

WILMINGTON AREA SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION,
AND COMPLIANCE REPORTING**

YEAR ENDED JUNE 30, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Wilmington Area School District
New Wilmington, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilmington Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 the Wilmington Area School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan information, and other post-employment benefit plan information on pages 4 through 11 and 56 through 60 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 Wilmington Area School District's basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the Wilmington Area 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 the Wilmington Area School District's internal control over financial reporting and compliance.

Change in Accounting Principle

During the 2021 year-end, the District adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania

January 28, 2022

Wilmington Area School District
Management's Discussion and Analysis (MD&A)
June 30, 2021

As Management of Wilmington Area School District, we offer readers of Wilmington Area School District's financial statements this narrative overview and analysis of the financial activities of Wilmington Area School District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2021 are as follows:

Government-Wide Financial Statements

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at June 30, 2021 by \$20,573,477. The primary reason for this is due to the net pension liability in the amount of \$27,524,610.
- The total net position increased by \$449,843. Of this amount, a \$430,226 increase was associated with governmental activities, and a \$19,617 increase was associated with business-type activities.
- The District's total long-term liabilities decreased by the net of \$15,180 from the previous year.

Fund Financial Statements

- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$7,362,902, a decrease of \$1,136,763 in comparison with the prior year. Of this amount, \$1,692,409 is unassigned and available for spending at the District's discretion.
- At the end of the current fiscal year, the fund balance for the General Fund was \$6,966,434. Of the fund balance, \$674,015 was restricted for capital projects, \$1,643,611 was assigned for capital projects, \$2,250,000 was assigned for healthcare and retirement costs, and \$706,399 was assigned for subsequent year's expenditures. The remaining amount of \$1,692,409 was unassigned and available for spending. The unassigned fund balance of the General Fund represented 8.2% of total General Fund budgeted expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide financial statements – The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between the District’s assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, is one way to measure the District’s financial health or position.

Over time, increases or decreases in the District’s net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall condition of the District, you need to consider additional non-financial factors, such as changes in the District’s property tax base, the performance of its students and changes in student enrollment including the percentage of students needing special education services.

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

- **Governmental activities** – All of the District’s basic services are included here, such as instruction, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and student activities. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** – The District maintains a food service operation for use by staff and students. The operational costs are funded by user charges and state and federal subsidies.

Fund financial statements – The District’s fund financial statements, which begin on page 14, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and bond requirements.

Governmental funds – Most of the District’s activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, and changes in financial position. A significant portion of funding is provided through user charges. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities we report in the government-wide statements. However, the fund statements provide more detail and additional information, such as cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for student activity funds and the fitness center club. The District’s fiduciary activities are reported in the separate financial statements on pages 22 and 23. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District’s total net deficit was \$20,573,477 and \$21,023,320 at June 30, 2021 and 2020, respectively.

Table A-1
June 30, 2021 and 2020
Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 10,770,433	\$ 12,443,013	\$ 165,380	\$ 127,247	\$ 10,935,813	\$ 12,570,260
Capital assets	21,411,099	21,189,811	32,609	37,611	21,443,708	21,227,422
Total assets	32,181,532	33,632,824	197,989	164,858	32,379,521	33,797,682
Deferred outflows of resources	4,539,494	3,487,400	-	-	4,539,494	3,487,400
Current liabilities	3,822,370	4,162,603	80,022	66,508	3,902,392	4,229,111
Long-term liabilities	51,292,906	51,211,370	-	-	51,292,906	51,211,370
Total liabilities	55,115,276	55,373,973	80,022	66,508	55,195,298	55,440,481
Deferred inflows of resources	2,297,194	2,867,921	-	-	2,297,194	2,867,921
NET POSITION (DEFICIT)						
Net investment in capital assets	2,059,060	1,298,378	32,609	37,611	2,091,669	1,335,989
Restricted	1,070,483	2,166,306	-	-	1,070,483	2,166,306
Unrestricted	(23,820,987)	(24,586,354)	85,358	60,739	(23,735,629)	(24,525,615)
TOTAL NET POSITION (DEFICIT)	\$ (20,691,444)	\$ (21,121,670)	\$ 117,967	\$ 98,350	\$ (20,573,477)	\$ (21,023,320)

A significant portion of the District’s net position (\$2,091,669) reflects its investments in capital assets (e.g. land, building, equipment, improvements), less any debt used to acquire those assets that is still outstanding. Restricted balances are amounts set aside by management to finance future purchases or capital projects as planned by the District. Unrestricted assets are a combination of designated and undesignated amounts. Unrestricted net position may be used to meet the District’s ongoing obligations to citizens and creditors.

The results of this year's operations as a whole are reported in the Statement of Activities on page 13. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers. Table A-2 takes the information from that Statement, rearranges it slightly, so you can see total revenues for the year.

