



**Radnor Township
School District
Wayne, Pennsylvania
Delaware County**

Financial Statements
Year Ended June 30, 2018



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RADNOR TOWNSHIP SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	15
<i>Statement of Activities</i>	16
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>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</i>	20
<i>Statement of Net Position (Deficit) – Proprietary Funds</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Proprietary Funds</i>	22
<i>Statement of Cash Flows – Proprietary Funds</i>	23
<i>Statement of Net Position – Fiduciary Funds</i>	24
<i>Statement of Changes in Net Position – Fiduciary Fund</i>	25
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	51
<i>Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS</i>	52
<i>Schedule of the District's Pension Plan Contributions - PSERS</i>	53
<i>Schedule of Changes in OPEB Liability – Single Employer Plan</i>	54
<i>Schedule of the District's Proportionate Share of the OPEB Liability - PSERS</i>	55
<i>Schedule of the District's OPEB Plan Contributions - PSERS</i>	56
SUPPLEMENTARY INFORMATION	
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities by Fund</i>	57

RADNOR TOWNSHIP SCHOOL DISTRICT

CONTENTS

SINGLE AUDIT

Schedule of Expenditures of Federal Awards and Certain State Grants 58

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants 60

Summary Schedule of Prior Audit Findings 61

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 62

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 64

Schedule of Findings and Questioned Costs 66



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Radnor Township School District, Wayne, Pennsylvania as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change In Accounting Principle

As described in Note 14 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Radnor Township School District's 2017 financial statements, and our report dated December 12, 2017 expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 schedules of the District's proportionate share of the net pension liability and pension plan contributions – PSERS, schedule of changes in OPEB liability single employer plan and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions – PSERS on pages 3 through 14 and 51 through 56 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The 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 December 12, 2018, 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
December 12, 2018**

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

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, 2018. 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, 2018 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 3,674 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 599 full-time and 54 part-time employees.

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

Elements of GASB Statement No. 75 included within the Statement of Net Position include actuarially determined liabilities for other postemployment benefits single and cost sharing multiple-employer plans of \$3,665,375 and \$6,432,000, respectively, and deferred outflows of \$695,322 (primarily changes in actuarial assumptions under the new standard and contributions subsequent to the measurement date – an effective reduction of the liability) and deferred inflows of \$422,211 (difference between expected and actual experience and changes in assumptions, to be recognized as a future reduction in OPEB expense – an effective increase in the liability until fully recognized).

- On a government-wide basis, including all governmental activities and the business-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 2017-2018 fiscal year of \$109,012,216. During the 2017-2018 fiscal year, the District had a decrease in total net position of \$3,952,785. The net position of governmental activities decreased by \$3,969,740 and the net position of business-type activities increased by \$16,955.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

- The General Fund reported an increase in fund balance of \$1,011,925, bringing the cumulative balance to \$20,198,431 at the conclusion of the 2017-2018 fiscal year.
- At June 30, 2018, the General Fund fund balance includes \$12,333,951 committed by the School Board for the following purposes:
 - ◆ \$6,519,383 committed for future capital projects in accordance with the District's long-term capital improvement program.
 - ◆ \$1,496,586 committed to fund District-wide technology and curriculum initiatives. This commitment represents a \$759,849 increase from the 2016-2017 committed fund balance in these categories due to budgeted spending patterns that occurred during the course of the 2017-2018 fiscal year.
 - ◆ \$3,453,861 committed for anticipated increases in the District's required share of retirement contributions. This commitment represents a \$42,337 increase from the 2016-2017 committed fund balance in this category related to the maturity of investments increasing the fund balance during 2017-2018.
 - ◆ \$864,121 committed for the payment of the long-term portion of early retirement incentive plan benefits and compensated absences. This commitment represents a \$3,649 increase over the 2016-2017 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, 2018, the General Fund fund balance includes unassigned amounts of \$7,864,480 or 8.00% of the \$98,306,000 2018-2019 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).

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:

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

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 15 and 16 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 17 through 20 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses 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 21 through 23 of this report.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

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 24 and 25 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 26 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS, 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 51 through 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2017-2018 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$109,012,216. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 41,400,144	\$ 39,020,454	\$ 1,039,721	\$ 953,818	\$ 42,439,865	\$ 39,974,272
Noncurrent assets	<u>92,639,282</u>	<u>96,047,653</u>	<u>205,593</u>	<u>202,372</u>	<u>92,844,875</u>	<u>96,250,025</u>
Total assets	<u>134,039,426</u>	<u>135,068,107</u>	<u>1,245,314</u>	<u>1,156,190</u>	<u>135,284,740</u>	<u>136,224,297</u>
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	2,654,431	2,850,361	-	-	2,654,431	2,850,361
Deferred charges – OPEB	689,698	458,815	5,624	5,489	695,322	464,304
Deferred charges - pensions	<u>27,292,848</u>	<u>34,063,505</u>	<u>277,634</u>	<u>346,508</u>	<u>27,570,482</u>	<u>34,410,013</u>
Total deferred outflows	<u>30,636,977</u>	<u>37,372,681</u>	<u>283,258</u>	<u>351,997</u>	<u>30,920,235</u>	<u>37,724,678</u>
LIABILITIES						
Current liabilities	13,086,445	11,874,488	127,283	104,723	13,213,728	11,979,211
Noncurrent liabilities	<u>256,640,773</u>	<u>263,981,017</u>	<u>1,673,126</u>	<u>1,718,530</u>	<u>258,313,899</u>	<u>265,699,547</u>
Total liabilities	<u>269,727,218</u>	<u>275,855,505</u>	<u>1,800,409</u>	<u>1,823,253</u>	<u>271,527,627</u>	<u>277,678,758</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

DEFERRED INFLOWS

Deferred credits – OPEB	415,449	-	6,762	-	422,211	-
Deferred credits - pensions	<u>3,234,451</u>	<u>1,316,258</u>	<u>32,902</u>	<u>13,390</u>	<u>3,267,353</u>	<u>1,329,648</u>
Total deferred inflows	<u>3,649,900</u>	<u>1,316,258</u>	<u>39,664</u>	<u>13,390</u>	<u>3,689,564</u>	<u>1,329,648</u>

NET POSITION (DEFICIT)

Net investment in capital assets	2,221,831	2,359,165	205,593	202,372	2,427,424	2,561,537
Restricted	6,396,805	5,477,319	-	-	6,396,805	5,477,319
Unrestricted (deficit)	<u>(117,319,351)</u>	<u>(112,567,459)</u>	<u>(517,094)</u>	<u>(530,828)</u>	<u>(117,836,445)</u>	<u>(113,098,287)</u>
Total net position (deficit)	<u>\$(108,700,715)</u>	<u>\$(104,730,975)</u>	<u>\$ (311,501)</u>	<u>\$ (328,456)</u>	<u>\$(109,012,216)</u>	<u>\$(105,059,431)</u>

The District's total assets as of June 30, 2018 were \$135,284,740 of which \$33,654,677 or 24.88% consisted of unrestricted cash and investments and \$91,102,057 or 67.34% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2018 were \$271,527,627 of which \$91,329,064 or 33.64% consisted of general obligation debt used to acquire and construct capital assets and \$155,919,000 or 57.42% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$117,836,445 at June 30, 2018. The District's unrestricted net position decreased by \$4,738,158 during 2017-2018 primarily due to 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, 2018, the District's net investment in capital assets decreased by \$134,113 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	\$ 3,349,284	\$ 2,691,484	\$1,443,802	\$1,388,148	\$ 4,793,086	\$ 4,079,632
Operating grants and contributions	12,527,987	12,114,142	438,287	409,937	12,966,274	12,524,079
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	74,146,824	72,043,869	-	-	74,146,824	72,043,869
Other taxes levied for general purposes	1,859,678	1,900,288	-	-	1,859,678	1,900,288
Grants and entitlements not restricted to specific programs	3,544,209	3,501,187	-	-	3,544,209	3,501,187
Investment earnings	360,412	116,561	8,635	6,717	369,047	123,278
Insurance recoveries	7,445	5,111	-	-	7,445	5,111
Gain (loss) on sale of capital assets	<u>230</u>	<u>392</u>	<u>(2,308)</u>	<u>2,114</u>	<u>(2,078)</u>	<u>2,506</u>
Total revenues	<u>95,796,069</u>	<u>92,373,034</u>	<u>1,888,416</u>	<u>1,806,916</u>	<u>97,684,485</u>	<u>94,179,950</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

