



# Radnor Township School District Wayne, Pennsylvania Delaware County

Financial Statements  
Year Ended June 30, 2015



1835 Market Street, 26th Floor  
Philadelphia, PA 19103

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# 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**

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Radnor Township School District, Wayne, Pennsylvania as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Report on Summarized Comparative Information**

We have previously audited the Radnor Township School District's 2014 financial statements, and our report dated December 11, 2014, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the other post-employment benefits schedule of funding progress and the schedules of the District's proportionate share of the pension liability and pension plan contributions on pages 3 through 16 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Radnor Township School District's basic financial statements. The reconciliation of statement of revenues, expenditures and changes in fund balance of governmental funds to change in net position of governmental activities on the statement of activities by fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 Non-Profit Organizations*, and is not a required part of the basic financial statements.

The reconciliation of statement of revenues, expenditures, and changes in fund balance of governmental funds to change in net position 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of statement of revenues, expenditures, and changes in fund balance of governmental funds to change in net position 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 basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Radnor Township School District's internal control over financial reporting and compliance.

*BBD, LLP*

**Philadelphia, Pennsylvania**  
**January 12, 2016**

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

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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, 2015. 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, 2015 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 3,690 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 582 full-time and 77 part-time employees, including 353 professionals and 306 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

- Effective 2014-2015, the District was required to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The major impact of GASB Statement No. 68 is to present, on the Statement of Financial Position, certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees Retirement System ("**PSERS**"), which was not required to be presented in the prior years. Consequently, the implementation of GASB Statement No. 68 resulted in a deficit in the District's unrestricted net position as of June 30, 2015. This will be the case with most, if not all, other school districts in the State. For consistency purposes, the June 30, 2014 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 68 had been applied, retroactively.

Elements of GASB Statement No. 68 included within the Statement of Net Position (Deficit) include actuarially determined liability for PSERS of \$121,355,000 and deferred outflows of \$14,169,366 (primarily contributions by the District during 2014-2015 which were made after the measurement date of June 30, 2014 – an effective reduction of the liability) and deferred inflows of \$8,675,000 (investment return on pension assets over projected returns, to be recognized as a future reduction in pension expense – an effective increase in the liability until fully recognized).

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2014-2015 fiscal year of \$89,852,862. During the 2014-2015 fiscal year, the District had an decrease in total net position of \$5,335,988. The net position of governmental activities decreased by \$5,499,700 and net position of business-type activities increased by \$163,712.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

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- The General Fund reported an increase in fund balance of \$619,486, bringing the cumulative balance to \$21,360,633 at the conclusion of the 2014-2015 fiscal year.
- At June 30, 2015, the General Fund fund balance includes \$13,659,686 committed by the School Board for the following purposes:
  - ◆ \$5,021,679 committed for future capital projects in accordance with the District's long-term capital improvement program.
  - ◆ \$4,488,139 committed to fund future District-wide facility initiatives.
  - ◆ \$90,201 committed to fund District-wide technology and curriculum initiatives. This commitment represents a \$365,156 decrease from the 2013-2014 committed fund balance in these categories due to budgeted spending patterns that occurred during the course of the 2014-2015 fiscal year.
  - ◆ \$3,501,864 committed for anticipated increases in the District's required share of retirement contributions. This commitment represents a \$1,037,322 decrease over the 2013-2014 committed fund balance in this category related to the use of this committed fund balance during the 2013-2014 budget process.
  - ◆ \$557,803 committed for the payment of the long-term portion of early retirement incentive plan benefits and compensated absences. This commitment represents a \$200,408 increase over the 2013-2014 committed fund balance in this category as the liability related to these commitments fluctuates from year to year based on the change of the eligibility status of District employees for these benefits.
- At June 30, 2015, the General Fund fund balance includes unassigned amounts of \$7,700,947 or 8% of the \$96,261,842 2015-2016 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 Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**June 30, 2015**

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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 17 and 18 of this report.

## **FUND FINANCIAL STATEMENTS**

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

### ***Governmental Funds***

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

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

The District maintains 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 19 through 22 of this report.

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**June 30, 2015**

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### ***Proprietary Funds***

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

The proprietary fund financial statements provide separate financial information for the Food Service and Internal Service Funds.

The proprietary fund financial statements can be found on Pages 23 through 25 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 26 and 27 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 28 through 48 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, a schedule of the District's progress in funding its obligation to provide other post-employment benefits and the schedules of the District's proportionate share of the pension liability and pension plan contributions 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 49 through 53 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2014-2015 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$89,852,862. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2015 and 2014.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current assets	\$ 40,570,011	\$ 38,669,564	\$ 714,502	\$ 585,178	\$ 41,284,513	\$ 39,254,742
Noncurrent assets	<u>96,997,057</u>	<u>98,433,108</u>	<u>232,667</u>	<u>241,072</u>	<u>97,229,724</u>	<u>98,674,180</u>
<b>Total assets</b>	<u>137,567,068</u>	<u>137,102,672</u>	<u>947,169</u>	<u>826,250</u>	<u>138,514,237</u>	<u>137,928,922</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred amounts on						
Debt refunding	3,242,221	3,633,512	-	-	3,242,221	3,633,512
Deferred employer						
contributions - pensions	<u>14,059,451</u>	<u>6,245,310</u>	<u>109,915</u>	<u>48,825</u>	<u>14,169,366</u>	<u>6,294,135</u>
<b>Total deferred outflows</b>	<u>17,301,672</u>	<u>9,878,822</u>	<u>109,915</u>	<u>48,825</u>	<u>17,411,587</u>	<u>9,927,647</u>
<b>LIABILITIES</b>						
Current liabilities	13,837,473	11,097,109	99,759	170,507	13,937,232	11,267,616
Noncurrent liabilities	<u>222,225,079</u>	<u>220,186,203</u>	<u>941,375</u>	<u>919,624</u>	<u>223,166,454</u>	<u>221,105,827</u>
<b>Total liabilities</b>	<u>236,062,552</u>	<u>231,283,312</u>	<u>1,041,134</u>	<u>1,090,131</u>	<u>237,103,686</u>	<u>232,373,443</u>
<b>DEFERRED INFLOWS</b>						
Deferred investment						
earnings - pensions	<u>8,607,706</u>	<u>-</u>	<u>67,294</u>	<u>-</u>	<u>8,675,000</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital						
assets (deficit)	(686,885)	393,095	232,667	241,072	(454,218)	634,167
Restricted	3,640,484	4,899,621	-	-	3,640,484	4,899,621
Unrestricted (deficit)	<u>(92,755,117)</u>	<u>(89,594,534)</u>	<u>(284,011)</u>	<u>(456,128)</u>	<u>(93,039,128)</u>	<u>(90,050,662)</u>
<b>Total net position (deficit)</b>	<u>\$ (89,801,518)</u>	<u>\$ (84,301,818)</u>	<u>\$ (51,344)</u>	<u>\$ (215,056)</u>	<u>\$ (89,852,862)</u>	<u>\$ (84,516,874)</u>

The District's total assets as of June 30, 2015 were \$138,514,237 of which \$35,321,622 or 25.50% consisted of unrestricted cash and investments and \$96,283,111 or 69.51% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2015 were \$237,103,686 of which \$100,748,128 or 42.49% consisted of general obligation debt used to acquire and construct capital assets and \$121,355,000 or 51.18% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$93,039,128 at June 30, 2015. The District's unrestricted net position decreased by \$2,988,466 during 2014-2015 primarily due to the results of current year operations and the change in the District's actuarially determined net pension liability and related pension items.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2015, the District's net investment in capital assets decreased by \$1,088,385 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

The following table presents condensed information for the *Statement of Activities* of the District for 2015 and 2014:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,196,852	\$ 2,387,416	\$1,423,466	\$1,296,465	\$ 3,620,318	\$ 3,683,881
Operating grants and contributions	9,935,511	8,661,527	342,334	293,877	10,277,845	8,955,404
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	67,608,291	66,779,316	-	-	67,608,291	66,779,316
Other taxes levied for general purposes	1,968,676	1,738,219	-	-	1,968,676	1,738,219
Grants and entitlements not restricted to specific programs	3,298,641	3,301,384	-	-	3,298,641	3,301,384
Investment earnings	214,817	199,491	5,187	869	220,004	200,360
Gain on sale of capital assets	-	32,247	-	-	-	32,247
<b>Total revenues</b>	<u>85,222,788</u>	<u>83,099,600</u>	<u>1,770,987</u>	<u>1,591,211</u>	<u>86,993,775</u>	<u>84,690,811</u>
<b>EXPENSES</b>						
Instruction	54,052,992	49,179,435	-	-	54,052,992	49,179,435
Instructional student support services	8,996,427	7,429,284	-	-	8,996,427	7,429,284
Administrative and financial support services	9,416,281	6,968,549	-	-	9,416,281	6,968,549
Operation and maintenance of plant services	8,284,944	7,047,431	-	-	8,284,944	7,047,431
Pupil transportation	4,641,803	4,180,600	-	-	4,641,803	4,180,600
Student activities	1,466,786	1,140,103	-	-	1,466,786	1,140,103
Community services	37,441	90,801	-	-	37,441	90,801
Interest and amortization expense related to noncurrent liabilities	3,825,814	3,895,760	-	-	3,825,814	3,895,760
Food service	-	-	1,607,275	1,586,948	1,607,275	1,586,948
<b>Total expenses</b>	<u>90,722,488</u>	<u>79,931,963</u>	<u>1,607,275</u>	<u>1,586,948</u>	<u>92,329,763</u>	<u>81,518,911</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>						
	<u>\$ (5,499,700)</u>	<u>\$ 3,167,637</u>	<u>\$ 163,712</u>	<u>\$ 4,263</u>	<u>\$ (5,335,988)</u>	<u>\$ 3,171,900</u>