Table A-2
Fiscal years ended June 30, 2021 and 2020
Changes in Net Position

	<i>Governmental</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
REVENUES						
Program revenues:						
Charges for services	\$ 211,229	\$ 382,488	\$ 37,657	\$ 201,923	\$ 248,886	\$ 584,411
Operating grants and contributions	6,866,822	5,440,886	343,750	280,702	7,210,572	5,721,588
General revenues:						
Property taxes	7,287,682	7,474,194	-	-	7,287,682	7,474,194
Other taxes	1,318,843	1,240,121	-	-	1,318,843	1,240,121
Grants, subsidies and contributions unrestricted	5,802,896	5,802,899	-	-	5,802,896	5,802,899
Gain on sale of capital assets	-	-	-	-	-	-
Other	254,402	328,242	158	512	254,560	328,754
	<u>21,741,874</u>	<u>20,668,830</u>	<u>381,565</u>	<u>483,137</u>	<u>22,123,439</u>	<u>21,151,967</u>
EXPENSES						
Instruction	11,655,927	11,067,607	-	-	11,655,927	11,067,607
Instructional student support	2,089,014	1,540,708	-	-	2,089,014	1,540,708
Administrative and financial support services	1,730,628	1,796,526	-	-	1,730,628	1,796,526
Operation and maintenance of plant services	1,947,594	1,759,202	-	-	1,947,594	1,759,202
Pupil transportation	1,505,198	1,352,250	-	-	1,505,198	1,352,250
Student activities	711,001	682,194	-	-	711,001	682,194
Community services	6,330	8,747	-	-	6,330	8,747
Interest on long-term debt	805,785	536,378	-	-	805,785	536,378
Depreciation and amortization - unallocated	860,171	969,967	-	-	860,171	969,967
Food services	-	-	361,948	430,952	361,948	430,952
	<u>21,311,648</u>	<u>19,713,579</u>	<u>361,948</u>	<u>430,952</u>	<u>21,673,596</u>	<u>20,144,531</u>
Income (deficiency) before transfers	430,226	955,251	19,617	52,185	449,843	1,007,436
Transfers	-	(44,759)	-	44,759	-	-
Changes in net position	430,226	910,492	19,617	96,944	449,843	1,007,436
Net position, beginning of year as restated	(21,121,670)	(22,032,162)	98,350	1,406	(21,023,320)	(22,030,756)
Net position, end of year	<u>\$ (20,691,444)</u>	<u>\$ (21,121,670)</u>	<u>\$ 117,967</u>	<u>\$ 98,350</u>	<u>\$ (20,573,477)</u>	<u>\$ (21,023,320)</u>

Table A-3 shows the total cost and net cost of each of the District's functions – instructional programs, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and student activities. Net cost is the total cost less revenues generated by each activity. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the extent to which the remaining financial needs are supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal years ended June 30, 2021 and 2020
Governmental Activities

<i>Functions/Programs</i>	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Instruction	\$ 11,655,927	\$ 11,067,607	\$ 6,382,584	\$ 6,982,186
Instructional student support	2,089,014	1,540,708	1,813,041	1,308,870
Administrative and financial support services	1,730,628	1,796,526	1,520,528	1,596,421
Operation and maintenance of plant services	1,947,594	1,759,202	1,822,512	1,655,809
Pupil transportation	1,505,198	1,352,250	514,823	399,460
Student activities	711,001	679,694	657,775	590,067
Community services	6,330	8,747	6,330	8,747
Interest on long-term debt	805,785	536,378	655,833	376,178
Depreciation and amortization - unallocated	860,171	969,967	860,171	969,967
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 21,311,648</u>	<u>\$ 19,711,079</u>	14,233,597	13,887,705
Less:				
Grants, subsidies, and contributions unrestricted			<u>5,802,896</u>	<u>5,802,899</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			<u>\$ 8,430,701</u>	<u>\$ 8,084,806</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a fund balance of \$7,362,902 which is a decrease of \$1,136,763 from the June 30, 2020 balance.

The General Fund reported a decrease of \$1,142,361 while the budget was anticipating a decrease of \$814,174. Revenues were greater than budgeted primarily because of greater than anticipated tax and subsidy revenues.

General Fund Budget: During the fiscal year, the Board of School Directors (the Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided on page 18.

Transfers between specific categories of expenditures occur during the year. The most significant transfers occur from specific expenditure areas to other specific expenditure areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2021, the District had \$21,443,708 invested in a broad range of capital assets, including land and land improvements, buildings, building improvements, and furniture and equipment. This amount represents a net increase (including additions and deletions) of \$216,286, or 1.0% from last year.

Table A-4
Governmental and Business-Type Activities
Capital Assets – Net of Depreciation

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land and land improvements	\$ 395,296	\$ 456,040	\$ -	\$ -	\$ 395,296	\$ 456,040
Buildings and building improvements	19,613,451	20,364,498	-	-	19,613,451	20,364,498
Furniture, equipment and other	304,798	324,273	32,609	37,611	337,407	361,884
Construction in progress	1,097,554	45,000	-	-	1,097,554	45,000
TOTAL	\$ 21,411,099	\$ 21,189,811	\$ 32,609	\$ 37,611	\$ 21,443,708	\$ 21,227,422

The following were the most significant additions in capital assets during the year ended June 30, 2021:

- Window project, current year costs = \$990,751
- HVAC control upgrades = \$282,252

Debt administration

As of July 1, 2020, the District had total outstanding debt of \$20,097,552. During the year, the District received proceeds in the amount of \$10,317,525, including \$1,479,695 of bond premium, to refund bonds and related discount/premium totaling \$11,206,345, made payments against principal of \$1,094,055 and the current year amortization of the bond discount and premium was an \$76,297, resulting in outstanding debt as of June 30, 2021 of \$19,518,075.