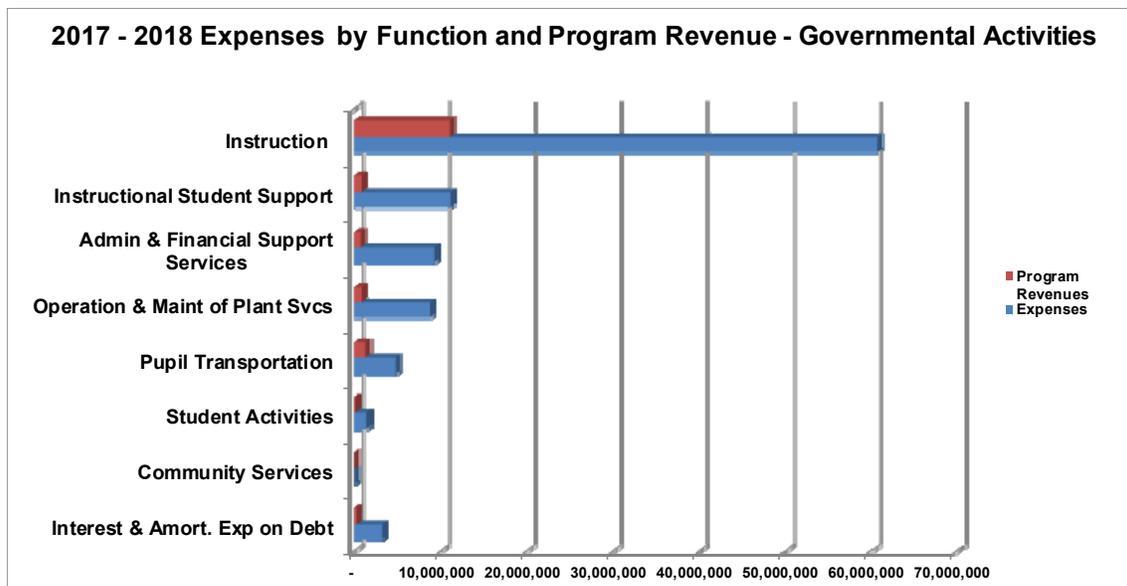
June 30, 2018

EXPENSES

Instruction	60,736,887	58,658,547	-	-	60,736,887	58,658,547
Instructional student support services	11,253,260	10,260,618	-	-	11,253,260	10,260,618
Administrative and financial support services	9,332,318	9,251,743	-	-	9,332,318	9,251,743
Operation and maintenance of plant services	8,805,431	8,969,232	-	-	8,805,431	8,969,232
Pupil transportation	4,860,664	4,697,598	-	-	4,860,664	4,697,598
Student activities	1,497,728	1,469,615	-	-	1,497,728	1,469,615
Community services	62,016	71,057	-	-	62,016	71,057
Interest and amortization expense related to noncurrent liabilities	3,217,505	3,219,715	-	-	3,217,505	3,219,715
Food service	-	-	1,871,461	1,764,698	1,871,461	1,764,698
Total expenses	99,765,809	96,598,125	1,871,461	1,764,698	101,637,270	98,362,823
CHANGE IN NET POSITION (DEFICIT)	<u>\$(3,969,740)</u>	<u>\$(4,225,091)</u>	<u>\$ 16,955</u>	<u>\$ 42,218</u>	<u>\$(3,952,785)</u>	<u>\$(4,182,873)</u>

During 2017-2018, the District's net position decreased by \$3,952,785 in part due to increased medical costs, pension contributions, 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.

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.

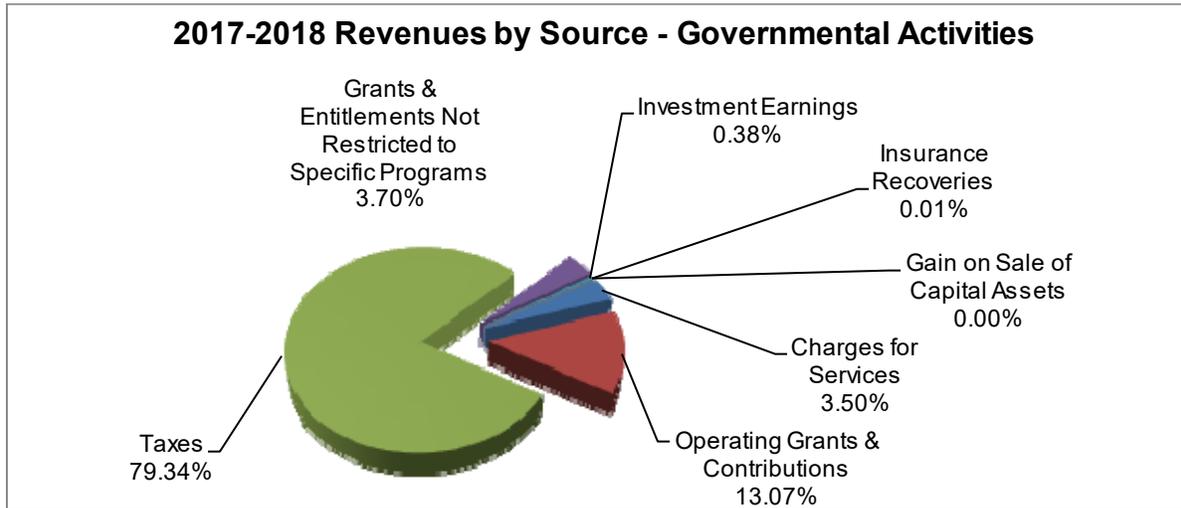


To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2018, the District's governmental funds reported a combined fund balance of \$26,599,543 which is an increase of \$1,935,718 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2018 and 2017 and the total 2018 change in governmental fund balances.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
General Fund	\$20,198,431	\$19,186,506	\$1,011,925
Capital Projects Fund	4,653,987	3,928,889	725,098
Debt Sinking Fund	1,742,818	1,548,430	194,388
Nonmajor Governmental Fund	<u>4,307</u>	<u>-</u>	<u>4,307</u>
	<u>\$26,599,543</u>	<u>\$24,663,825</u>	<u>\$1,935,718</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2017-2018 fiscal year, the General Fund fund balance was \$20,198,431 representing an increase of \$1,011,925 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017-2018 fiscal year.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
Committed to			
Capital projects	\$ 6,519,383	\$ 6,490,701	\$ 28,682
Curriculum tech initiatives	1,496,586	736,737	759,849
Employer retirement rate stabilization	3,453,861	3,411,524	42,337
Early retirement incentive and compensated absences	864,121	860,472	3,649
Unassigned	<u>7,864,480</u>	<u>7,687,072</u>	<u>177,408</u>
	<u>\$20,198,431</u>	<u>\$19,186,506</u>	<u>\$1,011,925</u>

The School Board has committed \$6,519,383 of General Fund fund balance for capital projects as of June 30, 2018 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.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

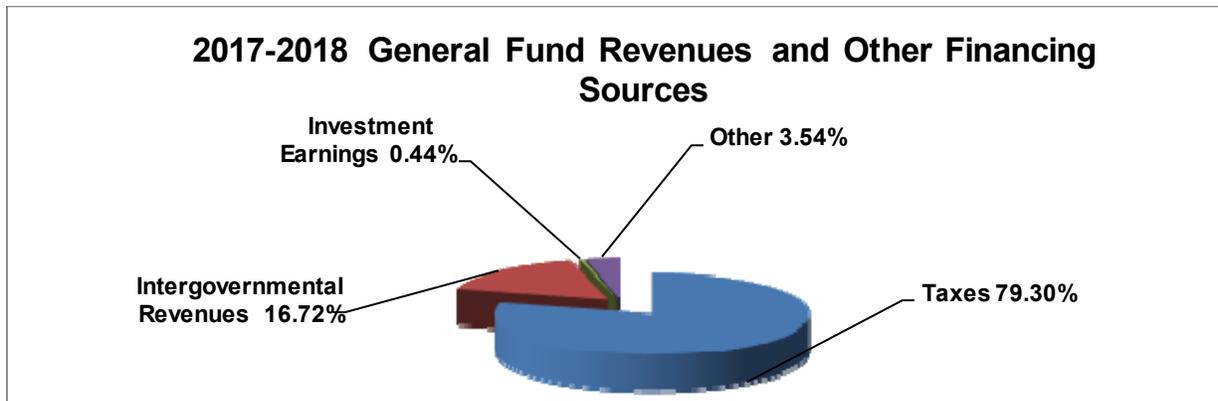
June 30, 2018

At June 30, 2018, the General Fund fund balance had an unassigned balance of \$7,864,480 or 8.00% of the \$98,306,000 2018-2019 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, 2018, the total General Fund fund balance was \$20,198,431 or 20.55% of the \$98,306,000 2018-2019 General Fund expenditure budget. The following is an analysis of General Fund fund balances as of June 30, 2018 and 2018-2019 General Fund expenditures budgets for similar school districts in southeastern Pennsylvania.