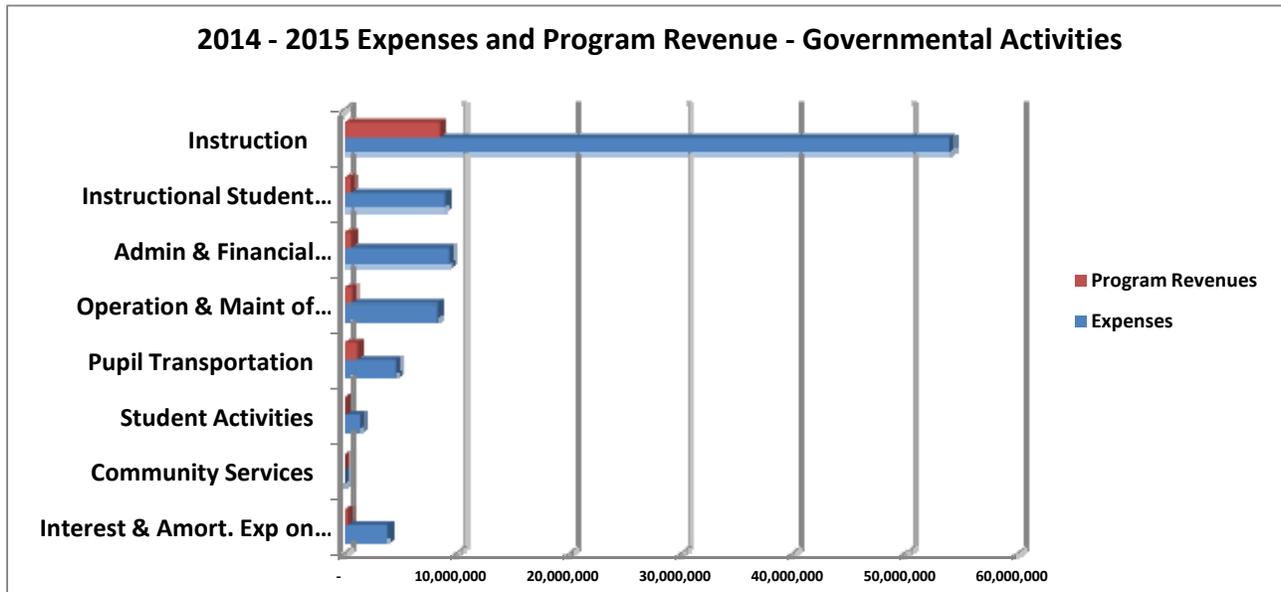
During 2014-2015, the District's net position decreased by \$5,335,988 in part due to increased medical costs, pension contributions, increased administrator positions and instructional staffing, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement 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

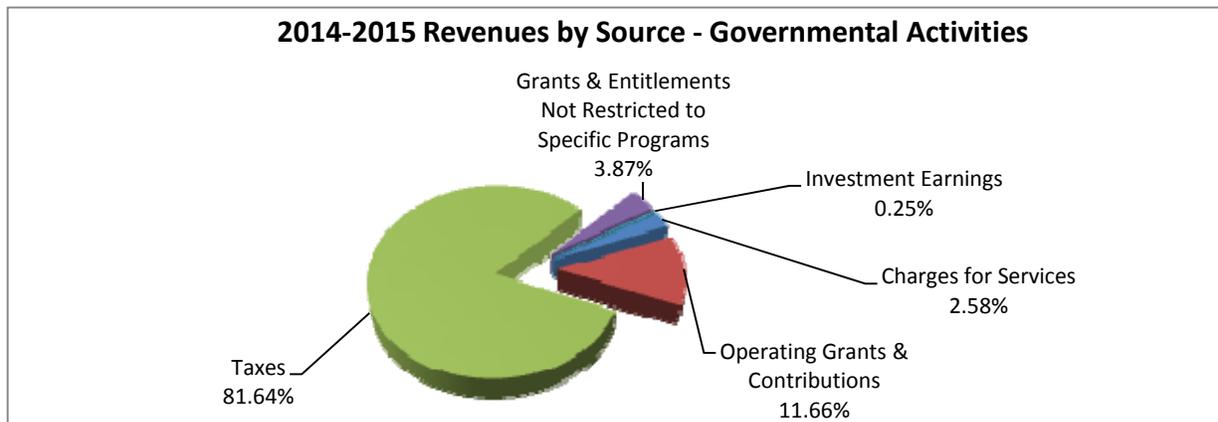
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

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, 2015

### 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, 2015, the District's governmental funds reported a combined fund balance of \$25,787,281 which is an decrease of \$671,952 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2015 and 2014 and the total 2015 change in governmental fund balances.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
General Fund	\$21,360,633	\$20,741,147	\$ 619,486
Capital Projects Fund	3,462,449	5,078,736	(1,616,287)
Debt Sinking Fund	946,613	637,403	309,210
Nonmajor Governmental Fund	<u>17,586</u>	<u>1,947</u>	<u>15,639</u>
	<u>\$25,787,281</u>	<u>\$26,459,233</u>	<u>\$ (671,952)</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2014-2015 fiscal year, the General Fund fund balance was \$21,360,633 representing an increase of \$619,486 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 2014-2015 fiscal year.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
Committed to			
Capital projects	\$ 5,021,679	\$ 4,038,873	\$ 982,806
Facility initiatives	4,488,139	4,473,498	14,641
Curriculum initiatives	90,201	217,004	(126,803)
Technology initiatives	-	238,353	(238,353)
Employer retirement rate stabilization	3,501,864	4,539,186	(1,037,322)
Early retirement incentive and compensated absences	557,803	357,395	200,408
Unassigned	<u>7,700,947</u>	<u>6,876,838</u>	<u>824,109</u>
	<u>\$21,360,633</u>	<u>\$20,741,147</u>	<u>\$ 619,486</u>

The School Board has committed \$9,509,818 of General Fund fund balance for capital projects and facility initiatives as of June 30, 2015 in accordance with its long-term capital improvement plan and facility needs to be determined. Amounts committed 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, 2015, the General Fund fund balance had an unassigned balance of \$7,700,947 or 8% of the \$96,261,842 2015-2016 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, 2015, the total General Fund fund balance was \$21,360,633 or 22.19% of the \$96,261,842 2015-2016 General Fund expenditure budget. The following is an analysis of General Fund fund balances as of June 30, 2015 and 2015-2016 General Fund expenditures budgets for similar school districts in southeastern Pennsylvania.

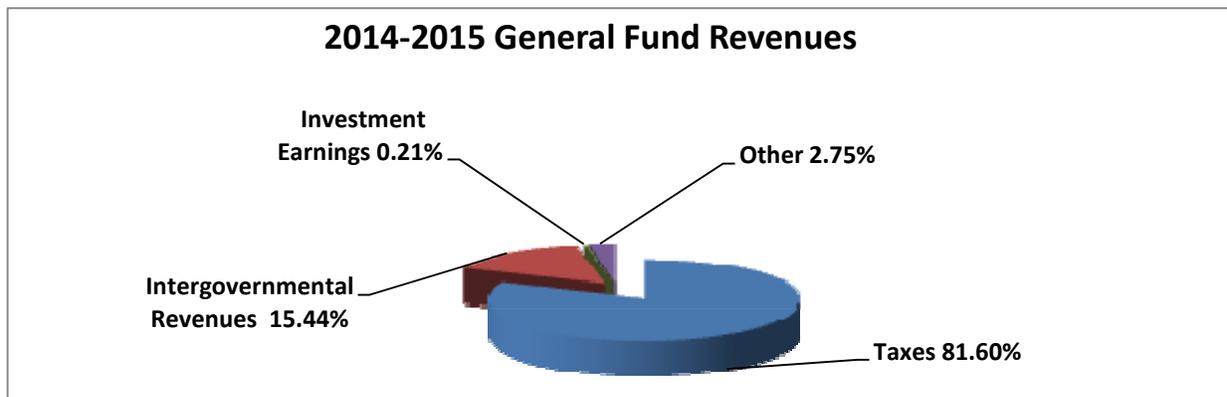
# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

<u>School District</u>	<u>County</u>	<u>General Fund Fund Balance June 30, 2015</u>	<u>2015-2016 General Fund Expenditure Budget</u>	<u>% of Fund Balance to Expenditure Budget</u>
Chichester	Delaware	\$14,116,275	\$ 70,776,116	19.94%
Garnet Valley	Delaware	\$ 9,568,984	\$ 96,452,132	9.92%
Great Valley	Chester	\$ 20,699,046	\$ 90,100,000	22.97%
Lower Merion	Montgomery	\$56,262,335	\$246,266,585	22.85%
Radnor Township	Delaware	\$21,360,633	\$ 96,261,842	22.19%
Rose Tree Media	Delaware	\$ 8,837,374	\$ 90,242,005	9.79%
Springfield	Delaware	\$10,211,442	\$ 67,312,983	15.17%
Tredyffrin Easttown	Chester	\$32,381,047	\$125,874,161	25.72%
Unionville-Chadds Ford	Chester	\$ 8,687,976	\$ 79,300,025	10.96%
Upper Merion	Montgomery	\$14,616,983	\$ 89,641,840	16.31%
Wallingford Swarthmore	Delaware	\$10,004,942	\$ 73,960,345	13.53%

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 81.60% of General Fund revenues are derived from local taxes.