Other obligations include accrued sick leave, the net pension liability, and the net OPEB liability for specific employees of the District. More detailed information about the long-term liabilities is included in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's debt rating is A1 as reviewed and assigned by Moody's Investors Services. The District's general obligation bond rating remains very favorable. Each of the District's bond issues are insured providing further protection for the bondholders.

The District does not expect any significant growth in residential units during the next couple of years. Most employment in the District is linked to educational or health related services. The District has never had much industrial employment and consequently does not expect any significant changes in employment. A large special education population and associated transportation costs continues to exert budgetary needs without external grant or entitlement funding increases to close the gap between the mandated expenditures and funding sources. The Pennsylvania Clean and Green Act continues to impact the level of real estate taxes the District receives; however, the District is beginning to experience increases in the assessed value of real estate.

The revenue budget for the 2021-2022 year is \$716,969 more than the original budget for 2020-2021. This represents a 3.6% increase in budgeted revenues. The expenditure budget for the 2021-2022 year is \$609,194 more than the original budget for 2020-2021, or a 2.9% increase.

The comparison of revenue and expenditure categories is as follows:

BUDGETED REVENUES		
	2021-2022	2020-2021
Local	42.8%	43.0%
State	51.3%	52.4%
Federal/Other	5.9%	4.6%

BUDGETED EXPENDITURES		
	2021-2022	2020-2021
Instruction	57.2%	58.3%
Support services	33.4%	31.5%
Non-Instructional	2.7%	2.6%
Capital Improvement	0.1%	0.1%
Fund transfers/Debt	6.6%	7.4%

In May 2005, the District chose not to participate in the Homeowner Tax Relief Act (Act 72 of 2004). Generally, the Act allows a district to enact a higher earned income or personal income tax while reducing real estate property taxes. This net reduction may be partially funded with allocations from recently enacted gaming revenue legislation. Act 72 contains restrictions similar to those of Act 50 in that a property tax increase above a state-determined index requires approval of the public through a referendum process.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Joshua Latore, Business Manager, at Wilmington Area School District, 300 Wood Street, New Wilmington, PA 16142, (724) 656-8866.

WILMINGTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,534,272	\$ 146,450	\$ 8,680,722
Certificates of deposit	39,386	-	39,386
Receivables:			
Delinquent and other taxes receivable	370,055	-	370,055
Intergovernmental	1,336,314	6,799	1,343,113
Interfund	57,077	(57,077)	-
Inventories	-	12,131	12,131
	<u>10,337,104</u>	<u>108,303</u>	<u>10,445,407</u>
CAPITAL ASSETS			
Non-depreciable capital assets	1,291,559	-	1,291,559
Depreciable capital assets, net of accumulated depreciation	20,119,540	32,609	20,152,149
	<u>21,411,099</u>	<u>32,609</u>	<u>21,443,708</u>
OTHER ASSETS			
Investment in health consortium	433,329	-	433,329
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	166,036	-	166,036
Relating to the net pension liability, net of amortization	3,404,902	-	3,404,902
Relating to the net OPEB liability, net of amortization	968,556	-	968,556
	<u>4,539,494</u>	<u>-</u>	<u>4,539,494</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 36,721,026</u>	<u>\$ 140,912</u>	<u>\$ 36,861,938</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 480,671	\$ 12,493	\$ 493,164
Current portion of long-term debt	907,280	-	907,280
Accrued salaries and benefits	2,360,031	-	2,360,031
Accrued interest payable	74,388	-	74,388
Unearned revenues	-	10,452	10,452
	<u>3,822,370</u>	<u>22,945</u>	<u>3,845,315</u>
NONCURRENT LIABILITIES			
Compensated absences	295,671	-	295,671
Net pension liability	27,524,610	-	27,524,610
Net OPEB liability	4,861,830	-	4,861,830
Long-term debt	18,610,795	-	18,610,795
	<u>51,292,906</u>	<u>-</u>	<u>51,292,906</u>
	<u>55,115,276</u>	<u>22,945</u>	<u>55,138,221</u>
DEFERRED INFLOWS OF RESOURCES			
Relating to the net pension liability, net of amortization	1,912,694	-	1,912,694
Relating to the net OPEB liability, net of amortization	384,500	-	384,500
	<u>2,297,194</u>	<u>-</u>	<u>2,297,194</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	2,059,060	32,609	2,091,669
Restricted	1,070,483	-	1,070,483
Unrestricted	(23,820,987)	85,358	(23,735,629)
	<u>(20,691,444)</u>	<u>117,967</u>	<u>(20,573,477)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 36,721,026</u>	<u>\$ 140,912</u>	<u>\$ 36,861,938</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense) Revenue and Changes In Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 11,655,927	\$ 203,272	\$ 5,070,071	\$ (6,382,584)	\$ -	\$ (6,382,584)
Instructional student support	2,089,014	-	275,973	(1,813,041)	-	(1,813,041)
Administrative and financial support services	1,730,628	-	210,100	(1,520,528)	-	(1,520,528)
Operation and maintenance of plant services	1,947,594	-	125,082	(1,822,512)	-	(1,822,512)
Pupil transportation	1,505,198	-	990,375	(514,823)	-	(514,823)
Student activities	711,001	7,957	45,269	(657,775)	-	(657,775)
Community services	6,330	-	-	(6,330)	-	(6,330)
Interest on long-term debt	805,785	-	149,952	(655,833)	-	(655,833)
Depreciation and amortization - unallocated	860,171	-	-	(860,171)	-	(860,171)
	21,311,648	211,229	6,866,822	(14,233,597)	-	(14,233,597)
BUSINESS-TYPE ACTIVITIES						
Food services	361,948	37,657	343,750	-	19,459	19,459
	\$ 21,673,596	\$ 248,886	\$ 7,210,572	(14,233,597)	19,459	(14,214,138)
GENERAL REVENUES						
Property taxes, levied for general purposes, net				7,287,682	-	7,287,682
Other taxes levied				1,318,843	-	1,318,843
Grants, subsidies, and contributions, unrestricted				5,802,896	-	5,802,896
Investment earnings				14,770	158	14,928
Miscellaneous income				239,632	-	239,632
				14,663,823	158	14,663,981
CHANGES IN NET POSITION (DEFICIT)				430,226	19,617	449,843
NET POSITION (DEFICIT), BEGINNING OF YEAR, AS RESTATED				(21,121,670)	98,350	(21,023,320)
NET POSITION (DEFICIT), END OF YEAR				\$ (20,691,444)	\$ 117,967	\$ (20,573,477)