<u>School District</u>	<u>County</u>	<u>General Fund Fund Balance June 30, 2018</u>	<u>2018-2019 General Fund Expenditure Budget</u>	<u>% of Fund Balance to Expenditure Budget</u>
Garnet Valley	Delaware	\$10,469,891	\$107,028,071	9.78%
Radnor Township	Delaware	\$20,198,431	\$98,306,000	20.55%
Rose Tree Media	Delaware	\$13,033,576	\$99,035,818	13.16%
Haverford Township	Delaware	\$13,203,056	\$124,379,377	10.62%
Springfield	Delaware	\$9,289,629	\$76,974,810	12.07%
Unionville-Chadds Ford	Chester	\$8,687,976	\$87,103,529	9.97%
Wallingford Swarthmore	Delaware	\$9,389,704	\$80,284,690	11.70%

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 79.30% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$75,907,023	\$73,943,952	\$1,963,071	2.65
Intergovernmental revenues	16,008,312	15,512,804	495,508	3.19
Investment earnings	417,237	181,890	235,347	129.39
Other	<u>3,387,207</u>	<u>2,772,129</u>	<u>615,078</u>	<u>22.19</u>
	<u>\$95,719,779</u>	<u>\$92,410,775</u>	<u>\$3,309,004</u>	<u>3.58</u>

Net tax revenues increased by \$1,963,071 or 2.65% primarily due to an increase in real estate taxes received in 2017-2018 compared to 2016-2017 primarily as a result of a millage increase of 3.04%. The following table summarizes changes in the District's tax revenues for 2017-2018 compared to 2016-2017:

RADNOR TOWNSHIP SCHOOL DISTRICT

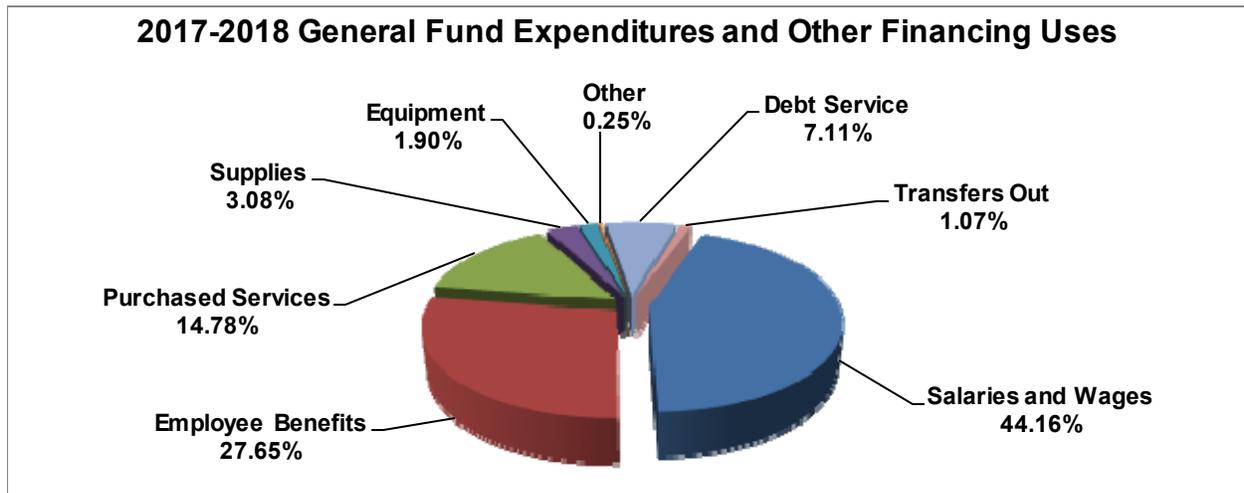
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$72,872,084	\$70,490,027	\$2,382,057	3.38
Interim tax	162,963	567,415	(404,452)	(71.28)
PURTA tax	72,217	78,020	(5,803)	(7.44)
Payment in lieu of tax	294,064	206,945	87,119	42.10
Local services tax	96,871	101,207	(4,336)	(4.28)
Transfer tax	1,690,590	1,721,061	(30,471)	(1.77)
Delinquent real estate tax	718,234	779,277	(61,043)	(7.83)
	<u>\$75,907,023</u>	<u>\$73,943,952</u>	<u>\$1,963,071</u>	<u>2.65</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>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$41,820,209	\$40,833,293	\$ 986,916	2.42
Employee benefits	26,188,955	24,658,495	1,530,460	6.21
Purchased services	13,996,713	13,217,880	778,833	5.89
Supplies	2,915,690	3,173,902	(258,212)	(8.14)
Equipment	1,803,730	1,279,310	524,420	40.99
Other	238,854	289,367	(50,513)	(17.46)
Debt service	6,734,808	6,724,643	10,165	0.15
Transfers out	1,008,895	990,890	18,005	1.82
	<u>\$94,707,854</u>	<u>\$91,167,780</u>	<u>\$ 3,540,074</u>	<u>3.88</u>

Salaries and wages increased by \$986,916 or 2.42% in 2017-2018 compared to 2016-2017 as a result of contractual obligations.

Employee benefit expenditures increased due to an increase in the PSERS employer contribution rate from 30.03% in 2016-2017 to 32.57% for the 2017-2018 school year. The increase is also due to an increase in the cost of medical benefits which had a negative effect for the District in an amount of \$713,193 or an 11.07% increase from the prior year.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

Expenditures for purchased services increased slightly in 2017-2018 compared to 2016-2017 primarily due to increases in expenditures for special education services.

Expenditures for equipment increased in 2017-2018 when compared to 2016-2017. This change was due to a \$206,765 increase in security spending and \$279,314 increase in transportation spending over the prior year.

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 2017-2018, the fund balance in the Capital Projects Fund increased by \$725,098 primarily due to current year general fund transfers in excess of current year capital expenditures. The remaining fund balance of \$4,653,987 as of June 30, 2018 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, 2018, the fund balance in the Debt Sinking Fund was \$1,742,818 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 sources were \$105,397 or 0.11% less than budgeted amounts and actual expenditures and other financing uses were \$1,607,312 or 1.67% less than budgeted amounts resulting in a net positive variance of \$1,501,915.

Budgeted amounts in the General Fund used \$489,990 of fund balance as of June 30, 2017 to balance the 2017-2018 General Fund budget which was not used primarily as a result of less than anticipated expenditures during the year.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2017-2018, the net position of the business-type activities and Food Service Fund increased by \$16,955. As of June 30, 2018, the business-type activities and Food Service Fund had a deficit in net position of \$311,501.

CAPITAL ASSETS

The District's net investment in capital asset for its governmental and business-type activities as of June 30, 2018 amounted to \$91,102,057 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 \$3,599,538 or 3.80%. The decrease was the result of current year depreciation expense and disposals in excess of capital additions.

Current year capital additions were \$1,183,435 and depreciation expense and disposals were \$4,782,973.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

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

- Equipment – Buses (3) \$274,600
- Equipment – Trucks and trailers \$174,568
- District-wide IT Equipment and Musical Instruments – \$444,550

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$91,329,064 consisting of \$68,850,000 in bonds payable, \$14,845,000 note payable and \$5,065,000 in Qualified School Construction Bonds, net of deferred credits of \$2,569,064. 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 \$3,661,355 or 3.85% during the current fiscal year.

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 \$207,516,887 which exceeds the District's outstanding general obligation debt as of June 30, 2018.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$155,919,000 as of June 30, 2018. The District's net pension liability decreased by \$3,704,000 or 2.32% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$10,097,375 as of June 30, 2018. The District's OPEB liability decreased by \$23,022 or 0.23% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for compensated absences and early retirement incentive plans, which totaled \$968,460 as of June 30, 2018. These liabilities increased by \$2,729 or 0.28% 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 2018-2019 is approximately 3,703.
- Additional tax and enrollment information is available on the District's website: (<http://www.rtsd.org>).
- The District adopted a balanced 2018-2019 budget totaling \$98,306,000 which used \$970,324 of General Fund fund balance as of June 30, 2018 to balance the 2018-2019 budget and the real estate tax millage rate increased by 0.5528 mills or 2.39% to 23.6935 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 2018-2019 Commonwealth of Pennsylvania budget process. The Commonwealth of Pennsylvania only accounted for approximately 15.54% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2017-2018. Local sources of revenue, primarily property taxes, now support approximately 83.27% of the costs of educational programs and services in the District.

RADNOR TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

- 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 (2.40% for Radnor Township School District for 2018-2019), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
 - ♦ 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.)
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. The new legislation does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. Currently, the employer contribution rate for 2018-2019 is 33.43% which is an increase of 2.64% from the 2017-2018 employer contribution rate of 32.57%.