### General Fund Revenues

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$69,892,043	\$68,803,215	\$1,088,828	1.58
Intergovernmental revenues	13,225,111	11,962,911	1,262,200	10.55
Investment earnings	174,510	152,991	21,519	14.07
Other	<u>2,357,558</u>	<u>2,406,568</u>	<u>(49,010)</u>	<u>(2.04)</u>
	<u>\$85,649,222</u>	<u>\$83,325,685</u>	<u>\$2,323,537</u>	<u>2.79</u>

Net tax revenues increased by \$1,088,828 or 1.58% primarily due to an increase in real estate, interim, transfer and delinquent taxes received in 2014-2015 compared to 2013-2014. The following table summarizes changes in the District's tax revenues for 2014-2015 compared to 2013-2014:

# RADNOR TOWNSHIP SCHOOL DISTRICT

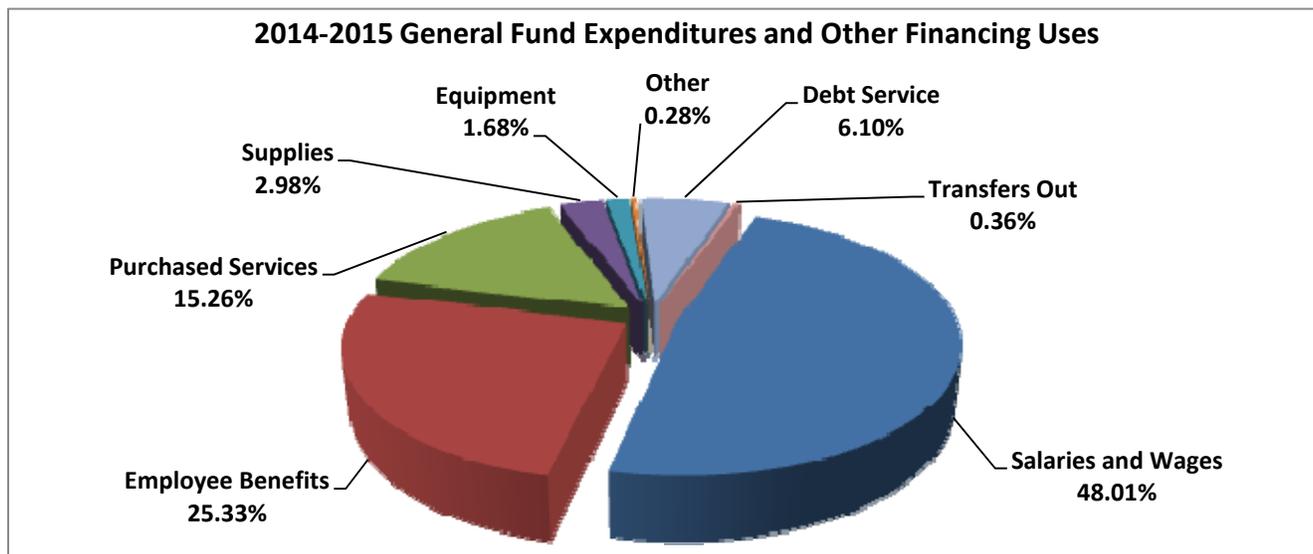
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$65,852,849	\$65,424,991	\$ 427,858	0.65
Interim tax	418,210	269,298	148,912	55.30
PURTA tax	85,711	83,586	2,125	2.54
Payment in lieu of tax	341,677	328,373	13,304	4.05
Local services tax	71,388	111,662	(40,274)	(36.07)
Transfer tax	1,811,577	1,542,971	268,606	17.41
Delinquent real estate tax	<u>1,310,631</u>	<u>1,042,334</u>	<u>268,297</u>	<u>25.74</u>
	<u>\$69,892,043</u>	<u>\$68,803,215</u>	<u>\$1,088,828</u>	<u>1.58</u>

Intergovernmental revenues increased primarily due to additional funding received for state retirement subsidy which increased commensurate with the employer annual contribution percentage.

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>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$40,822,280	\$39,215,427	\$ 1,606,853	4.10
Employee benefits	21,540,712	18,333,616	3,207,096	17.49
Purchased services	12,974,114	12,050,673	923,441	7.66
Supplies	2,530,948	2,168,570	362,378	16.71
Equipment	1,425,416	1,232,238	193,178	15.68
Other	241,824	271,754	(29,930)	(11.01)
Debt service	5,188,053	6,663,184	(1,475,131)	(22.14)
Transfers out	<u>306,389</u>	<u>1,890,871</u>	<u>(1,584,482)</u>	<u>(83.80)</u>
	<u>\$85,029,736</u>	<u>\$81,826,333</u>	<u>\$ 3,203,403</u>	<u>3.91</u>

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**June 30, 2015**

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Salaries and wages increased by \$1,606,853 or 4.10% in 2014-2015 compared to 2013-2014 as a result of contractually obligated pay increases for the various District unions along with salary increases for non-union employees. In addition, the District added additional administrators and instructional staffing during 2014-2015.

Employee benefits increased in 2014-2015 primarily due to the significant increase in the required annual retirement contribution to 21.40% from 16.93% in 2013-2014, which represents a 26.40% increase over the prior year.

Expenditures for purchased services increased in 2014-2015 compared to 2013-2014 primarily due to increases in expenditures for special education services.

Expenditures for equipment increased in direct correlation to an increase in budgeted spending patterns for District-wide technology initiatives in 2014-2015 compared to 2013-2014.

The decrease in debt service expenditures can be attributed to savings from current year refinancing of general obligation debt realized in 2014-2015.

Transfers out decreased in 2014-2015 compared to 2013-2014 due to a decrease of authorized transfers to the Capital Projects Fund in accordance with the District's long-term capital improvement plan.

### **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 2014-2015, the fund balance in the Capital Projects Fund decreased by \$1,616,287 primarily due to current year capital expenditures in excess of current year general fund transfers. The remaining fund balance of \$3,462,449 as of June 30, 2015 is restricted for future capital expenditures.

### **DEBT SINKING FUND**

Pursuant to loan agreements with the State Public School Building Authority under its Qualified School Construction Bonds 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, 2015, the fund balance in the Debt Sinking Fund was \$946,613 and is restricted for future debt service 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 and other financing services were \$968,808 or 1.14% more than budgeted amounts and actual expenditures and other financing uses were \$930,740 or 1.08% less than budgeted amounts resulting in a net positive variance of \$1,899,548. Major budgetary highlights for 2014-2015 were as follows:

- Actual local source revenues and other financing services were \$965,470 more than budgeted amounts primarily due to more than anticipated collections for interim, transfer and delinquent real estate taxes.
- Budgeted amounts in the General Fund used \$1,280,062 of fund balance as of June 30, 2014 to balance the 2014-2015 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.

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**June 30, 2015**

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### **BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND**

During 2014-2015, the net position of the business-type activities and Food Service Fund increased by \$163,712. As of June 30, 2015, the business-type activities and Food Service Fund had a deficit in net position of \$51,344.

### **CAPITAL ASSETS**

The District's net investment in capital asset for its governmental and business-type activities as of June 30, 2015 amounted to \$96,283,111 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$1,753,666 or 1.79%. The decrease was the result of current year depreciation expense in excess of current year capital additions.

Current year capital additions were \$3,207,881 and depreciation expense was \$4,961,547.

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

- Construction in progress – Radnor High School Resurfacing \$ 552,796
- Construction in progress – Wayne Elementary School Renovations \$ 463,296
- Construction in progress – Ithan Elementary School Renovations \$ 130,642
- Site Improvements – Pool Renovations \$ 370,371
- 72 Passenger School Buses (4) – \$ 386,965
- District-wide IT Equipment – \$ 875,337

### **NONCURRENT LIABILITIES**

At the end of the current fiscal year, the District had total general obligation debt of \$100,748,128 consisting of \$77,390,000 in bonds payable, \$15,000,000 note payable and \$5,065,000 in Qualified School Construction Bonds, net of deferred credits of \$3,293,128. 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 \$1,104,512 or 1.09% during the current fiscal year.

During 2014-2015, the District issued general obligation bonds, Series of 2014, 2014A, 2014B, 2015, 2015A and 2015B, in order to currently refund general obligation bonds, Series of 2004, 2005A, 2005B, 2005C, 2006, and 2007A, advance refund a portion of the outstanding general obligation bond Series of 2005B, and to pay for the costs of issuance. The District refunded these general obligation bonds to reduce total future debt service payments by approximately \$9.2 million.

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 \$188,588,650 which exceeds the District's outstanding general obligation debt as of June 30, 2015.