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2021

	<i>Non-Major Funds</i>			
	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Scholarship Fund</i>	<i>Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 8,149,315	\$ 378,106	\$ 6,851	\$ 8,534,272
Certificates of deposit	-	-	39,386	39,386
Delinquent and other taxes receivable	370,055	-	-	370,055
Intergovernmental receivables	1,336,314	-	-	1,336,314
Interfund receivable	57,077	-	-	57,077
TOTAL ASSETS	\$ 9,912,761	\$ 378,106	\$ 46,237	\$ 10,337,104
LIABILITIES				
Accounts payable	\$ 452,796	\$ 27,875	\$ -	\$ 480,671
Accrued salaries and benefits	2,360,031	-	-	2,360,031
	2,812,827	27,875	-	2,840,702
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	133,500	-	-	133,500
FUND BALANCES				
Fund balances:				
Restricted:				
Capital projects	674,015	350,231	-	1,024,246
Scholarship awards	-	-	46,237	46,237
Assigned:				
Capital projects	1,643,611	-	-	1,643,611
Healthcare and retirement costs	2,250,000	-	-	2,250,000
Subsequent year's budget	706,399	-	-	706,399
Unassigned	1,692,409	-	-	1,692,409
	6,966,434	350,231	46,237	7,362,902
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,912,761	\$ 378,106	\$ 46,237	\$ 10,337,104

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS **\$ 7,362,902**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and unamortized bond issue costs are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$46,021,902, and the accumulated depreciation is \$24,610,803. 21,411,099

The investments in health consortium is expensed in the fund financial statements. 433,329

Property and earned income taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are unavailable revenues in the funds. 133,500

Deferred outflows and deferred inflows of resources relating to the deferred amount on bond refunding and the net pension and net OPEB liabilities are not reported in the funds. 2,242,300

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$	(19,518,075)	
Net pension liability		(27,524,610)	
Accrued interest on the bonds		(74,388)	
Compensated absences		(295,671)	
Net OPEB liability		(4,861,830)	
		(4,861,830)	(52,274,574)