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/ (Decrease) Over Prior Year \$</u>
2018 – 2019	33.43%	\$14,270,684	\$7,135,342	\$291,342
2019 – 2020	34.79%	\$14,851,244	\$7,425,622	\$290,280
2020 – 2021	35.26%	\$15,413,088	\$7,706,544	\$280,922
2021 – 2022	35.68%	\$15,971,002	\$7,985,501	\$278,957
2022 – 2023	36.32%	\$16,647,656	\$8,323,828	\$338,327

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, 2018 with summarized comparative totals for 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 27,551,284	\$ 959,593	\$ 28,510,877	\$ 23,582,105
Investments	5,143,800	-	5,143,800	7,376,036
Taxes receivable	1,166,793	-	1,166,793	1,067,376
Due from other governments	3,249,813	52,266	3,302,079	2,832,947
Internal balances	5,612	(5,612)	-	-
Other receivables	1,021,416	3,947	1,025,363	1,235,237
Prepaid expenses	3,261,426	-	3,261,426	3,843,050
Inventories	-	29,527	29,527	37,521
Total current assets	41,400,144	1,039,721	42,439,865	39,974,272
NONCURRENT ASSETS				
Restricted assets				
Cash held by fiscal agent	997	-	997	608
Investments held by fiscal agent	1,741,821	-	1,741,821	1,547,822
Capital assets, net	90,896,464	205,593	91,102,057	94,701,595
Total noncurrent assets	92,639,282	205,593	92,844,875	96,250,025
Total assets	134,039,426	1,245,314	135,284,740	136,224,297
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	2,654,431	-	2,654,431	2,850,361
Deferred charges - OPEB	689,698	5,624	695,322	464,304
Deferred charges - pension	27,292,848	277,634	27,570,482	34,410,013
Total deferred outflows of resources	30,636,977	283,258	30,920,235	37,724,678
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	2,408,162	29,604	2,437,766	1,847,248
Accrued salaries, payroll withholdings and benefits	9,522,826	-	9,522,826	9,013,939
Accrued interest payable	814,531	-	814,531	723,999
Unearned revenue	-	97,679	97,679	94,871
Other liabilities	340,926	-	340,926	299,154
Total current liabilities	13,086,445	127,283	13,213,728	11,979,211
NONCURRENT LIABILITIES				
Due within one year	4,014,691	-	4,014,691	3,886,611
Due in more than one year	252,626,082	1,673,126	254,299,208	261,812,936
Total noncurrent liabilities	256,640,773	1,673,126	258,313,899	265,699,547
Total liabilities	269,727,218	1,800,409	271,527,627	277,678,758
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	415,449	6,762	422,211	-
Deferred credits - pension	3,234,451	32,902	3,267,353	1,329,648
Total deferred inflows of resources	3,649,900	39,664	3,689,564	1,329,648
NET POSITION (DEFICIT)				
Net investment in capital assets	2,221,831	205,593	2,427,424	2,561,537
Restricted	6,396,805	-	6,396,805	5,477,319
Unrestricted (deficit)	(117,319,351)	(517,094)	(117,836,445)	(113,098,287)
Total net position (deficit)	\$ (108,700,715)	\$ (311,501)	\$ (109,012,216)	\$ (105,059,431)

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018 with summarized comparative totals for 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2018</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 60,736,887	\$ 3,025,035	\$ 8,164,062	\$ -	\$ (49,547,790)	\$ -	\$ (49,547,790)	\$ (48,245,927)
Instructional student support	11,253,260	-	954,366	-	(10,298,894)	-	(10,298,894)	(9,439,350)
Administrative and financial support services	9,332,318	49,168	791,288	-	(8,491,862)	-	(8,491,862)	(8,431,594)
Operation and maintenance of plant services	8,805,431	148,538	799,534	-	(7,857,359)	-	(7,857,359)	(8,031,271)
Pupil transportation	4,860,664	61,358	1,341,342	-	(3,457,964)	-	(3,457,964)	(3,412,902)
Student activities	1,497,728	31,548	124,000	-	(1,342,180)	-	(1,342,180)	(1,325,499)
Community services	62,016	33,637	-	-	(28,379)	-	(28,379)	(41,152)
Interest and amortization expense related to noncurrent liabilities	3,217,505	-	353,395	-	(2,864,110)	-	(2,864,110)	(2,864,804)
Total governmental activities	<u>99,765,809</u>	<u>3,349,284</u>	<u>12,527,987</u>	<u>-</u>	<u>(83,888,538)</u>	<u>-</u>	<u>(83,888,538)</u>	<u>(81,792,499)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,871,461	1,443,802	438,287	-	-	10,628	10,628	33,387
Total primary government	<u>\$ 101,637,270</u>	<u>\$ 4,793,086</u>	<u>\$ 12,966,274</u>	<u>\$ -</u>	<u>(83,888,538)</u>	<u>10,628</u>	<u>(83,877,910)</u>	<u>(81,759,112)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					74,146,824	-	74,146,824	72,043,869
Other taxes					1,859,678	-	1,859,678	1,900,288
Grants and entitlements not restricted to specific programs					3,544,209	-	3,544,209	3,501,187
Investment earnings					360,412	8,635	369,047	123,278
Insurance recoveries					7,445	-	7,445	5,111
Gain (loss) on disposal of capital assets					230	(2,308)	(2,078)	2,506
Total general revenues					<u>79,918,798</u>	<u>6,327</u>	<u>79,925,125</u>	<u>77,576,239</u>
CHANGE IN NET POSITION (DEFICIT)					(3,969,740)	16,955	(3,952,785)	(4,182,873)
NET POSITION (DEFICIT)								
Beginning of year, restated					(104,730,975)	(328,456)	(105,059,431)	(100,876,558)
End of year					<u>\$ (108,700,715)</u>	<u>\$ (311,501)</u>	<u>\$ (109,012,216)</u>	<u>\$ (105,059,431)</u>

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018 with summarized comparative totals for 2017

	Major Funds			Non-Major Governmental Fund	Totals	
	General Fund	Capital Projects Fund	Debt Sinking Fund		2018	2017
ASSETS						
Cash	\$ 23,423,015	\$ 4,127,071	\$ -	\$ 1,198	\$ 27,551,284	\$ 22,667,798
Investments	5,143,800	-	-	-	5,143,800	7,376,036
Restricted assets:						
Cash held by fiscal agent	-	-	997	-	997	608
Investments held by fiscal agent	-	-	1,741,821	-	1,741,821	1,547,822
Taxes receivable	1,166,793	-	-	-	1,166,793	1,067,376
Due from other funds	-	563,538	-	-	563,538	483,871
Due from other governments	3,249,813	-	-	-	3,249,813	2,822,182
Other receivables	1,013,011	-	-	8,405	1,021,416	1,231,214
Total assets	\$ 33,996,432	\$ 4,690,609	\$ 1,742,818	\$ 9,603	\$ 40,439,462	\$ 37,196,907
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,366,244	\$ 36,622	\$ -	\$ 5,296	\$ 2,408,162	\$ 1,837,396
Due to other funds	557,926	-	-	-	557,926	471,073
Accrued salaries, payroll withholdings and benefits	9,627,165	-	-	-	9,627,165	9,119,198
Other liabilities	340,926	-	-	-	340,926	299,154
Total liabilities	12,892,261	36,622	-	5,296	12,934,179	11,726,821
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	905,740	-	-	-	905,740	806,261
FUND BALANCES						
Restricted for						
Capital projects	-	4,653,987	-	-	4,653,987	3,928,889
Debt service	-	-	1,742,818	-	1,742,818	1,548,430
Committed to						
Capital projects	6,519,383	-	-	-	6,519,383	6,490,701
Curriculum and technology initiatives	1,496,586	-	-	-	1,496,586	736,737
Employer retirement rate stabilization	3,453,861	-	-	-	3,453,861	3,411,524
Long-term early retirement incentive and compensated absences	864,121	-	-	-	864,121	860,472
Community pool	-	-	-	4,307	4,307	-
Unassigned	7,864,480	-	-	-	7,864,480	7,687,072
Total fund balances	20,198,431	4,653,987	1,742,818	4,307	26,599,543	24,663,825
Total liabilities, deferred inflows of resources and fund balances	\$ 33,996,432	\$ 4,690,609	\$ 1,742,818	\$ 9,603	\$ 40,439,462	\$ 37,196,907

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, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$ 26,599,543
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	90,896,464
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).	2,654,431
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	24,332,646
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.	905,740
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(256,536,434)
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).	3,261,426
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>(814,531)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (108,700,715)</u>

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2018 with summarized comparative totals for 2017

	Major Funds				Totals	
	General	Capital	Debt	Non-Major	2018	2017
	Fund	Projects	Sinking	Governmental		
		Fund	Fund	Fund		
REVENUES						
Local sources	\$ 79,699,207	\$ 30,098	\$ (87,001)	\$ 33,714	\$ 79,676,018	\$ 76,835,371
State sources	14,873,621	-	-	-	14,873,621	14,425,515
Federal sources	1,139,276	-	-	-	1,139,276	1,108,962
Total revenues	<u>95,712,104</u>	<u>30,098</u>	<u>(87,001)</u>	<u>33,714</u>	<u>95,688,915</u>	<u>92,369,848</u>
EXPENDITURES						
Current						
Instruction	54,990,333	-	-	-	54,990,333	52,525,745
Support services	30,624,276	142,410	-	-	30,766,686	29,590,714
Operation of noninstructional services	1,333,905	-	-	61,913	1,395,818	1,373,457
Facilities acquisition, construction and improvement services	-	-	-	-	-	284,316
Debt service	6,734,808	17,590	-	-	6,752,398	6,724,643
Total expenditures	<u>93,683,322</u>	<u>160,000</u>	<u>-</u>	<u>61,913</u>	<u>93,905,235</u>	<u>90,498,875</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,028,782</u>	<u>(129,902)</u>	<u>(87,001)</u>	<u>(28,199)</u>	<u>1,783,680</u>	<u>1,870,973</u>
OTHER FINANCING SOURCES (USES)						
Sale of/compensation for capital assets	230	-	-	-	230	392
Refund of prior year receipts	(15,637)	-	-	-	(15,637)	(28,267)
Insurance recoveries	7,445	-	-	-	7,445	5,111
Issuance of debt - refunding	-	14,885,000	-	-	14,885,000	-
Payment of debt - refunding	-	(14,725,000)	-	-	(14,725,000)	-
Transfers in	-	695,000	281,389	32,506	1,008,895	990,890
Transfers out	(1,008,895)	-	-	-	(1,008,895)	(990,890)
Total other financing sources (uses)	<u>(1,016,857)</u>	<u>855,000</u>	<u>281,389</u>	<u>32,506</u>	<u>152,038</u>	<u>(22,764)</u>
NET CHANGE IN FUND BALANCES	1,011,925	725,098	194,388	4,307	1,935,718	1,848,209
FUND BALANCES						
Beginning of year	19,186,506	3,928,889	1,548,430	-	24,663,825	22,815,616
End of year	<u>\$ 20,198,431</u>	<u>\$ 4,653,987</u>	<u>\$ 1,742,818</u>	<u>\$ 4,307</u>	<u>\$ 26,599,543</u>	<u>\$ 24,663,825</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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,935,718