In 2014-2015, the District reported for the first time its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. As noted earlier, this reporting is being required by GASB Statement No. 68 and has been reported retroactively in the accompanying financial statements. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$121,355,000 as of June 30, 2015. The District's net pension liability increased by \$2,804,000 or 2.37% during the fiscal year.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

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Other noncurrent liabilities consist of the District's liabilities for compensated absences, early retirement incentive plans and its net obligation for post-employment benefits, which totaled \$1,063,326 as of June 30, 2015. These liabilities increased by \$361,139 or 51.43% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's current student enrollment for 2015-2016 is approximately 3,620.
- Additional tax and enrollment information is available on the District's website: (<http://www.rtsd.org>).
- The District adopted a balanced 2015-2016 budget totaling \$96,261,842 which used \$6,842,470 of General Fund fund balance as of June 30, 2015 to balance the 2015-2016 budget and the real estate tax millage rate increased by 0.4125 mills to 22.1247 mills.
- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant, as was seen during the 2015-2016 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania only accounted for approximately 14.2% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2014-2015. Local sources of revenue, primarily property taxes, now support approximately 84.5% of the costs of educational programs and services in the District.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation 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 (1.9% for Radnor Township School District for 2015-2016), 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.
  - ◆ 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.)
- 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. Currently, the employer contribution rate for 2015-2016 is 25.84% which is an increase of 20.75% from the 2014-2015 employer contribution rate of 21.40%.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

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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>District's Projected Employer Retirement Contribution \$</u>	<u>Share of Employer Retirement Contribution \$</u>	<u>Increase Over Prior Year \$</u>
2015 – 2016	25.84%	\$10,150,000	\$5,075,000	\$875,000
2016 – 2017	29.27%	\$11,500,000	\$5,750,000	\$675,000
2017 – 2018	30.25%	\$11,890,000	\$5,945,000	\$195,000
2018 – 2019	31.28%	\$12,300,000	\$6,150,000	\$205,000
2019 – 2020	32.08%	\$12,995,000	\$6,497,500	\$347,500

### 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 POSITION (DEFICIT)

June 30, 2015 with summarized comparative totals for 2014

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 24,569,458	\$ 532,546	\$ 25,102,004	\$ 15,321,969
Investments	10,070,344	149,274	10,219,618	18,831,693
Taxes receivable	1,178,170	-	1,178,170	1,290,509
Due from other governments	1,837,311	13,084	1,850,395	1,632,878
Internal balances	34,153	(34,153)	-	-
Other receivables	891,574	6,686	898,260	819,044
Prepaid expenses	1,989,001	-	1,989,001	1,313,853
Inventories	-	47,065	47,065	44,796
<b>Total current assets</b>	<b>40,570,011</b>	<b>714,502</b>	<b>41,284,513</b>	<b>39,254,742</b>
<b>NONCURRENT ASSETS</b>				
Restricted assets				
Cash held by fiscal agent	1,084	-	1,084	107
Investments held by fiscal agent	945,529	-	945,529	637,296
Capital assets, net	96,050,444	232,667	96,283,111	98,036,777
<b>Total noncurrent assets</b>	<b>96,997,057</b>	<b>232,667</b>	<b>97,229,724</b>	<b>98,674,180</b>
<b>Total assets</b>	<b>137,567,068</b>	<b>947,169</b>	<b>138,514,237</b>	<b>137,928,922</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on debt refunding	3,242,221	-	3,242,221	3,633,512
Deferred employer contributions - pensions	14,059,451	109,915	14,169,366	6,294,135
<b>Total deferred outflows</b>	<b>17,301,672</b>	<b>109,915</b>	<b>17,411,587</b>	<b>9,927,647</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,106,179	20,713	2,126,892	1,541,688
Accrued salaries, payroll withholdings and benefits	10,644,284	-	10,644,284	8,775,887
Accrued interest payable	869,655	-	869,655	716,571
Unearned revenue	-	79,046	79,046	73,823
Other liabilities	217,355	-	217,355	159,647
<b>Total current liabilities</b>	<b>13,837,473</b>	<b>99,759</b>	<b>13,937,232</b>	<b>11,267,616</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	2,194,486	-	2,194,486	2,708,390
Due in more than one year	220,030,593	941,375	220,971,968	218,397,437
<b>Total noncurrent liabilities</b>	<b>222,225,079</b>	<b>941,375</b>	<b>223,166,454</b>	<b>221,105,827</b>
<b>Total liabilities</b>	<b>\$ 236,062,552</b>	<b>\$ 1,041,134</b>	<b>\$ 237,103,686</b>	<b>\$ 232,373,443</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred investment earnings - pensions	8,607,706	67,294	8,675,000	-
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	(686,885)	232,667	(454,218)	634,167
Restricted	3,640,484	-	3,640,484	4,899,621
Unrestricted (deficit)	(92,755,117)	(284,011)	(93,039,128)	(90,050,662)
<b>Total net position (deficit)</b>	<b>\$ (89,801,518)</b>	<b>\$ (51,344)</b>	<b>\$ (89,852,862)</b>	<b>\$ (84,516,874)</b>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2015 with summarized comparative totals for 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2015	2014
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 54,052,992	\$ 1,954,448	\$ 6,541,726	\$ -	\$ (45,556,818)	\$ -	\$ (45,556,818)	\$ (41,499,953)
Instructional student support	8,996,427	-	584,400	-	(8,412,027)	-	(8,412,027)	(6,906,098)
Administrative and financial support services	9,416,281	21,885	611,302	-	(8,783,094)	-	(8,783,094)	(6,480,719)
Operation and maintenance of plant services	8,284,944	130,126	598,884	-	(7,555,934)	-	(7,555,934)	(6,491,271)
Pupil transportation	4,641,803	34,387	1,175,680	-	(3,431,736)	-	(3,431,736)	(2,944,691)
Student activities	1,466,786	29,499	95,281	-	(1,342,006)	-	(1,342,006)	(1,019,491)
Community services	37,441	26,507	-	-	(10,934)	-	(10,934)	(45,431)
Interest and amortization expense related to noncurrent liabilities	3,825,814	-	328,238	-	(3,497,576)	-	(3,497,576)	(3,495,366)
<b>Total governmental activities</b>	<u>90,722,488</u>	<u>2,196,852</u>	<u>9,935,511</u>	<u>-</u>	<u>(78,590,125)</u>	<u>-</u>	<u>(78,590,125)</u>	<u>(68,883,020)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	1,607,275	1,423,466	342,334	-	-	158,525	158,525	3,394
<b>Total primary government</b>	<u>\$ 92,329,763</u>	<u>\$ 3,620,318</u>	<u>\$ 10,277,845</u>	<u>\$ -</u>	<u>(78,590,125)</u>	<u>158,525</u>	<u>(78,431,600)</u>	<u>(68,879,626)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					67,608,291	-	67,608,291	66,779,316
Other taxes					1,968,676	-	1,968,676	1,738,219
Grants and entitlements not restricted to specific programs					3,298,641	-	3,298,641	3,301,384
Investment earnings					214,817	5,187	220,004	200,360
Gain on sale of capital assets					-	-	-	32,247
<b>Total general revenues</b>					<u>73,090,425</u>	<u>5,187</u>	<u>73,095,612</u>	<u>72,051,526</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					(5,499,700)	163,712	(5,335,988)	3,171,900
<b>NET POSITION (DEFICIT)</b>								
Beginning of year, restated					(84,301,818)	(215,056)	(84,516,874)	(87,688,774)
<b>End of year</b>					<u>\$ (89,801,518)</u>	<u>\$ (51,344)</u>	<u>\$ (89,852,862)</u>	<u>\$ (84,516,874)</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015 with summarized comparative totals for 2014

	Major Funds			Non-Major Governmental Fund	Totals	
	General Fund	Capital Projects Fund	Debt Sinking Fund		2015	2014
<b>ASSETS</b>						
Cash	\$ 21,098,088	\$ 3,456,459	\$ -	\$ 14,911	\$ 24,569,458	\$ 15,065,756
Investments	10,070,344	-	-	-	10,070,344	18,586,205
Restricted assets:						
Cash held by fiscal agent	-	-	1,084	-	1,084	107
Investments held by fiscal agent	-	-	945,529	-	945,529	637,296
Taxes receivable	1,178,170	-	-	-	1,178,170	1,290,509
Due from other funds	-	568,181	-	-	568,181	-
Due from other governments	1,837,311	-	-	-	1,837,311	1,621,689
Other receivables	888,899	-	-	2,675	891,574	809,458
<b>Total assets</b>	<b>\$ 35,072,812</b>	<b>\$ 4,024,640</b>	<b>\$ 946,613</b>	<b>\$ 17,586</b>	<b>\$ 40,061,651</b>	<b>\$ 38,011,020</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,543,988	\$ 562,191	\$ -	\$ -	\$ 2,106,179	\$ 1,438,338
Due to other funds	534,028	-	-	-	534,028	17,906
Accrued salaries, payroll withholdings and benefits	10,667,418	-	-	-	10,667,418	8,864,764
Unearned revenue	-	-	-	-	-	6,666
Other liabilities	217,355	-	-	-	217,355	159,647
<b>Total liabilities</b>	<b>12,962,789</b>	<b>562,191</b>	<b>-</b>	<b>-</b>	<b>13,524,980</b>	<b>10,487,321</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	749,390	-	-	-	749,390	1,064,466
<b>FUND BALANCES</b>						
Restricted for						
Capital projects	-	3,462,449	-	-	3,462,449	5,078,736
Debt service	-	-	946,613	-	946,613	637,403
Committed to						
Capital projects	5,021,679	-	-	-	5,021,679	4,038,873
Facility initiatives	4,488,139	-	-	-	4,488,139	4,473,498
Curriculum initiatives	90,201	-	-	-	90,201	217,004
Technology initiatives	-	-	-	-	-	238,353
Employer retirement rate stabilization	3,501,864	-	-	-	3,501,864	4,539,186
Long-term early retirement incentive and compensated absences	557,803	-	-	-	557,803	357,395
Community pool	-	-	-	17,586	17,586	1,947
Unassigned	7,700,947	-	-	-	7,700,947	6,876,838
<b>Total fund balances</b>	<b>21,360,633</b>	<b>3,462,449</b>	<b>946,613</b>	<b>17,586</b>	<b>25,787,281</b>	<b>26,459,233</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 35,072,812</b>	<b>\$ 4,024,640</b>	<b>\$ 946,613</b>	<b>\$ 17,586</b>	<b>\$ 40,061,651</b>	<b>\$ 38,011,020</b>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