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES **\$ (20,691,444)**

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<i>Non-Major Funds</i>			<i>Governmental Funds</i>
	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Scholarship Fund</i>	
REVENUES				
Local sources:				
Taxes	\$ 8,759,925	\$ -	\$ -	\$ 8,759,925
Other	454,574	27,124	609	482,307
State sources	10,706,168	-	-	10,706,168
Federal sources	1,946,874	-	-	1,946,874
	<u>21,867,541</u>	<u>27,124</u>	<u>609</u>	<u>21,895,274</u>
EXPENDITURES				
Instruction	12,156,704	-	-	12,156,704
Support services	6,818,976	-	-	6,818,976
Non-instructional services	516,820	-	620	517,440
Capital outlay	1,825,619	454,985	-	2,280,604
Debt service:				
Principal retirement	1,020,000	74,055	-	1,094,055
Interest and issuance costs on long-term debt	575,736	-	-	575,736
	<u>22,913,855</u>	<u>529,040</u>	<u>620</u>	<u>23,443,515</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(1,046,314)</u>	<u>(501,916)</u>	<u>(11)</u>	<u>(1,548,241)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	10,035,000	282,525	-	10,317,525
Payment to refunded bond escrow agent	(11,385,742)	-	-	(11,385,742)
Premium on bonds issued	1,479,695	-	-	1,479,695
Interfund transfers	(225,000)	225,000	-	-
	<u>(96,047)</u>	<u>507,525</u>	<u>-</u>	<u>411,478</u>
NET CHANGE IN FUND BALANCE	(1,142,361)	5,609	(11)	(1,136,763)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>8,108,795</u>	<u>344,622</u>	<u>46,248</u>	<u>8,499,665</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 6,966,434</u></u>	<u><u>\$ 350,231</u></u>	<u><u>\$ 46,237</u></u>	<u><u>\$ 7,362,902</u></u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (1,136,763)
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 as depreciation expense. This is the amount by which capitalized outlay expenditures (\$1,407,634) is greater than depreciation (\$1,186,346) in the period.	221,288
Change in investment in health care consortium.	(120,256)
Because some property and earned income 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. Unavailable revenues for taxes changed by this amount this year.	(153,400)
The issuance of long-term debt provides current financial resources but has no effect on net position.	(10,317,525)
The defeasance of long-term debt uses current financial resources but has no effect on net position.	11,385,742
Governmental funds report issuance costs, premiums, discounts, and similar items when debt is first 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 related items.	(1,622,878)
Change in accrued interest expense on bonds payable.	(10,569)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,094,055
In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	
Change in compensated absences	\$ (12,515)
Change in net pension liability and relating to deferred inflows and outflows	1,181,940
Change in net OPEB liability and relating to deferred inflows and outflows	(78,893)
TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 430,226

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2021

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>	<i>Budgetary Basis to GAAP Difference</i>	<i>Actual Amounts GAAP Basis</i>
REVENUES					
Local Sources:					
Taxes	\$ 8,224,657	\$ 8,759,925	\$ 535,268	\$ (153,400)	\$ 8,606,525
Other	317,131	454,574	137,443	-	454,574
State sources	10,399,084	10,706,168	307,084	-	10,706,168
Federal sources	906,269	1,946,874	1,040,605	-	1,946,874
	<u>19,847,141</u>	<u>21,867,541</u>	<u>2,020,400</u>	<u>(153,400)</u>	<u>21,714,141</u>
EXPENDITURES					
Regular programs	8,520,276	8,859,080	(338,804)	308,118	9,167,198
Special programs	3,068,158	2,982,168	85,990	-	2,982,168
Vocational education	473,893	442,997	30,896	-	442,997
Other instructional programs	12,364	32	12,332	-	32
Pupil personnel	558,421	547,785	10,636	(107,843)	439,942
Instructional staff	478,550	566,769	(88,219)	-	566,769
Administration	1,454,620	1,567,875	(113,255)	(131,863)	1,436,012
Pupil health	251,089	276,285	(25,196)	-	276,285
Business office	279,282	289,616	(10,334)	-	289,616
Operation and maintenance of plant	1,451,703	1,637,997	(186,294)	(52,233)	1,585,764
Student transportation	1,589,135	1,505,198	83,937	-	1,505,198
Other support services	443,705	811,018	(367,313)	-	811,018
Student activities	542,886	542,052	834	199,891	741,943
Community services	-	6,330	(6,330)	-	6,330
Land and existing site improvements	15,000	1,282,917	(1,267,917)	-	1,282,917
Debt service:					
Principal retirement	1,020,000	1,020,000	-	(1,020,000)	-
Interest and issuance costs on long-term debt	502,233	575,736	(73,503)	230,049	805,785
	<u>20,661,315</u>	<u>22,913,855</u>	<u>(2,252,540)</u>	<u>(573,881)</u>	<u>22,339,974</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(814,174)	(1,046,314)	(232,140)	420,481	(625,833)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	-	10,035,000	10,035,000	(10,035,000)	-
Payment to refunded bond escrow agent	-	(11,385,742)	(11,385,742)	11,385,742	-
Premium on bonds issued	-	1,479,695	1,479,695	(1,479,695)	-
Interfund transfers	-	(225,000)	(225,000)	-	(225,000)
	<u>-</u>	<u>(96,047)</u>	<u>(96,047)</u>	<u>(128,953)</u>	<u>(225,000)</u>
NET CHANGE IN FUND BALANCE	(814,174)	(1,142,361)	(328,187)	291,528	(850,833)
FUND BALANCE, BEGINNING OF YEAR	-	8,108,795	8,108,795	(291,528)	22,359,916
FUND BALANCE, END OF YEAR	<u>\$ (814,174)</u>	<u>\$ 6,966,434</u>	<u>\$ 7,780,608</u>	<u>\$ -</u>	<u>\$ 21,509,083</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND (FOOD SERVICE)
 JUNE 30, 2021

	<i>Food Service</i>
ASSETS	
CURRENT ASSETS	
Cash	\$ 146,450
Intergovernmental receivables	6,799
Inventories	12,131
	<u>165,380</u>
NONCURRENT ASSETS	
Depreciable capital assets, net	<u>32,609</u>
TOTAL ASSETS	<u><u>\$ 197,989</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 12,493
Interfund payable	57,077
Deferred revenues	10,452
	<u>80,022</u>
NET POSITION	
Net investment in capital assets	32,609
Unrestricted	85,358
	<u>117,967</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 197,989</u></u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