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	\$ 1,157,222	
Depreciation expense	<u>(4,759,981)</u>	(3,602,759)

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 increased by this amount in the current period.

Deferred inflows of resources June 30, 2017	(806,261)	
Deferred inflows of resources June 30, 2018	<u>905,740</u>	99,479

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.

(581,624)

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 and notes payable	18,305,000	
Issuance of debt	(14,885,000)	
Amortization of discounts, premiums and deferred amounts on refunding	<u>45,425</u>	3,465,425

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	(5,022,149)	
Current year change in accrued interest payable	(90,532)	
Current year change in long-term early retirement incentive	12,214	
Current year change in compensated absences	(15,863)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>(169,649)</u>	<u>(5,285,979)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (3,969,740)

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2018 with summarized comparative totals for 2017

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2018</u>	<u>2017</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 959,593	\$ -	\$ 959,593	\$ 914,307
Accounts receivable	3,947	-	3,947	4,023
Due from other governments	52,266	-	52,266	10,765
Inventories	29,527	-	29,527	37,521
Prepaid expenses	-	3,261,426	3,261,426	3,843,050
Total current assets	<u>1,045,333</u>	<u>3,261,426</u>	<u>4,306,759</u>	<u>4,809,666</u>
NONCURRENT ASSETS				
Capital assets, net	205,593	-	205,593	202,372
Total assets	<u>1,250,926</u>	<u>3,261,426</u>	<u>4,512,352</u>	<u>5,012,038</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges - OPEB	5,624	-	5,624	5,489
Deferred charges - pension	277,634	-	277,634	346,508
Total deferred outflows of resources	<u>283,258</u>	<u>-</u>	<u>283,258</u>	<u>351,997</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	29,604	-	29,604	9,852
Due to other funds	5,612	-	5,612	12,798
Unearned revenue	97,679	-	97,679	94,871
Total current liabilities	<u>132,895</u>	<u>-</u>	<u>132,895</u>	<u>117,521</u>
NONCURRENT LIABILITIES				
OPEB liability	103,026	-	103,026	111,131
Net pension liability	1,570,100	-	1,570,100	1,607,399
Total noncurrent liabilities	<u>1,673,126</u>	<u>-</u>	<u>1,673,126</u>	<u>1,718,530</u>
Total liabilities	<u>1,806,021</u>	<u>-</u>	<u>1,806,021</u>	<u>1,836,051</u>
DEFERRED INFLOW OF RESOURCES				
Deferred credits - OPEB	6,762	-	6,762	-
Deferred credits - pension	32,902	-	32,902	13,390
Total deferred inflows of resources	<u>39,664</u>	<u>-</u>	<u>39,664</u>	<u>13,390</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	205,593	-	205,593	202,372
Unrestricted (deficit)	(517,094)	3,261,426	2,744,332	3,312,222
Total net position (deficit)	<u>\$ (311,501)</u>	<u>\$ 3,261,426</u>	<u>\$ 2,949,925</u>	<u>\$ 3,514,594</u>

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30, 2018 with summarized comparative totals for 2017

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service Fund</u>	<u>Service Fund</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES				
Charges for services	\$ 1,443,802	\$ 10,195,318	\$ 11,639,120	\$ 11,074,424
OPERATING EXPENSES				
Salaries	452,717	-	452,717	430,740
Employee benefits	376,318	9,203,894	9,580,212	8,215,040
Purchased professional and technical services	61,858	1,647,049	1,708,907	667,023
Purchased property services	31,893	-	31,893	18,101
Other purchased services	54,361	-	54,361	54,094
Supplies	873,630	-	873,630	791,581
Depreciation	20,684	-	20,684	20,566
Total operating expenses	<u>1,871,461</u>	<u>10,850,943</u>	<u>12,722,404</u>	<u>10,197,145</u>
Operating income (loss)	<u>(427,659)</u>	<u>(655,625)</u>	<u>(1,083,284)</u>	<u>877,279</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	8,635	74,001	82,636	32,728
Gain (loss) on disposal of capital assets	(2,308)	-	(2,308)	2,114
State sources	116,341	-	116,341	104,625
Federal sources	321,946	-	321,946	305,312
Total nonoperating revenues (expenses)	<u>444,614</u>	<u>74,001</u>	<u>518,615</u>	<u>444,779</u>
CHANGE IN NET POSITION (DEFICIT)	16,955	(581,624)	(564,669)	1,322,058
NET POSITION (DEFICIT)				
Beginning of year, restated	<u>(328,456)</u>	<u>3,843,050</u>	<u>3,514,594</u>	<u>2,192,536</u>
End of year	<u>\$ (311,501)</u>	<u>\$ 3,261,426</u>	<u>\$ 2,949,925</u>	<u>\$ 3,514,594</u>

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2018 with summarized comparative totals for 2017

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2018</u>	<u>2017</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 1,446,686	\$ -	\$ 1,446,686	\$ 1,402,959
Cash received for assessments made to other fund	-	10,195,318	10,195,318	9,686,276
Cash payments to suppliers for goods and services	(786,612)	-	(786,612)	(790,408)
Cash payments to employees for services	(911,026)	-	(911,026)	(850,518)
Cash payments for insurance claims	-	(8,622,270)	(8,622,270)	(9,101,355)
Cash payments for other operating expenses	-	(1,647,049)	(1,647,049)	(610,932)
Net cash used for operating activities	<u>(250,952)</u>	<u>(74,001)</u>	<u>(324,953)</u>	<u>(263,978)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	111,855	-	111,855	105,102
Federal sources	201,961	-	201,961	229,059
Net cash provided by noncapital financing activities	<u>313,816</u>	<u>-</u>	<u>313,816</u>	<u>334,161</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	-	2,114
Acquisition of capital assets	(26,213)	-	(26,213)	-
Net cash provided by (used for) capital financing activities	<u>(26,213)</u>	<u>-</u>	<u>(26,213)</u>	<u>2,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	8,635	74,001	82,636	32,728
Proceeds from sale of investments	-	-	-	149,274
Net cash provided by investing activities	<u>8,635</u>	<u>74,001</u>	<u>82,636</u>	<u>182,002</u>
Net increase in cash	45,286	-	45,286	254,299
CASH				
Beginning of year	914,307	-	914,307	660,008
End of year	<u>\$ 959,593</u>	<u>\$ -</u>	<u>\$ 959,593</u>	<u>\$ 914,307</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating income (loss)	\$ (427,659)	\$ (655,625)	\$ (1,083,284)	\$ 877,279
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation	20,684	-	20,684	20,566
Donated commodities used	82,970	-	82,970	79,691
(Increase) decrease in				
Accounts receivable	76	-	76	1,169
Inventories	7,994	-	7,994	(5,960)
Prepaid expenses	-	581,624	581,624	(1,279,840)
Deferred outflows of resources	68,739	-	68,739	(172,292)
Increase (decrease) in				
Accounts payable	19,752	-	19,752	(4,382)
Due to other funds	(7,186)	-	(7,186)	(41,972)
Unearned revenue	2,808	-	2,808	13,642
OPEB liability	(8,105)	-	(8,105)	-
Net pension liability	(37,299)	-	(37,299)	234,731
Deferred inflows of resources	26,274	-	26,274	13,390
Net cash used for operating activities	<u>\$ (250,952)</u>	<u>\$ (74,001)</u>	<u>\$ (324,953)</u>	<u>\$ (263,978)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	\$ 82,970	\$ -	\$ 82,970	\$ 79,691

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2018

	Private- Purpose Trust	Agency
ASSETS		
Cash	\$ 70,919	\$ 51,518
Investments	<u>279,000</u>	<u>-</u>
Total assets	<u>349,919</u>	<u>51,518</u>
 LIABILITIES		
Due to student groups	<u>-</u>	<u>\$ 51,518</u>
 NET POSITION		
Net position held in trust for scholarships	<u>\$ 349,919</u>	