June 30, 2015

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 25,787,281</b>
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	96,050,444
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	3,242,221
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	5,451,745
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	749,390
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(222,201,945)
The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	1,989,001
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(869,655)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (89,801,518)</u></b>

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See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2015 with summarized comparative totals for 2014

	Major Funds				Totals	
	General Fund	Capital Projects Fund	Debt Sinking Fund	Non-Major Governmental Fund	2015	2014
<b>REVENUES</b>						
Local sources	\$ 72,366,927	\$ 12,428	\$ 27,821	\$ 26,564	\$ 72,433,740	\$ 71,407,186
State sources	12,137,005	-	-	-	12,137,005	10,783,306
Federal sources	1,134,090	-	-	-	1,134,090	1,225,475
<b>Total revenues</b>	<u>85,638,022</u>	<u>12,428</u>	<u>27,821</u>	<u>26,564</u>	<u>85,704,835</u>	<u>83,415,967</u>
<b>EXPENDITURES</b>						
Current						
Instruction	50,576,374	-	-	-	50,576,374	47,118,493
Support services	27,471,921	802,102	-	-	28,274,023	25,623,150
Operation of noninstructional services	1,332,144	-	-	35,925	1,368,069	1,184,145
Facilities acquisition, construction and improvement services	116,050	1,628,715	-	-	1,744,765	563,713
Debt service	5,188,053	1,360,099	-	-	6,548,152	6,663,184
<b>Total expenditures</b>	<u>84,684,542</u>	<u>3,790,916</u>	<u>-</u>	<u>35,925</u>	<u>88,511,383</u>	<u>81,152,685</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>953,480</u>	<u>(3,778,488)</u>	<u>27,821</u>	<u>(9,361)</u>	<u>(2,806,548)</u>	<u>2,263,282</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of/compensation for capital assets	-	-	-	-	-	32,247
Refund of prior year receipts	(38,805)	-	-	-	(38,805)	(47,282)
Refund of prior year expenditures	11,200	-	-	-	11,200	-
Issuance of debt - refunding	-	59,080,000	-	-	59,080,000	-
Payment of debt - refunding	-	(60,210,000)	-	-	(60,210,000)	-
Bond discounts	-	(267,414)	-	-	(267,414)	-
Bond premiums	-	3,559,615	-	-	3,559,615	-
Transfers in	-	-	281,389	25,000	306,389	1,890,871
Transfers out	(306,389)	-	-	-	(306,389)	(1,890,871)
<b>Total other financing sources (uses)</b>	<u>(333,994)</u>	<u>2,162,201</u>	<u>281,389</u>	<u>25,000</u>	<u>2,134,596</u>	<u>(15,035)</u>
<b>NET CHANGE IN FUND BALANCES</b>	619,486	(1,616,287)	309,210	15,639	(671,952)	2,248,247
<b>FUND BALANCES</b>						
Beginning of year	20,741,147	5,078,736	637,403	1,947	26,459,233	24,210,986
<b>End of year</b>	<u>\$ 21,360,633</u>	<u>\$ 3,462,449</u>	<u>\$ 946,613</u>	<u>\$ 17,586</u>	<u>\$ 25,787,281</u>	<u>\$ 26,459,233</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 POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2015

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (671,952)

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

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

Capital outlay expenditures	\$ 3,194,001	
Depreciation expense	<u>(4,939,262)</u>	(1,745,261)

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 inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2014	(1,064,466)	
Deferred inflows of resources June 30, 2015	<u>749,390</u>	(315,076)

The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities. 675,148

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

Repayment of bonds payable - refunding	60,210,000	
Issuance of bonds payable - refunding	(59,080,000)	
Repayment of bonds payable	2,830,000	
Proceeds from bond premiums and deferred amounts on refunding	(3,754,976)	
Payment of bond discounts	267,414	
Amortization of discounts, premiums and deferred amounts on refunding	<u>204,920</u>	677,358

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

Change in net pension liability and related deferred inflows and outflows	(3,539,951)	
Current year change in accrued interest payable	(153,084)	
Current year change in long-term early retirement incentive	(99,336)	
Current year change in compensated absences	(101,072)	
Current year change in net post-employment benefit (OPEB) obligation	<u>(226,474)</u>	<u>(4,119,917)</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$ (5,499,700)**

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See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2015 with summarized comparative totals for 2014

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2015</u>	<u>2014</u>
	<u>Fund</u>	<u>Fund</u>		
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 532,546	\$ -	\$ 532,546	\$ 256,213
Investments	149,274	-	149,274	245,488
Accounts receivable	6,686	-	6,686	9,586
Due from other governments	13,084	-	13,084	11,189
Due from other funds	-	-	-	17,906
Inventories	47,065	-	47,065	44,796
Prepaid expenses	-	1,989,001	1,989,001	1,313,853
<b>Total current assets</b>	<u>748,655</u>	<u>1,989,001</u>	<u>2,737,656</u>	<u>1,899,031</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>232,667</u>	<u>-</u>	<u>232,667</u>	<u>241,072</u>
<b>Total assets</b>	<u>981,322</u>	<u>1,989,001</u>	<u>2,970,323</u>	<u>2,140,103</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred employer contributions - pensions	<u>109,915</u>	<u>-</u>	<u>109,915</u>	<u>48,825</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	20,713	-	20,713	103,350
Due to other funds	34,153	-	34,153	-
Unearned revenue	<u>79,046</u>	<u>-</u>	<u>79,046</u>	<u>67,157</u>
<b>Total current liabilities</b>	<u>133,912</u>	<u>-</u>	<u>133,912</u>	<u>170,507</u>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	<u>941,375</u>	<u>-</u>	<u>941,375</u>	<u>919,624</u>
<b>Total liabilities</b>	<u>1,075,287</u>	<u>-</u>	<u>1,075,287</u>	<u>1,090,131</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred investment earnings - pensions	<u>67,294</u>	<u>-</u>	<u>67,294</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	232,667	-	232,667	241,072
Unrestricted (deficit)	<u>(284,011)</u>	<u>1,989,001</u>	<u>1,704,990</u>	<u>857,725</u>
<b>Total net position (deficit)</b>	<u>\$ (51,344)</u>	<u>\$ 1,989,001</u>	<u>\$ 1,937,657</u>	<u>\$ 1,098,797</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2015 with summarized comparative totals for 2014

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2015</u>	<u>2014</u>
	<u>Fund</u>	<u>Fund</u>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,423,466	\$ 7,333,741	\$ 8,757,207	\$ 8,122,716
<b>OPERATING EXPENSES</b>				
Salaries	398,328	-	398,328	418,071
Employee benefits	238,769	6,010,004	6,248,773	5,181,832
Purchased professional and technical services	61,075	654,367	715,442	574,897
Purchased property services	21,565	-	21,565	23,881
Other purchased services	50,880	-	50,880	52,984
Supplies	814,373	-	814,373	823,571
Depreciation	22,285	-	22,285	24,110
<b>Total operating expenses</b>	<u>1,607,275</u>	<u>6,664,371</u>	<u>8,271,646</u>	<u>7,099,346</u>
<b>Operating income (loss)</b>	<u>(183,809)</u>	<u>669,370</u>	<u>485,561</u>	<u>1,023,370</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	5,187	5,778	10,965	869
Other revenues	220	-	220	-
State sources	83,577	-	83,577	69,517
Federal sources	258,537	-	258,537	224,360
<b>Total nonoperating revenues</b>	<u>347,521</u>	<u>5,778</u>	<u>353,299</u>	<u>294,746</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	163,712	675,148	838,860	1,318,116
<b>NET POSITION (DEFICIT)</b>				
Beginning of year, restated	<u>(215,056)</u>	<u>1,313,853</u>	<u>1,098,797</u>	<u>(219,319)</u>
<b>End of year</b>	<u>\$ (51,344)</u>	<u>\$ 1,989,001</u>	<u>\$ 1,937,657</u>	<u>\$ 1,098,797</u>