PROPRIETARY FUND (FOOD SERVICE)

YEAR ENDED JUNE 30, 2021

	<i>Food Service</i>
OPERATING REVENUES	
Food service sales	\$ 37,657
OPERATING EXPENSES	
Food services and supplies	24,897
Food service management	332,049
Depreciation	5,002
	<u>361,948</u>
OPERATING LOSS	<u>(324,291)</u>
NONOPERATING REVENUES	
State subsidies	11,700
Federal subsidies	332,050
Investment earnings	158
	<u>343,908</u>
CHANGE IN NET POSITION	19,617
NET POSITION, BEGINNING OF YEAR	<u>98,350</u>
NET POSITION, END OF YEAR	<u><u>\$ 117,967</u></u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (FOOD SERVICE)

YEAR ENDED JUNE 30, 2021

	<i>Food Service</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 38,678
Cash payments to suppliers for good and services	(343,356)
NET CASH USED IN OPERATING ACTIVITIES	<u>(304,678)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State subsidies	11,599
Federal subsidies	329,357
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>340,956</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	158
CHANGE IN CASH	36,436
CASH, BEGINNING OF YEAR	110,014
CASH, END OF YEAR	<u><u>\$ 146,450</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
OPERATING LOSS	\$ (324,291)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation	5,002
Increase in inventories	1,097
Decrease in accounts payable	12,493
Increase in deferred revenues	1,021
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (304,678)</u></u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
DONATED FOOD RECEIVED	<u><u>\$ 24,635</u></u>
DONATED FOOD USED	<u><u>\$ 24,635</u></u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2021

	<i>Custodial Funds</i>		
	<i>Student Activities</i>	<i>Fitness Center Club</i>	<i>Total</i>
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 95,606	\$ 2,811	\$ 98,417
NET POSITION	\$ 95,606	\$ 2,811	\$ 98,417

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	<i>Custodial Funds</i>		
	<i>Student Activities</i>	<i>Fitness Center Club</i>	<i>Total</i>
REVENUES			
Student activities receipts	39,642	-	39642
EXPENSES			
Student activities disbursements	42,500	-	42500
CHANGES IN NET POSITION	(2,858)	-	(2,858)
NET POSITION, BEGINNING OF YEAR	98,464	2,811	101,275
NET POSITION, END OF YEAR	\$ 95,606	\$ 2,811	\$ 98,417

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wilmington Area School District (the District) operates one elementary school, one Middle School, and one Senior High School in Lawrence and Mercer County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

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

Reporting Entity

The Governmental Accounting Standards Board Statement No. 14 “*The Financial Reporting Entity*”, 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 school as a reporting entity, management has addressed all potential component units, which may or may not fall within the school’s financial accountability. The criteria used to evaluate component units for possible inclusion as part of the school’s reporting entity are financial accountability and the nature and significance of the relationship.

This report includes all of the funds of the District based on the above criteria.

The following joint ventures are not component units of the District, and are not included in the District’s reporting entity.

Lawrence County Career and Technical Center – is a separate legal entity. It was organized by the eight public school districts in Lawrence County to provide services in the county. Each of the public school districts appoints member(s) to serve on the joint operating committee based on the Career and Technical Center’s bylaws, and each has an ongoing financial responsibility to fund the Career and Technical Center. Funding requirements of the District are based on the number of students attending the full-day classes from the District compared to the total students attending the Lawrence County Career and Technical Center. Audited financial statements for the year ended June 30, 2021 for the Lawrence County Career and Technical Center are available at its business office.

Midwestern Intermediate Unit IV (IU IV) – is a separate legal entity. It was organized by constituent school districts in Butler, Lawrence, and Mercer counties to provide services to the school districts. Fourteen members comprise the voting Board from approximately one-half of the member districts. The District contracts with the IU IV to administer and manage several federal grant programs, special education services, and a virtual charter school for the District’s students. Audited financial statements for the year ended June 30, 2021 for the IU IV are available at its business office.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

The District reports the following major funds and fund types in this report:

Governmental Funds – Most of the District’s activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination.

General Fund – the principal operating fund of the District used to account for all financial resources except those required to be reported in another fund.

Capital Projects Fund – account for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students of the District.

Scholarship Fund – used to account for the awarding of scholarships and other accounts sponsored by individuals.

Proprietary Funds – These are the funds that account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is:

Food Service – used to account for the operation of the cafeteria.

Fiduciary Funds – These are the funds that 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 funds included in this category are:

Student Activities Fund – used to account for the receipts and disbursements of Board of School Directors authorized student organizations.

Fitness Center Club Fund – used to account for the receipts and disbursements of the Wilmington Area Fitness Club whose purpose is to support the physical activities within the Wilmington Area School District.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements report information on all of the non-fiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District. The District's major individual governmental funds and its enterprise fund are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the District's enterprise fund include food production costs, supplies, and depreciation on equipment. Building-wide costs, such as utilities, maintenance and depreciation on the portion of buildings used for food service are not allocated to the food service fund.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation on the Statement of Net Position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

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

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

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The District publishes notice by advertisement after approval thirty days prior to the adoption of the annual budget and is available for public inspection at the administrative office of the District.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

For the year ended June 30, 2021, expenditures exceeded appropriations in ten functions by approximately \$2,477,000. These over-expenditures were funded by greater than anticipated revenues and lower than anticipated expenditures in other functions.

