020-110354	07/01/10 – 09/30/11	105,423	7,258	5,103	2,155	2,155	-
Title II – Improving Teacher Quality	I	84.367	020-120354	07/01/11 – 09/30/12	91,211	73,296	-	84,949	84,949	11,653
Title III – Language Instruction LEP/ Immigrant Students	I	84.365	010-100354	07/01/09 – 09/30/11	46,630	4,239	(15,025)	19,264	19,264	-
Title III – Language Instruction LEP/ Immigrant Students	I	84.365	010-110354	07/01/10 – 09/30/11	24,143	24,143	7,742	16,401	16,401	-
Title III – Language Instruction LEP/ Immigrant Students	I	84.365	010-120354	07/01/11 – 09/30/12	33,330	10,386	-	1,477	1,477	(8,909)
ARRA – Fiscal Stabilization – Basic Ed	I	84.394	126-110354	07/01/10 – 06/30/11	211,096	123,139	123,139	-	-	-
<b><u>Passed Through the Delaware County I. U.</u></b>										
I.D.E.A. – Part B, Section 611	I	84.027	N/A	07/01/10 – 06/30/11	525,685	48,718	48,718	-	-	-
I.D.E.A. – Part B, Section 611	I	84.027	N/A	07/01/11 – 06/30/12	502,374	452,442	-	502,374	502,374	49,932
I.D.E.A. – Part B, Section 619	I	84.173	N/A	07/01/11 – 06/30/12	5,160	-	-	5,160	5,160	5,160
<b>Total U.S. Department of Education</b>						<b>864,765</b>	<b>180,445</b>	<b>770,074</b>	<b>770,074</b>	<b>85,754</b>
<b><u>National Endowment for the Humanities</u></b>										
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>										
Public Library Improvement Services	I	45.301	202-110077	07/01/11 – 06/30/12	2,000	2,000	-	2,000	2,000	-

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Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project 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>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2012</u>
<b>Federal Emergency Management Agency</b>										
<b>Passed-Through the Pennsylvania Emergency Management Agency</b>										
Public Assistance Grants	I	97.036	FEMA-4025-DR-PA-045-UBLKD-00	07/01/11 – 06/30/12	5,605	<u>5,605</u>	-	<u>5,605</u>	<u>5,605</u>	-
<b>U.S. Department of Agriculture</b>										
<b>Passed-Through the Pennsylvania Department of Education</b>										
National School Lunch Program	I	10.555	N/A	07/01/10 – 06/30/11	N/A	7,402	7,402	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/11 – 06/30/12	N/A	130,462	-	135,812	135,812	5,350
Breakfast Program	I	10.553	N/A	07/01/10 – 06/30/11	N/A	555	555	-	-	-
Breakfast Program	I	10.553	N/A	07/01/11 – 06/30/12	N/A	14,867	-	15,966	15,966	1,099
State Matching Share	S	N/A	N/A	07/01/10 – 06/30/11	N/A	1,629	1,629	-	-	-
State Matching Share	S	N/A	N/A	07/01/11 – 06/30/12	N/A	30,153	-	31,456	31,456	1,303
<b>Passed-Through PA Department of Agriculture</b>										
USDA Donated Commodities	I	10.555	N/A	07/01/11 – 06/30/12	N/A	<u>45,306</u>	-	<u>45,306</u>	<u>45,306</u>	-
<b>Total U.S. Department of Agriculture</b>						<u>230,374</u>	<u>9,586</u>	<u>228,540</u>	<u>228,540</u>	<u>7,752</u>
<b>Total Federal Awards and Certain State Grants</b>						<u>\$1,102,744</u>	<u>\$190,031</u>	<u>\$1,006,219</u>	<u>\$1,006,219</u>	<u>\$93,506</u>

**Source Codes**

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

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**June 30, 2012**

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### **(1) FEDERAL EXPENDITURES**

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

### **(2) BASIS OF ACCOUNTING**

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

### **(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD**

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

### **(4) ACCESS PROGRAM**

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2012 was \$202,307.

### **(5) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM**

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2012 was \$150,510.

**RADNOR TOWNSHIP SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2012**

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There were no audit findings relative to Federal awards for the year ended June 30, 2011.



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

**Board of School Directors  
Radnor Township School District  
Wayne, Pennsylvania**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Radnor Township School District, Wayne, Pennsylvania (the "*District*"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, 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.

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

### **Compliance and Other Matters**

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

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

*BBD, LLP*

**Philadelphia, Pennsylvania**  
**December 18, 2012**



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

**Board of School Directors  
Radnor Township School District  
Wayne, Pennsylvania**

### **Compliance**

We have audited the compliance of the Radnor Township School District, Wayne, Pennsylvania (the "**District**"), 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 its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

### **Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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.

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

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

BBD, LLP

**Philadelphia, Pennsylvania**  
**December 18, 2012**

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended June 30, 2012**

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### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Radnor Township School District.
2. No deficiencies relating to the audit of the financial statements of the Radnor Township School District are reported in the 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 Radnor Township School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No deficiencies in internal control over the major federal award programs are reported in the report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Radnor Township School District expresses an unqualified opinion on all major federal programs.
6. There are 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:
  - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
  - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Radnor Township School District did not qualify as a low-risk auditee.

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

None

### **FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None