See accompanying notes

# RADNOR TOWNSHIP SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2015 with summarized comparative totals for 2014

	Major Fund	Internal	Totals	
	Food Service Fund	Service Fund	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 1,438,255	\$ -	\$ 1,438,255	\$ 1,293,103
Cash received for assessments made to other fund	-	7,333,741	7,333,741	6,826,251
Cash payments to suppliers for goods and services	(978,868)	-	(978,868)	(900,696)
Cash payments to employees for services	(557,083)	-	(557,083)	(643,106)
Cash payments for insurance claims	-	(6,685,152)	(6,685,152)	(6,301,954)
Cash payments for other operating expenses	-	(654,367)	(654,367)	(524,297)
<b>Net cash used for operating activities</b>	<b>(97,696)</b>	<b>(5,778)</b>	<b>(103,474)</b>	<b>(250,699)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	83,391	-	83,391	69,125
Federal sources	202,897	-	202,897	171,834
Other sources	220	-	220	-
<b>Net cash provided by noncapital financing activities</b>	<b>286,508</b>	<b>-</b>	<b>286,508</b>	<b>240,959</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(13,880)	-	(13,880)	(8,273)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	5,187	5,778	10,965	869
Proceeds from sale of investments	96,214	-	96,214	-
<b>Net cash provided by investing activities</b>	<b>101,401</b>	<b>5,778</b>	<b>107,179</b>	<b>869</b>
<b>Net increase (decrease) in cash</b>	<b>276,333</b>	<b>-</b>	<b>276,333</b>	<b>(17,144)</b>
<b>CASH</b>				
Beginning of year	256,213	-	256,213	273,357
<b>End of year</b>	<b>\$ 532,546</b>	<b>\$ -</b>	<b>\$ 532,546</b>	<b>\$ 256,213</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>				
Operating income (loss)	\$ (183,809)	\$ 669,370	\$ 485,561	\$ 1,023,370
<b>Adjustments to reconcile operating loss to net cash used for operating activities</b>				
Depreciation	22,285	-	22,285	24,110
Donated commodities used	53,931	-	53,931	50,147
(Increase) decrease in				
Accounts receivable	2,900	-	2,900	(2,850)
Due from other funds	17,906	-	17,906	(17,906)
Inventories	(2,269)	-	(2,269)	3,616
Prepaid expenses	-	(675,148)	(675,148)	(1,313,853)
Deferred outflows	(61,090)	-	(61,090)	-
Increase (decrease) in				
Accounts payable	(82,637)	-	(82,637)	(3,423)
Due to other funds	34,153	-	34,153	(13,398)
Unearned revenue	11,889	-	11,889	-
Net pension liability	21,751	-	21,751	-
Deferred inflows	67,294	-	67,294	(512)
<b>Net cash used for operating activities</b>	<b>\$ (97,696)</b>	<b>\$ (5,778)</b>	<b>\$ (103,474)</b>	<b>\$ (250,699)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 53,931	\$ -	\$ 53,931	\$ 50,147
<b>Noncash capital and related financing activities</b>				
Acquisition of capital assets	\$ -	\$ -	\$ -	\$ 99,979

See accompanying notes

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**June 30, 2015**

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	<b>Private- Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash	\$ 80,022	\$ 37,949
Investments	295,000	-
Other receivables	-	<u>2,971</u>
<b>Total assets</b>	<u>375,022</u>	<u>40,920</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>\$ 40,920</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	<u>\$ 375,022</u>	

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*See accompanying notes*

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND**

Year ended June 30, 2015 with summarized comparative totals for 2014

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	<b>Private-Purpose Trust Fund</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>ADDITIONS</b>		
Local contributions	\$ 493	\$ 516
<b>DEDUCTIONS</b>		
Scholarships awarded and fees paid	<u>10,579</u>	<u>11,948</u>
<b>CHANGE IN NET POSITION</b>	(10,086)	(11,432)
<b>NET POSITION</b>		
Beginning of year	<u>385,108</u>	<u>396,540</u>
<b>End of year</b>	<b><u>\$ 375,022</u></b>	<b><u>\$ 385,108</u></b>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

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

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

### ***Governmental Funds***

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

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

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

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 inflows of resources 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 unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

### ***Expenditure Recognition***

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. 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 proprietary funds:

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

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

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.

### ***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.

### **Interfund 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

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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 2014-2015 was 21.7122 mills (\$21.71 for \$1,000 of assessed valuation), which includes an additional levy for the District's sponsorship of the Delaware County Community College of 0.45 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 \$5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 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, 2015.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### **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 noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

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

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

### **Fund Equity**

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

#### ***Nonspendable***

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

#### ***Restricted***

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

#### ***Committed***

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

#### ***Assigned***

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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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 fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

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

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, 2014, 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.

### **Implementation of New Accounting Pronouncements**

Effective July 1, 2014, the District adopted the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", GASB Statement No. 70, "Accounting and Financial Reporting for Non-Exchange Financial Guarantees" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68".

GASB Statement No. 68 improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures and identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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GASB Statement No. 71 is required to be applied simultaneously with the provisions of GASB Statement No. 68 and addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The implementation of GASB Statement No. 69 had no impact on the financial statements of the District for the year ended June 30, 2015.

GASB Statement No. 70 provides accounting and financial reporting guidance to a governmental financial reporting entity that offers nonexchange financial guarantees and for governmental entities that receive guarantees on their obligations. The implementation of GASB Statement No. 70 had no impact on the financial statements of the District for the year ended June 30, 2015.

### **New Accounting Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application* will be effective for the District for the year ended June 30, 2016. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

## **(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.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### (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, 2015, the carrying amount of the District's deposits was \$25,221,059 and the bank balance was \$25,570,138. 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, \$275,286 was covered by federal depository insurance, and \$25,049,150 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, 2015, 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.

As of June 30, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$10,514,618	\$9,126,713	\$1,387,905	\$ -	\$ -
U.S. Treasury strips	<u>945,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>945,529</u>
	<u>\$11,460,147</u>	<u>\$9,126,713</u>	<u>\$1,387,905</u>	<u>\$ -</u>	<u>\$945,529</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 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, 2015.

##### 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.

##### 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.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### 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 \$946,613 as of June 30, 2015, which are invested in U.S. Treasury securities.

#### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,952,500	\$ -	\$ -	\$ 2,952,500
Construction in progress	<u>202,175</u>	<u>1,172,472</u>	<u>115,268</u>	<u>1,259,379</u>
<b>Total capital assets not being depreciated</b>	<u>3,154,675</u>	<u>1,172,472</u>	<u>115,268</u>	<u>4,211,879</u>
Capital assets being depreciated				
Land improvements	6,652,631	598,701	-	7,251,332
Buildings and improvements	130,656,781	40,068	-	130,696,849
Furniture and equipment	<u>20,615,566</u>	<u>1,498,028</u>	<u>391,460</u>	<u>21,722,134</u>
<b>Total capital assets being depreciated</b>	<u>157,924,978</u>	<u>2,136,797</u>	<u>391,460</u>	<u>159,670,315</u>
Less accumulated depreciation for				
Land improvements	(4,082,071)	(309,744)	-	(4,391,815)
Buildings and improvements	(43,163,071)	(3,160,078)	-	(46,323,149)
Furniture and equipment	<u>(16,038,806)</u>	<u>(1,469,440)</u>	<u>(391,460)</u>	<u>(17,116,786)</u>
<b>Total accumulated depreciation</b>	<u>(63,283,948)</u>	<u>(4,939,262)</u>	<u>(391,460)</u>	<u>(67,831,750)</u>
<b>Total capital assets being depreciated, net</b>	<u>94,641,030</u>	<u>(2,802,465)</u>	<u>-</u>	<u>91,838,565</u>
<b>Governmental activities, net</b>	<u>\$ 97,795,705</u>	<u>\$(1,629,993)</u>	<u>\$ 115,268</u>	<u>\$ 96,050,444</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 1,156,700	\$ 13,880	\$ -	\$ 1,170,580
Less accumulated depreciation	<u>(915,628)</u>	<u>(22,285)</u>	<u>-</u>	<u>(937,913)</u>
<b>Business-type activities, net</b>	<u>\$ 241,072</u>	<u>\$ (8,405)</u>	<u>\$ -</u>	<u>\$ 232,667</u>

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

<b>Governmental activities</b>	
Instruction	\$3,074,463
Instructional student support	497,304
Administrative and financial support services	520,196
Operation and maintenance of plant services	509,629
Pupil transportation	256,589
Student activities	<u>81,081</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$4,939,262</u>
<b>Business-type activities</b>	
Food service	<u>\$ 22,285</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 34,153	Food Service Fund	\$ 34,153
Capital Projects Fund	<u>568,181</u>	General Fund	<u>568,181</u>
	<u>\$602,334</u>		<u>\$602,334</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, 2015 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Debt Sinking Fund	\$281,389	General Fund	\$281,389
Non-Major Governmental Fund	<u>25,000</u>	General Fund	<u>25,000</u>
	<u>\$306,389</u>		<u>\$306,389</u>

Transfers represent monies to subsidize costs associated with debt service expenditures and the community pool program.