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 twelve months or less from the date of acquisition.

Inventories

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2021. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

The District does not record any other inventory, but rather expenses the purchase of supplies at the time of procurement.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed and are reported in the Statement of Net Position as construction in progress.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Years</u>
Land improvements	20 to 40
Buildings	50
Building improvements	20 to 40
Furniture	20
Equipment	5 to 15
Vehicles	8
Library books	7
Food service equipment	15

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized on the straight-line method over the life of the bonds.

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 and bond premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources affecting the Statement of Net Position in the current year are related to the deferred amount on bond refunding and deferred outflows relating to the pension and net OPEB liabilities.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category. They are delinquent taxes as reported in the Balance Sheet of the governmental fund statement and deferred inflows relating to the pension and net OPEB liabilities as reported on the Statement of Net Position.

Net Position

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy the District's obligations. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position: This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted: This consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with the intention of providing a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's board, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District's board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed. The District Superintendent and Business Manager have the authority to assign the amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District considers restricted funds to have been used first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Public School Employee's 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan and the Public School Employees' Retirement System and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued and Adopted Accounting Principles

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Recently Issued Accounting Principles

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

Subsequent Events

Management has evaluated subsequent events through January 28, 2022, the date on which the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016 and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards to credit quality and maturity are met.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by the law is pledged by the depository.

The deposit and investment policy of the District adheres to state statutes and prudent business practice. Deposits of the District consist of demand deposits at various financial institutions, certificates of deposit, money market mutual fund investments in Pennsylvania Local Government Investment Trust (PLGIT), and Pennsylvania School District Liquid Asset Fund (PSDLAF)

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, the carrying amount of the District's deposits was \$6,931,429 with a corresponding bank balance of \$7,092,374. Of the bank balances at year end, \$250,000 was covered by federal depository insurance, and the remaining amount was held in collateral by the depository's agent but not in the District's name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

Additionally, the District had cash maintained in fiduciary funds. At June 30, 2021, the carrying amount for the fiduciary funds amounted to \$98,417. The bank balances amounted to \$98,417 and were in excess of FDIC coverage, but were collateralized with securities held by the pledging financial institution in separate pooled accounts but not in the District's name.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an annual independent audit. The District's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania. Funds amounting to \$1,075,278 and \$674,015 were on deposit with PLGIT and PSDLAF, respectively.

NOTE C – CERTIFICATES OF DEPOSIT

Certificates of deposit amounted to \$39,386 for the Scholarship Fund as of June 30, 2021. These investments are held in trust by financial institutions on behalf of the District. To the extent that the certificates of deposit are not insured by FDIC, they are collateralized with securities held by the pledging financial institutions.

NOTE D – TAXES

Based upon assessments provided by the counties, the District bills and collects its property taxes through elected tax collectors in each of the seven municipalities that comprise the District. The District tax rate for the year ended June 30, 2021 was 15.748 and 65.345 mills (\$15.748 per \$1,000 of assessed valuation based on 75% of 1966's market value and \$65.345 per \$1,000 of assessed valuation based on 2002's market value) as levied by the Board of School Directors for Lawrence and Mercer Counties, respectively.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – TAXES (CONTINUED)

The Board of School Directors also levies per capita taxes based on the census of residents in the District. The tax rate under Section 679 is \$5/person and under Act 511 is \$5/person. Taxes are levied on July 1 and payable at a 2% discount to September 30, at face from October 1 to November 30 and at a 10% penalty thereafter. All uncollected real estate taxes are filed with each County on January 15.

The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue with the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected. Per capita and local services taxes receivable at year end are insignificant and recognized as revenue when collected.

In addition to per capita taxes, the District also levies taxes under Act 511 of the 1965 Local Tax Enabling Act: \$10 local services tax, ½ of 1% earned income tax and a 1% realty transfer tax.

The balances at June 30, 2021 are as follows:

	<i>Net Estimated to be Collectible</i>	<i>Tax Revenue Recognized</i>	<i>Unavailable Taxes</i>
Real estate	\$ 161,407	\$ 27,907	\$ 133,500
Earned income	194,303	194,303	-
Realty transfer tax	14,345	14,345	-
TOTAL	\$ 370,055	\$ 236,555	\$ 133,500