See accompanying notes

RADNOR TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2018 with summarized comparative totals for 2017

	Private-Purpose Trust Fund	
	<u>2018</u>	<u>2017</u>
ADDITIONS		
Local contributions	\$ 17,738	\$ 8,568
DEDUCTIONS		
Scholarships awarded and fees paid	<u>27,800</u>	<u>11,600</u>
CHANGE IN NET POSITION	(10,062)	(3,032)
NET POSITION		
Beginning of year	<u>359,981</u>	<u>363,013</u>
End of year	<u>\$ 349,919</u>	<u>\$ 359,981</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

June 30, 2018

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, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as 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. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

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

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 2017-2018 was 23.6199 mills (\$23.62 for \$1,000 of assessed valuation), which includes an additional levy for the District's sponsorship of the Delaware County Community College of 0.4792 mills (\$0.48 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.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a 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.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Restricted

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

Committed

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

Assigned

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

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as 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, 2017, 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.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Implementation of New Accounting Pronouncements

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

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

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

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

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

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

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

New Accounting Pronouncements

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

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

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(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, 2018, the carrying amount of the District's deposits was \$28,634,311 and the bank balance was \$29,434,668. 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, \$263,320 was covered by federal depository insurance, and \$28,587,956 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, 2018, 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, 2018, 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	\$ 522,800	\$ 279,000	\$243,800	\$ -	\$ -
PSDLAF collateralized investment pools	4,900,000	4,900,000	-	-	-
U.S. Treasury strips	<u>1,741,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,821</u>
	<u>\$7,164,621</u>	<u>\$5,179,000</u>	<u>\$243,800</u>	<u>\$ -</u>	<u>\$1,741,821</u>

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools and U.S. Treasury strips were valued using Level 2 inputs.

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 is 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, 2018.

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.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Credit Risk

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

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (**See Note 7**). The total carrying amounts and related bank balances of these cash and investment accounts are \$1,742,818 as of June 30, 2018, which are invested in U.S. Treasury securities.

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,952,500	\$ -	\$ -	\$ 2,952,500
Capital assets being depreciated				
Land improvements	8,085,842	82,936	-	8,168,778
Buildings and improvements	137,507,438	-	-	137,507,438
Furniture and equipment	<u>23,231,976</u>	<u>1,074,286</u>	<u>41,952</u>	<u>24,264,310</u>
Total capital assets being depreciated	<u>168,825,256</u>	<u>1,157,222</u>	<u>41,952</u>	<u>169,940,526</u>
Less accumulated depreciation for				
Land improvements	(4,994,741)	(311,824)	-	(5,306,565)
Buildings and improvements	(52,725,127)	(3,565,893)	-	(56,291,020)
Furniture and equipment	<u>(19,558,665)</u>	<u>(882,264)</u>	<u>(41,952)</u>	<u>(20,398,977)</u>
Total accumulated depreciation	<u>(77,278,533)</u>	<u>(4,759,981)</u>	<u>(41,952)</u>	<u>(81,996,562)</u>
Total capital assets being depreciated, net	<u>91,546,723</u>	<u>(3,602,759)</u>	<u>-</u>	<u>87,943,964</u>
Governmental activities, net	<u>\$ 94,499,223</u>	<u>\$(3,602,759)</u>	<u>\$ -</u>	<u>\$ 90,896,464</u>
Business-type activities				
Machinery and equipment	\$ 1,150,716	\$ 26,213	\$ 28,404	\$ 1,148,525
Less accumulated depreciation	<u>(948,344)</u>	<u>(20,684)</u>	<u>(26,096)</u>	<u>(942,932)</u>
Business-type activities, net	<u>\$ 202,372</u>	<u>\$ 5,529</u>	<u>\$ 2,308</u>	<u>\$ 205,593</u>

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

Governmental activities	
Instruction	\$2,980,419
Instructional student support	546,114
Administrative and financial support services	451,627
Operation and maintenance of plant services	460,852
Pupil transportation	248,980
Student activities	<u>71,989</u>
Total depreciation expense – governmental activities	<u>\$4,759,981</u>
Business-type activities	
Food service	<u>\$ 20,684</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 5,612	Food Service Fund	\$ 5,612
Capital Projects Fund	<u>563,538</u>	General Fund	<u>563,538</u>
	<u>\$569,150</u>		<u>\$569,150</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, 2018 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
Capital Projects Fund	695,000	General Fund	695,000
Non-Major Governmental Fund	<u>32,506</u>	General Fund	<u>32,506</u>
	<u>\$1,008,895</u>		<u>\$1,008,895</u>

Transfers from General Fund to Capital Projects Fund represents transfers to subsidize costs associated with the acquisition of capital assets, while the other 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, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 72,115,000	\$ -	\$ 3,265,000	\$ 68,850,000	\$2,690,000
Notes payable	15,000,000	14,885,000	15,040,000	14,845,000	979,000
Qualified school construction bonds	5,065,000	-	-	5,065,000	-
Bond premiums	3,498,935	-	289,133	3,209,802	289,130
Bond discounts	<u>(688,516)</u>	<u>-</u>	<u>(47,778)</u>	<u>(640,738)</u>	<u>(47,778)</u>
Total general obligation debt	<u>94,990,419</u>	<u>14,885,000</u>	<u>18,546,355</u>	<u>91,329,064</u>	<u>3,910,352</u>
Other noncurrent liabilities					
Early retirement incentive	305,453	-	10,664	294,789	35,287
Compensated absences	660,278	13,393	-	673,671	69,052
OPEB liability	3,182,397	482,978	-	3,665,375	-
OPEB liability – PSERS	6,826,869	-	497,895	6,328,974	-
Net pension liability - PSERS	<u>158,015,601</u>	<u>-</u>	<u>3,666,701</u>	<u>154,348,900</u>	<u>-</u>
Total other noncurrent liabilities	<u>168,990,598</u>	<u>496,371</u>	<u>4,175,260</u>	<u>165,311,709</u>	<u>104,339</u>
Total governmental activities	<u>263,981,017</u>	<u>15,381,371</u>	<u>22,721,615</u>	<u>256,640,773</u>	<u>4,014,691</u>
Business-type activities					
OPEB liability – PSERS	111,131	-	8,105	103,026	-
Net pension liability - PSERS	<u>1,607,399</u>	<u>-</u>	<u>37,299</u>	<u>1,570,100</u>	<u>-</u>
Total business-type activities	<u>1,718,530</u>	<u>-</u>	<u>45,404</u>	<u>1,673,126</u>	<u>-</u>
Total noncurrent liabilities	<u>\$265,699,547</u>	<u>\$15,381,371</u>	<u>\$22,767,019</u>	<u>\$258,313,899</u>	<u>\$4,014,691</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted 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, 2018 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>
General obligation bonds				
Series of 2012	0.55% - 3.20%	\$9,995,000	02/15/2035	\$ 9,715,000
Series of 2013	0.55% - 3.25%	\$9,995,000	02/15/2034	9,730,000
Series of 2014	1.00% - 5.00%	\$15,395,000	10/01/2032	11,525,000
Series of 2014A	2.00% - 3.50%	\$9,100,000	02/15/2032	9,000,000
Series of 2014B	0.18% - 3.20%	\$6,005,000	02/15/2035	5,660,000
Series of 2015	2.00% - 3.25%	\$8,880,000	02/15/2030	8,860,000
Series of 2015A	1.00% - 5.00%	\$15,575,000	11/15/2028	11,100,000
Series of 2015B	2.00% - 3.00%	\$4,125,000	02/15/2026	<u>3,260,000</u>
Total general obligation bonds				<u>68,850,000</u>
General obligation notes				
Series of 2017A	1.99%	\$9,810,000	08/01/2028	9,810,000
Series of 2017B	1.75%	\$5,075,000	08/01/2022	<u>5,035,000</u>
Total general obligation notes				<u>14,845,000</u>
Qualified school construction bonds				
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>
Total qualified school construction bonds				<u>5,065,000</u>
Total general obligation debt				<u>\$88,760,000</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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>
2019	\$ 3,669,000	\$ 2,882,359	\$ 281,390	\$ 6,832,749
2020	3,819,000	2,781,674	281,388	6,882,062
2021	3,966,000	2,679,669	281,389	6,927,058
2022	4,104,000	2,555,154	281,389	6,940,543
2023	4,262,000	2,413,033	281,389	6,956,422
2024-2028	23,683,000	9,741,485	1,406,944	34,831,429
2029-2033	35,312,000	4,749,869	(4,585,554)	35,476,315
2034-2035	9,945,000	414,235	-	10,359,235
	<u>\$88,760,000</u>	<u>\$28,217,478</u>	<u>\$(1,771,665)</u>	<u>\$115,205,813</u>

Series A of 2017 General Obligation Note

On November 1, 2017, the District issued a \$9,810,000 general obligation note, Series A of 2017, the proceeds from which were used to currently refund a portion of the District's outstanding general obligation note, Series of 2000 and to pay for the costs of issuance. The District currently refunded the general obligation note to reduce future debt service payments by \$374,733.