### (6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$ 81,350,000	\$59,080,000	\$63,040,000	\$ 77,390,000	\$ 1,930,000
Note payable	15,000,000	-	-	15,000,000	-
Qualified school construction bonds	5,065,000	-	-	5,065,000	-
Bond premiums	1,016,266	3,559,615	498,683	4,077,198	289,130
Bond discounts	<u>(578,626)</u>	<u>(267,414)</u>	<u>(61,970)</u>	<u>(784,070)</u>	<u>(47,778)</u>
<b>Total general   obligation debt</b>	<u>101,852,640</u>	<u>62,372,201</u>	<u>63,476,713</u>	<u>100,748,128</u>	<u>2,171,352</u>
<b>Other noncurrent liabilities</b>					
Early retirement incentive	64,339	73,186	39,593	97,932	23,134
Compensated absences	381,933	101,072	-	483,005	-
OPEB obligation	255,915	335,631	109,157	482,389	-
Net pension liability (See Note 7)	<u>117,631,376</u>	<u>2,782,249</u>	<u>-</u>	<u>120,413,625</u>	<u>-</u>
<b>Total other noncurrent   liabilities</b>	<u>118,333,563</u>	<u>3,292,138</u>	<u>148,750</u>	<u>121,476,951</u>	<u>23,134</u>
<b>Business-type activities</b>					
Net pension liability (See Note 7)	<u>919,624</u>	<u>21,751</u>	<u>-</u>	<u>941,375</u>	<u>-</u>
<b>Total noncurrent   liabilities</b>	<u>\$221,105,827</u>	<u>\$65,686,090</u>	<u>\$63,625,463</u>	<u>\$223,166,454</u>	<u>\$ 2,194,486</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### 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.

General obligation debt outstanding as of June 30, 2015 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 2012	0.55% - 3.20%	\$9,995,000	02/15/2035	\$ 9,870,000
Series of 2013	0.55% - 3.25%	\$9,995,000	02/15/2034	9,990,000
Series of 2014	1.00% - 5.00%	\$15,395,000	10/01/2032	14,240,000
Series of 2014A	2.00% - 3.50%	\$9,100,000	02/15/2032	9,100,000
Series of 2014B	0.18% - 3.20%	\$6,005,000	02/15/2035	5,860,000
Series of 2015	2.00% - 3.25%	\$8,880,000	02/15/2030	8,880,000
Series of 2015A	1.00% - 5.00%	\$15,575,000	11/15/2028	15,325,000
Series of 2015B	2.00% - 3.00%	\$4,125,000	02/15/2026	<u>4,125,000</u>
<b>Total general obligation bonds</b>				<u>77,390,000</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>\$97,455,000</u>

The general obligation note bears interest at a variable rate that is adjusted weekly based upon rates published by the Securities Industry and Financial Markets Association.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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>
2016	\$ 1,830,000	\$ 3,116,949	\$ 281,389	\$ 5,228,338
2017	3,445,000	2,901,873	281,389	6,628,262
2018	3,540,000	2,829,575	281,388	6,650,963
2019	3,660,000	2,737,593	281,390	6,678,983
2020	3,785,000	2,645,074	281,388	6,711,462
2021-2025	21,205,000	11,478,789	1,406,945	34,090,734
2026-2030	30,535,000	7,841,914	(3,741,388)	34,635,526
2031-2035	<u>29,455,000</u>	<u>2,538,186</u>	<u>-</u>	<u>31,993,186</u>
	<u>\$97,455,000</u>	<u>\$36,089,953</u>	<u>\$ (927,499)</u>	<u>\$132,617,454</u>

### **Series of 2014 General Obligation Bonds**

On July 10, 2014, the District issued \$15,395,000 of general obligation bonds, Series of 2014, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2004 and Series of 2006, and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$1,425,912.

### **Series of 2014A General Obligation Bonds**

On July 30, 2014, the District issued \$9,100,000 of general obligation bonds, Series of 2014A, the proceeds from which were used to advance refund a portion of the outstanding general obligation bonds, Series of 2005B and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by \$1,196,280.

### **Series of 2014B General Obligation Bonds**

On November 18, 2014, the District issued \$6,005,000 of general obligation bonds, Series of 2014B, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2007A and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$1,389,752.

### **Series of 2015 General Obligation Bonds**

On January 6, 2015, the District issued \$8,880,000 of general obligation bonds, Series of 2015, the proceeds from which were used to advance refund a portion of the outstanding general obligation bonds, Series of 2005B and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by \$1,944,992.

### **Series of 2015A General Obligation Bonds**

On February 17, 2015, the District issued \$15,575,000 of general obligation bonds, Series of 2015A, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2005A and Series of 2005C, and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$2,715,907.

### **Series of 2015B General Obligation Bonds**

On May 19, 2015, the District issued \$4,125,000 of general obligation bonds, Series of 2015B, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2005B and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$526,284.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### 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, 2015, \$37,035,000 of the Series 2005B Bonds is considered defeased. The District has authorized to call the remaining defeased bonds for redemption on August 15, 2015.

### Interest Rate Management Plan

The 2000 General Obligation Note (the "**Series 2000 Note**") of the District has 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, 2015 was an asset of \$2,557,429. The value of the swap agreements relative to the District's Series 2000 Note is not reflected on the District's statement of net position.

### 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, 2015, 5 retirees received benefits under the District's ERIP plans and the District paid \$39,593 in ERIP benefits to retirees.

As of June 30, 2015, the District had two ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2015 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Amount</u>
July 1, 2008	1	\$22,723
July 1, 2016	1	<u>75,209</u>
		<u>\$97,932</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### 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.

### 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, 2015, 2014 and 2013 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$335,631	32.52%	\$482,389
2014	\$369,651	64.92%	\$255,915
2013	\$370,182	91.27%	\$126,233

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	\$ 339,826
Interest on net OPEB obligation	11,516
Adjustment to annual required contribution	<u>(15,711)</u>
Annual OPEB cost (expense)	335,631
Contributions made	<u>(109,157)</u>
Increase in net OPEB obligation	226,474
Net OPEB obligation – beginning of year	<u>255,915</u>
Net OPEB obligation – end of year	<u>\$ 482,389</u>

### Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$2,338,061 all of which was unfunded. The covered payroll (annual payroll of active employees was \$34,894,206 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 6.70%.

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.

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# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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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 6.50%, decreasing 0.50% per year to a rate of 5.50% in 2016. The UAAL is being amortized based on the level dollar, 30-year open period.

### (7) PENSION PLAN

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

#### Plan Description

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

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

### **Contributions**

#### **Member Contributions**

Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

#### **Employer Contributions**

The school district's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,411,374 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$121,355,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.3066 percent, which was an increase of 0.0170 percent from its proportion measured as of June 30, 2013.

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$3,567,626. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$8,675,000
Changes in proportions	5,608,000	-
Difference between employer contributions and proportionate share of total contributions	149,992	-
Contributions subsequent to the measurement date	<u>8,411,374</u>	<u>-</u>
	<u>\$14,169,366</u>	<u>\$8,675,000</u>

\$8,411,374 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (781,357)
2017	(781,357)
2018	(781,357)
2019	(781,357)
2020	<u>208,420</u>
	<u>\$(2,917,008)</u>

**Actuarial Assumptions**

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50% includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth wage of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

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

### Discount Rate

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

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

The following represents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$151,373,000	\$121,355,000	\$95,727,000

### Pension Plan Fiduciary Net Position

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

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### (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 2014-2015 was \$164,588.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2014-2015, the District did not have any financial transactions with the DCVTS.

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 also 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 2014-2015 was \$1,172,399.

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

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

#### Year ending June 30,

2016	\$ 301,033
2017	298,237
2018	297,749
2019	297,616
2020	297,219
2021-2025	1,369,373
2026-2030	1,275,094
2031-2033	<u>943,684</u>
	<u>\$5,080,005</u>

# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### 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. During 2014-2015, the District contracted with the DCIU for special education services which totaled \$2,205,412.

## (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 2014-2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

The following table presents the components of the self-insurance claims surplus (liability) and the related changes in the claims surplus (liability) for the year ended June 30, 2015:

Insurance claims surplus (liability) – beginning of year	\$ 1,313,853
Current year insurance claims, fees and changes in estimates	(6,664,371)
Insurance claims and fees paid	<u>7,339,519</u>
Insurance claims surplus (liability) – end of year	<u>\$ 1,989,001</u>

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# RADNOR TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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### (11) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 68, the District made a prior period adjustment to record its net pension liability and deferred outflows of resources related to employer pension contributions. This prior period adjustment and its effect on net position at July 1, 2013 are summarized in the following table:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at June 30, 2013, as previously stated	\$ 23,916,611	\$ 651,480	\$ 24,568,091
Prior period adjustment – GASB Statement No. 68	<u>(111,386,066)</u>	<u>(870,799)</u>	<u>(112,256,865)</u>
Net position (deficit) at June 30, 2013, as restated	<u>\$ (87,469,455)</u>	<u>\$(219,319)</u>	<u>\$ (87,688,774)</u>