Series B of 2017 General Obligation Note

On November 1, 2017, the District issued a \$5,075,000 general obligation note, Series B of 2017, the proceeds from which were used to currently refund the District's remaining outstanding general obligation note, Series of 2000 and to pay for the costs of issuance. The District currently refunded the general obligation note to reduce future debt service payments by \$614.

(8) 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, 2018, 2 retirees received benefits under the District's ERIP plans and the District paid \$35,287 in ERIP benefits to retirees.

As of June 30, 2018, the District had two ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2018 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Amount</u>
July 1, 2016	1	\$ 37,394
July 1, 2017	1	<u>257,395</u>
		<u>\$294,789</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2017:

Active participants	487
Vested former participants	-
Retired participants	<u>24</u>
Total	<u>511</u>

Funding Policy

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

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, and by rolling forward the liabilities from the July 1, 2016 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$3,665,375, all of which is unfunded. As of June 30, 2018, the OPEB liability of \$3,665,375 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

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

Balance as of July 1, 2017	<u>\$3,182,397</u>
Changes for the year	
Service cost	280,485
Interest on total OPEB liability	84,585
Changes in assumptions	239,516
Benefit payments	<u>(121,608)</u>
Net changes	<u>482,978</u>
Balance as of June 30, 2018	<u><u>\$3,665,375</u></u>

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$260,368. At June 30, 2018, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$219,556	\$ -
Contributions subsequent to the measurement date	<u>124,662</u>	<u>-</u>
	<u><u>\$344,218</u></u>	<u><u>\$ -</u></u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

\$124,662 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 19,960
2019	19,960
2020	19,960
2021	19,960
2022	19,960
Thereafter	<u>119,756</u>
	<u>\$219,556</u>

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

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$3,250,030</u>	<u>\$3,665,375</u>	<u>\$4,157,910</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
OPEB Liability	<u>\$3,919,290</u>	<u>\$3,665,375</u>	<u>\$3,425,692</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2018, was determined by rolling forward the OPEB Liability as of July 1, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 3.13% - Standard and Poor's 20-year municipal bond rate. The discount rate changed from 2.49% to 3.13%.
- Salary growth - effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2017 and 5.50% in 2018 through 2033.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

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

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$344,302 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$6,432,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.3157 percent, which was a decrease of 0.0064 from its proportion measured as of June 30, 2016. As of June 30, 2018, the OPEB liability of \$6,328,974 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$103,026 of the OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$92,197. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$299,311
Net difference between projected and actual investment earnings	6,802	-
Changes in proportions	-	117,857
Difference between employer contributions and their proportionate share of total contributions	-	5,043
Contributions subsequent to the measurement date	<u>344,302</u>	<u>-</u>
	<u>\$351,104</u>	<u>\$422,211</u>

\$344,302 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2018	\$ (69,089)
2019	(69,089)
2020	(69,088)
2021	(69,087)
2022	(69,528)
Thereafter	<u>(69,528)</u>
	<u>\$ (415,409)</u>

Actuarial Assumptions

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

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

Participation rate:

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.40%	0.60%
Fixed income	<u>23.60%</u>	1.50%
	<u>100.00%</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, 2017.

Discount Rate

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

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

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

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$6,430,000</u>	<u>\$6,432,000</u>	<u>\$6,433,000</u>

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

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

	<u>1% Decrease</u> <u>2.13%</u>	<u>Current Discount Rate</u> <u>3.13%</u>	<u>1% Increase</u> <u>4.13%</u>
District's proportionate share of the net OPEB liability	<u>\$7,312,000</u>	<u>\$6,432,000</u>	<u>\$5,702,000</u>

OPEB Plan Fiduciary Net Position

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

(10) PENSION PLAN

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

Plan Description

PSERS is a governmental cost-sharing 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 PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

Contributions

Member Contributions

Active members who joined 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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$13,166,433 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$155,919,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.3157 percent, which was a decrease of 0.0064 percent from its proportion measured as of June 30, 2017. As of June 30, 2018, the net pension liability of \$154,348,900 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$1,570,100 of the net pension liability is recorded as a liability in the proprietary fund statement of net position (deficit), and in the business-type activities in the government-wide statement of net position (deficit).

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$5,073,236. At June 30, 2018, 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 expected and actual experience	\$ 1,626,616	\$ 942,153
Changes in assumptions	4,235,652	-
Net difference between projected and actual investment earnings	3,612,934	-
Changes in proportions	4,863,000	2,325,200
Difference between employer contributions and proportionate share of total contributions	65,847	-
Contributions subsequent to the measurement date	<u>13,166,433</u>	<u>-</u>
	<u>\$27,570,482</u>	<u>\$3,267,353</u>

\$13,166,433 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 4,177,913
2019	5,232,429
2020	2,815,276
2021	<u>(1,088,922)</u>
	<u>\$11,136,696</u>

Actuarial Assumptions

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

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

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

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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>
Global public equity	20.0 %	5.1%
Fixed income	36.0 %	2.6%
Commodities	8.0 %	3.0%
Absolute return	10.0 %	3.4%
Risk parity	10.0 %	3.8%
Infrastructure/MLPs	8.0 %	4.8%
Real estate	10.0 %	3.6%
Alternative investments	15.0 %	6.2%
Cash	3.0 %	0.6%
Financing (LIBOR)	<u>(20.0)%</u>	1.1%
	<u>100.0 %</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$191,923,000</u>	<u>\$155,919,000</u>	<u>\$125,522,000</u>

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.

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2017-2018 was \$189,150.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2017-2018, the District did not have any financial transactions with the 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 2017-2018 was \$1,129,056.

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,

2019	\$ 299,755
2020	299,355
2021	298,886
2022	288,307
2023	278,113
2024-2028	1,284,389
2029-2033	1,235,451
2034-2035	<u>179,698</u>
	<u>\$4,163,954</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 2017-2018, the District contracted with the DCIU for special education services which totaled \$2,140,174.

(12) 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.

(13) RISK MANAGEMENT

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

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

The following table presents the components of the self-insurance claims surplus (liability) and the related changes in the claims surplus (liability) for the year ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Insurance claims surplus (liability) – beginning of year	\$ 3,843,050	\$ 2,563,210
Current year insurance claims, fees and changes in estimates	(10,850,943)	(8,432,447)
Insurance claims and fees paid	<u>10,269,319</u>	<u>9,712,287</u>
Insurance claims surplus (liability) – end of year	<u>\$ 3,261,426</u>	<u>\$ 3,843,050</u>

RADNOR TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(14) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 75, the District made a prior period adjustment to record its OPEB liability and deferred outflows of resources related to employer OPEB contributions. This prior period adjustment and its effect on net position at July 1, 2016 are summarized in the following table:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at June 30, 2016, as previously stated	\$ (91,876,407)	\$ (265,032)	\$ (92,141,439)
Prior period adjustment to			
To adjust single employer OPEB liability to reflect unfunded actuarial liability	(2,261,423)	-	(2,261,423)
To record deferred outflows of resources related to employer OPEB liability	121,608	-	121,608
To record PSERS net OPEB liability	(6,826,869)	(111,131)	(6,938,000)
To record deferred outflows of resources related to PSERS net OPEB liability	<u>337,207</u>	<u>5,489</u>	<u>342,696</u>
Net position (deficit) at June 30, 2016, as restated	<u>\$(100,505,884)</u>	<u>\$(370,674)</u>	<u>\$(100,876,558)</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 79,527,495	\$ 79,561,206	\$ 79,699,207	\$ 138,001
State sources	15,074,074	15,074,074	14,873,621	(200,453)
Federal sources	<u>1,220,107</u>	<u>1,186,396</u>	<u>1,139,276</u>	<u>(47,120)</u>
Total revenues	<u>95,821,676</u>	<u>95,821,676</u>	<u>95,712,104</u>	<u>(109,572)</u>
EXPENDITURES				
Instruction				
Regular programs	39,612,267	38,720,863	38,362,267	358,596
Special programs	15,005,537	15,349,134	15,293,919	55,215
Vocational programs	168,000	189,152	189,150	2
Other instructional programs	25,828	19,438	15,941	3,497
Higher education programs	<u>1,129,056</u>	<u>1,129,056</u>	<u>1,129,056</u>	<u>-</u>
Total instruction	<u>55,940,688</u>	<u>55,407,643</u>	<u>54,990,333</u>	<u>417,310</u>
Support services				
Pupil personnel services	4,123,166	3,974,377	3,943,226	31,151
Instructional staff services	4,794,347	4,399,753	4,281,611	118,142
Administrative services	5,839,411	5,655,728	5,613,367	42,361
Pupil health	1,244,423	1,143,659	1,138,540	5,119
Business services	1,106,355	990,593	984,092	6,501
Operation and maintenance of plant services	8,255,405	8,472,453	8,402,712	69,741
Student transportation services	4,107,971	4,595,925	4,590,308	5,617
Support services - central	1,745,593	1,715,899	1,546,158	169,741
Other support services	<u>78,913</u>	<u>124,262</u>	<u>124,262</u>	<u>-</u>
Total support services	<u>31,295,584</u>	<u>31,072,649</u>	<u>30,624,276</u>	<u>448,373</u>
Operation of non-instructional services				
Student activities	1,330,453	1,369,834	1,333,802	36,032
Community services	<u>-</u>	<u>150</u>	<u>103</u>	<u>47</u>
Total operation of non-instructional services	<u>1,330,453</u>	<u>1,369,984</u>	<u>1,333,905</u>	<u>36,079</u>
Debt service	<u>6,740,520</u>	<u>6,738,704</u>	<u>6,734,808</u>	<u>3,896</u>
Total expenditures	<u>95,307,245</u>	<u>94,588,980</u>	<u>93,683,322</u>	<u>905,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>514,431</u>	<u>1,232,696</u>	<u>2,028,782</u>	<u>796,086</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	230	230
Insurance recoveries	3,500	3,500	7,445	3,945
Refund of prior year receipts	-	(15,638)	(15,637)	1
Transfers out	(431,739)	(1,134,246)	(1,008,895)	125,351
Budgetary reserve	<u>(576,302)</u>	<u>(576,302)</u>	<u>-</u>	<u>576,302</u>
Total other financing sources (uses)	<u>(1,004,541)</u>	<u>(1,722,686)</u>	<u>(1,016,857)</u>	<u>705,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ (490,110)</u>	<u>\$ (489,990)</u>	<u>1,011,925</u>	<u>\$ 1,501,915</u>
FUND BALANCE				
Beginning of year			<u>19,186,506</u>	
End of year			<u>\$ 20,198,431</u>	

RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.3157%	0.3221%	0.3147%	0.3066%
District's proportionate share of the net pension liability	\$ 155,919,000	\$ 159,623,000	\$ 136,313,000	\$ 121,355,000
District's covered-employee payroll	\$ 42,030,698	\$ 41,716,998	\$ 40,491,077	\$ 39,126,733
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371%	383%	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	52%	50%	54%	57%

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

RADNOR TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,075,000	\$ 10,247,000	\$ 8,126,000	\$ 6,108,000
Contributions in relation to the contractually required contribution	<u>\$ 12,056,294</u>	<u>\$ 10,122,168</u>	<u>\$ 8,411,374</u>	<u>\$ 6,294,135</u>
Contribution deficiency (excess)	18,706	124,832	(285,374)	(186,135)
District's covered-employee payroll	\$ 42,030,698	\$ 41,716,998	\$ 40,491,077	\$ 39,126,733
Contributions as a percentage of covered-employee payroll	29%	25%	20%	16%

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

RADNOR TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 280,485
Interest on total OPEB liability	84,585
Changes of assumptions	239,516
Benefit payments	<u>(121,608)</u>
Net change in total OPEB liability	482,978
Total OPEB liability, beginning	<u>3,182,397</u>
Total OPEB liability, ending	<u>\$ 3,665,375</u>
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	\$ 34,259,984
Net OPEB liability as a % of covered payroll	11%

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

RADNOR TOWNSHIP SCHOOL DISTRICT

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

Year ended June 30

	<u>2017</u>
District's proportion of the net OPEB liability	0.3157%
District's proportionate share of the net OPEB liability	\$ 6,432,000
District's covered-employee payroll	\$ 42,030,698
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15%
Plan fiduciary net position as a percentage of the total OPEB liability	6%

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

RADNOR TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2017</u>
Contractually required contribution	\$ 349,000
Contributions in relation to the contractually required contribution	<u>\$ 342,696</u>
Contribution deficiency (excess)	6,304
District's covered-employee payroll	\$ 42,030,698
Contributions as a percentage of covered-employee payroll	1%

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

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, 2018

	Major Funds			Non-Major Governmental Fund	Total
	General Fund	Capital Projects Fund	Debt Sinking Fund		
NET CHANGE IN FUND BALANCES GOVERNMENTAL FUNDS	\$ 1,011,925	\$ 725,098	\$ 194,388	\$ 4,307	\$ 1,935,718
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	1,157,222	-	-	-	1,157,222
Depreciation expense	(4,759,981)	-	-	-	(4,759,981)
	<u>(3,602,759)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,602,759)</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 increased by this amount in the current period.					
Deferred inflows of resources June 30, 2017	(806,261)	-	-	-	(806,261)
Deferred inflows of resources June 30, 2018	905,740	-	-	-	905,740
	<u>99,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,479</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.					
	<u>(581,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(581,624)</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net 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 and notes payable	3,580,000	14,725,000	-	-	18,305,000
Issuance of debt	-	(14,885,000)	-	-	(14,885,000)
Amortization of discounts, premiums and deferred amounts on refunding	-	45,425	-	-	45,425
	<u>3,580,000</u>	<u>(114,575)</u>	<u>-</u>	<u>-</u>	<u>3,465,425</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	(5,022,149)	-	-	-	(5,022,149)
Current year change in accrued interest payable	(90,532)	-	-	-	(90,532)
Current year change in early retirement incentive	12,214	-	-	-	12,214
Current year change in compensated absences	(15,863)	-	-	-	(15,863)
Change in net post-employment benefit (OPEB) liability and related OPEB items	(169,649)	-	-	-	(169,649)
	<u>(5,285,979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,285,979)</u>
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	\$ (4,778,958)	\$ 610,523	\$ 194,388	\$ 4,307	\$ (3,969,740)

SINGLE AUDIT

RADNOR TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2018</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-170354	07/01/16 - 09/30/17	\$ 367,567	\$ 168,960	\$ 43,330	\$ 125,630	\$ 125,630	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-180354	07/01/17 - 09/30/18	320,944	134,230	-	184,680	184,680	50,450	-
Total CFDA #84.010						303,190	43,330	310,310	310,310	50,450	-
Title II - Improving Teacher Quality	I	84.367	020-170354	07/01/16 - 09/30/17	85,838	18,113	18,471	(358)	(358)	-	-
Title II - Improving Teacher Quality	I	84.367	020-180354	07/01/17 - 09/30/18	89,826	89,826	-	89,826	89,826	-	-
Total CFDA #84.367						107,939	18,471	89,468	89,468	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-160354	07/01/15 - 09/30/16	26,157	1,552	1,552	-	-	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-170354	07/01/16 - 09/30/17	35,219	20,125	(4,394)	24,519	24,519	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-180354	07/01/17 - 09/30/18	21,934	9,139	-	21,934	21,934	12,795	-
Total CFDA #84.365						30,816	(2,842)	46,453	46,453	12,795	-
Title IV - Student Support and Academic Achievement	I	84.424	144-180354	07/01/17 - 09/30/18	10,000	4,167	-	1,556	1,556	(2,611)	-
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/16 - 09/30/17	2,214	2,214	2,214	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/17 - 09/30/18	1,302	-	-	1,302	1,302	1,302	-
Total CFDA #84.173						2,214	2,214	1,302	1,302	1,302	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/17 - 09/30/18	442,430	385,883	-	442,430	442,430	56,547	-
Total U.S. Department of Education						834,209	61,173	891,519	891,519	118,483	-

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2018</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/16 - 06/30/17	N/A	1,262	1,262	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/17 - 06/30/18	N/A	22,734	-	28,482	28,482	5,748	-
Total State Matching						23,996	1,262	28,482	28,482	5,748	-
Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A	1,054	1,054	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A	19,291	-	24,328	24,328	5,037	-
Total CFDA #10.553						20,345	1,054	24,328	24,328	5,037	-
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	8,449	8,449	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	173,167	-	214,648	214,648	41,481	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	82,970	-	82,970	82,970	-	-
Total CFDA #10.555						264,586	8,449	297,618	297,618	41,481	-
Total U.S. Department of Agriculture						308,927	10,765	350,428	350,428	52,266	-
Total Federal Awards and Certain State Grants						\$ 1,143,136	\$ 71,938	\$ 1,241,947	\$ 1,241,947	\$ 170,749	\$ -
Total Federal Awards						\$ 1,119,140	\$ 70,676	\$ 1,213,465	\$ 1,213,465	\$ 165,001	\$ -
Total State Awards						23,996	1,262	28,482	28,482	5,748	-
Total Federal Awards and Certain State Grants						\$ 1,143,136	\$ 71,938	\$ 1,241,947	\$ 1,241,947	\$ 170,749	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 388,097	\$ 2,214	\$ 443,732	\$ 443,732	\$ 57,849	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 284,931	\$ 9,503	\$ 321,946	\$ 321,946	\$ 46,518	\$ -

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, 2018

(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 and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2017-2018 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was \$283.

(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, 2018 was \$247,474.

(6) INDIRECT COSTS

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

RADNOR TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

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



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

**Board of School Directors
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, 2018, 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 December 12, 2018.

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
December 12, 2018**



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

**Board of School Directors
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 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, 2018. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
December 12, 2018**

RADNOR TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Radnor Township School District were prepared in accordance with GAAP.
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 the Uniform Guidance.
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 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The 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