### (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2016, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# RADNOR TOWNSHIP SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Local sources	\$ 71,412,657	\$ 71,412,657	\$ 72,366,927	\$ 954,270
State sources	12,040,066	12,040,066	12,137,005	96,939
Federal sources	1,227,691	1,227,691	1,134,090	(93,601)
<b>Total revenues</b>	<u>84,680,414</u>	<u>84,680,414</u>	<u>85,638,022</u>	<u>957,608</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	34,571,321	35,675,763	35,461,230	214,533
Special programs	13,602,958	13,606,400	13,739,266	(132,866)
Vocational programs	167,111	167,111	164,588	2,523
Other instructional programs	70,545	70,585	38,891	31,694
Higher education programs	1,172,395	1,172,399	1,172,399	-
<b>Total instruction</b>	<u>49,584,330</u>	<u>50,692,258</u>	<u>50,576,374</u>	<u>115,884</u>
<b>Support services</b>				
Pupil personnel services	3,026,569	3,063,124	2,936,731	126,393
Instructional staff services	4,437,888	4,460,843	4,484,240	(23,397)
Administrative services	5,543,896	5,543,683	5,198,292	345,391
Pupil health	829,980	795,380	740,342	55,038
Business services	946,271	954,991	943,992	10,999
Operation and maintenance of plant services	7,669,853	7,736,343	7,673,974	62,369
Student transportation services	4,080,472	3,972,672	3,850,027	122,645
Support services - central	900,244	1,285,494	1,569,655	(284,161)
Other support services	72,981	74,668	74,668	-
<b>Total support services</b>	<u>27,508,154</u>	<u>27,887,198</u>	<u>27,471,921</u>	<u>415,277</u>
<b>Operation of non-instructional services</b>				
Student activities	1,316,935	1,338,700	1,330,628	8,072
Community services	-	-	1,516	(1,516)
<b>Total operation of non-instructional services</b>	<u>1,316,935</u>	<u>1,338,700</u>	<u>1,332,144</u>	<u>6,556</u>
<b>Facilities acquisition, construction and improvement services</b>				
	-	116,050	116,050	-
<b>Debt service</b>				
	5,527,318	5,469,448	5,188,053	281,395
<b>Total expenditures</b>	<u>83,936,737</u>	<u>85,503,654</u>	<u>84,684,542</u>	<u>819,112</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>743,677</u>	<u>(823,240)</u>	<u>953,480</u>	<u>1,776,720</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year receipts	-	(36,515)	(38,805)	(2,290)
Refund of prior year expenditures	-	-	11,200	11,200
Transfers out	(1,573,356)	(25,000)	(306,389)	(281,389)
Budgetary reserve	(450,383)	(395,307)	-	395,307
<b>Total other financing sources (uses)</b>	<u>(2,023,739)</u>	<u>(456,822)</u>	<u>(333,994)</u>	<u>122,828</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,280,062)</u>	<u>\$ (1,280,062)</u>	<u>619,486</u>	<u>\$ 1,899,548</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>20,741,147</u>	
End of year			<u>\$ 21,360,633</u>	

**RADNOR TOWNSHIP SCHOOL DISTRICT**

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

Year ended June 30, 2015

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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>
07/01/2014	\$ -	\$2,338,061	\$2,338,061	0.00%	\$34,894,206	6.70%
07/01/2012	\$ -	\$2,557,593	\$2,557,593	0.00%	\$35,155,400	7.28%
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%

**RADNOR TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Year ended June 30, 2015**

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District's proportion of the net pension liability (asset)	0.3066%
District's proportionate share of the net pension liability (asset)	\$121,355,000
District's covered-employee payroll	\$ 39,126,733
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	310%
Plan fiduciary net position as a percentage of the total pension liability	57%

**RADNOR TOWNSHIP SCHOOL DISTRICT**

***SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS***

**Year ended June 30, 2015**

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Contractually required contribution	\$6,108,000
Contributions in relation to the contractually required contribution	<u>6,294,135</u>
Contribution deficiency (excess)	(186,135)
District's covered-employee payroll	\$39,126,733
Contributions as a percentage of covered-employee payroll	16%

## **SUPPLEMENTARY INFORMATION**

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2015

	Major Funds			Non-Major Governmental Fund	Total
	General Fund	Capital Projects Fund	Debt Sinking Fund		
<b>NET CHANGE IN FUND BALANCES</b>					
<b>GOVERNMENTAL FUNDS</b>	\$ 619,486	\$ (1,616,287)	\$ 309,210	\$ 15,639	\$ (671,952)
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	1,565,286	1,628,715	-	-	3,194,001
Depreciation expense	(4,939,262)	-	-	-	(4,939,262)
	<u>(3,373,976)</u>	<u>1,628,715</u>	<u>-</u>	<u>-</u>	<u>(1,745,261)</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 inflows of resources decreased by this amount in the current period.					
Deferred inflows of resources June 30, 2014	(1,064,466)	-	-	-	(1,064,466)
Deferred inflows of resources June 30, 2015	749,390	-	-	-	749,390
	<u>(315,076)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,076)</u>
The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.					
	675,148	-	-	-	675,148
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-					
Repayment of bonds payable	2,830,000	-	-	-	2,830,000
Issuance of bonds payable - refunding	-	(59,080,000)	-	-	(59,080,000)
Repayment of bonds payable - refunding	-	60,210,000	-	-	60,210,000
Proceeds from bond premiums and deferred amounts on refunding	-	(3,754,976)	-	-	(3,754,976)
Payment of bond discounts	-	267,414	-	-	267,414
Amortization of discounts, premiums and deferred outflows and inflows of resources	-	204,920	-	-	204,920
	<u>2,830,000</u>	<u>(2,152,642)</u>	<u>-</u>	<u>-</u>	<u>677,358</u>
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.					
Change in net pension liability and related pension items	(3,539,951)	-	-	-	(3,539,951)
Current year change in accrued interest payable	(153,084)	-	-	-	(153,084)
Current year change in early retirement incentive	(99,336)	-	-	-	(99,336)
Current year change in compensated absences	(101,072)	-	-	-	(101,072)
Current year change in net post-employment benefit (OPEB) obligation	(226,474)	-	-	-	(226,474)
	<u>(4,119,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,119,917)</u>
<b>CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	\$ (3,684,335)	\$ (2,140,214)	\$ 309,210	\$ 15,639	\$ (5,499,700)

**SINGLE AUDIT**

# RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2015

<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>Grand Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
<b>U.S. Department of Education</b>										
<b>Passed-Through the Pennsylvania Department of Education</b>										
Title I - Improving Basic Programs	I	84.010	013-130354	07/01/12 - 09/30/13	\$ 255,148	\$ 80,254	\$ 80,254	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-140354	07/01/13 - 09/30/14	228,197	165,979	92,552	73,427	73,427	-
Title I - Improving Basic Programs	I	84.010	013-150354	07/01/14 - 09/30/15	238,013	169,010	-	223,378	223,378	54,368
Title II - Improving Teacher Quality	I	84.367	020-130354	07/01/12 - 09/30/13	92,067	7,530	7,530	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-140354	07/01/13 - 09/30/14	87,540	63,665	63,585	-	-	(80)
Title II - Improving Teacher Quality	I	84.367	020-150354	07/01/14 - 09/30/15	87,349	60,541	-	87,349	87,349	26,808
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-130354	07/01/12 - 09/30/13	27,430	18,287	18,287	-	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-140354	07/01/13 - 09/30/14	24,152	17,565	(5,450)	23,015	23,015	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-150354	07/01/14 - 09/30/15	27,089	6,251	-	12,177	12,177	5,926
<b>Passed Through the Delaware County I.U.</b>										
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/13 - 06/30/14	462,585	109,120	109,120	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/14 - 06/30/15	465,750	358,611	-	465,750	465,750	107,139
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/13 - 06/30/14	1,778	1,778	1,778	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/14 - 06/30/15	2,042	2,042	-	2,042	2,042	-
<b>Total U.S. Department of Education</b>						<u>1,060,633</u>	<u>367,656</u>	<u>887,138</u>	<u>887,138</u>	<u>194,161</u>

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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>Grand Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
<b><u>U.S. Department of Agriculture</u></b>										
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>										
National School Lunch Program	I	10.555	N/A	07/01/13 - 06/30/14	N/A	8,288	8,288	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	172,530	-	182,617	182,617	10,087
Breakfast Program	I	10.553	N/A	07/01/13 - 06/30/14	N/A	1,439	1,439	-	-	-
Breakfast Program	I	10.553	N/A	07/01/14 - 06/30/15	N/A	20,640	-	21,989	21,989	1,349
State Matching Share	S	N/A	N/A	07/01/13 - 06/30/14	N/A	1,461	1,461	-	-	-
State Matching Share	S	N/A	N/A	07/01/14 - 06/30/15	N/A	26,902	-	28,551	28,551	1,649
<b><u>Passed-Through the Pennsylvania Department of Agriculture</u></b>										
National School Lunch Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	53,931	-	53,931	53,931	-
<b>Total U.S. Department of Agriculture</b>						<u>285,191</u>	<u>11,188</u>	<u>287,088</u>	<u>287,088</u>	<u>13,085</u>
<b>Total Federal Awards and Certain State Grants</b>						<u>\$ 1,345,824</u>	<u>\$ 378,844</u>	<u>\$ 1,174,226</u>	<u>\$ 1,174,226</u>	<u>\$ 207,246</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, 2015**

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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 National School Lunch Program represent federal surplus food consumed by the District during the 2014-2015 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, 2015 was \$782.

### **(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, 2015 was \$246,170.

**RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**Year ended June 30, 2015**

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There were no audit findings for the year ended June 30, 2014.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Radnor Township School District, Wayne, Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Radnor Township School District's basic financial statements, and have issued our report thereon dated January 12, 2016.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*BBD, LLP*

**Philadelphia, Pennsylvania  
January 12, 2016**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

Management of Radnor Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Radnor Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Radnor Township School 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BBD, LLP

**Philadelphia, Pennsylvania  
January 12, 2016**

# **RADNOR TOWNSHIP SCHOOL DISTRICT**

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

**Year ended June 30, 2015**

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

1. The auditor's report expresses an unmodified opinion on the financial statements of the Radnor Township School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Radnor Township School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Radnor Township School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by 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 unmodified 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:
  - Special Education Cluster:
  - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
  - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Radnor Township School District did qualify as a low-risk auditee.

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

None

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

None