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is presented as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 194,005	\$ -	\$ -	\$ 194,005
Construction in progress	45,000	1,052,554	-	1,097,554
Total capital assets, not being depreciated	<u>239,005</u>	<u>1,052,554</u>	<u>-</u>	<u>1,291,559</u>
Capital assets being depreciated:				
Land improvements	1,162,262	-	-	1,162,262
Buildings and building improvements	41,947,905	282,252	-	42,230,157
Furniture, equipment and other	1,265,096	72,828	-	1,337,924
Total capital assets, being depreciated	<u>44,375,263</u>	<u>355,080</u>	<u>-</u>	<u>44,730,343</u>
Less accumulated depreciation:				
Land improvements	(900,227)	(60,744)	-	(960,971)
Buildings and building improvements	(21,398,870)	(1,033,299)	-	(22,432,169)
Furniture, equipment and other	(1,125,360)	(92,303)	-	(1,217,663)
Total accumulated depreciation	<u>(23,424,457)</u>	<u>(1,186,346)</u>	<u>-</u>	<u>(24,610,803)</u>
Total capital assets, being depreciated, net	<u>20,950,806</u>	<u>(831,266)</u>	<u>-</u>	<u>20,119,540</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 21,189,811</u>	<u>\$ 221,288</u>	<u>\$ -</u>	<u>\$ 21,411,099</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture, equipment and other	\$ 444,156	\$ -	\$ -	\$ 444,156
Less accumulated depreciation:				
Furniture, equipment and other	<u>(406,545)</u>	<u>(5,002)</u>	<u>-</u>	<u>(411,547)</u>
BUSINESS-TYPE CAPITAL				
ASSETS, NET	<u>\$ 37,611</u>	<u>\$ (5,002)</u>	<u>\$ -</u>	<u>\$ 32,609</u>

Construction in progress at June 30, 2021 consists of costs associated with the window project in the amount of \$1,035,751 and the maintenance storage garage in the amount of \$61,803.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS (CONTINUED)

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

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 6,621
Operation and maintenance of plant services	15,897
Non-instructional services	227,360
Unallocated	936,468
	<u>1,186,346</u>
BUSINESS-TYPE ACTIVITIES	
Food service	<u>5,002</u>
TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	<u><u>\$ 1,191,348</u></u>

NOTE F – LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2021, the District's long-term liabilities changed as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
Long-term debt	\$ 20,205,000	\$ 10,317,525	\$ (12,359,055)	\$ 18,163,470	\$ 907,280
Deferred amounts:					
Discount	(121,598)	124,327	(44,123)	(41,394)	(3,085)
Premium	14,150	1,486,070	(104,221)	1,395,999	168,730
Due to refunding	(182,040)	16,004	-	(166,036)	(16,004)
Net pension liability	27,040,347	484,263	-	27,524,610	-
Net OPEB liability	4,810,315	51,515	-	4,861,830	-
Compensated absences	283,156	12,515	-	295,671	-
TOTAL	<u><u>\$ 52,049,330</u></u>	<u><u>\$ 12,492,219</u></u>	<u><u>\$ (12,507,399)</u></u>	<u><u>\$ 52,034,150</u></u>	<u><u>\$ 1,056,921</u></u>

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

The future annual payments required to amortize outstanding long-term debt as of June 30, 2021, including total interest payments are as follows:

<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 593,894	\$ 907,280	\$ 1,501,174
2023	570,435	2,284,466	2,854,901
2024	534,022	1,531,724	2,065,746
2025	482,052	1,505,000	1,987,052
2026	423,422	1,575,000	1,998,422
2027-2031	1,208,811	6,975,000	8,183,811
2032-2035	147,406	3,385,000	3,532,406
TOTAL	<u>\$ 3,960,042</u>	<u>\$ 18,163,470</u>	<u>\$ 22,123,512</u>

A portion of debt service payments is reimbursed by the Commonwealth. Such reimbursements fluctuate from year-to-year, but normally amount to approximately 28% of the total payment.

General Obligation Bonds, Series of 2015

During the 2016 year-end, the District issued general obligation bonds in the amount of \$4,560,000. The purpose of the bonds was to refund and retire General Obligation Bonds, Series of 2010, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 0.55% to 3.125% and matures November 15, 2031. During the 2021 year-end, these bonds were refunded in full with the issuance of General Obligation Bonds, Series A of 2021.

General Obligation Bonds, Series of 2016

During the 2016 year-end, the District issued general obligation bonds in the amount of \$10,000,000. The purpose of the bonds was to partially refund General Obligation Bonds, Series of 2011, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 1% to 2.6% and matures November 15, 2028. During the 2021 year-end, these bonds were refunded in full with the issuance of General Obligation Bonds, Series B of 2021.

General Obligation Bonds, Series of 2017

During the 2018 year-end, the District issued general obligation bonds in the amount of \$5,435,000. The purpose of the bonds was to refund the General Obligation Bonds, Series of 2011 and 2012, pay the cost of the issuance of the bond, and take advantage for more favorable interest rates. The bond bears interest of 1.10% to 3.00% and matures November 2031. The refunding resulted in a cash savings of \$167,506 and a present value savings of \$167,019. At June 30, 2021, the balance outstanding on this bond is \$5,415,000.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds, Series of 2019

During the 2019 year-end, the District issued general obligation bonds in the amount of \$2,515,000. The purpose of the bonds was to pay off the interim financing for the elementary roof project and obtain funding for future capital projects. The bond bears interest of 2.00% to 3.00% and matures November 2034. At June 30, 2021, the balance outstanding on this bond is \$2,505,000.

General Obligation Bonds, Series of 2021A and 2021B

During the 2021 year-end, the District issued General Obligation Bonds, Series of 2021A in the amount of \$1,490,000 for the purpose of refunding General Obligation Bonds, Series of 2015, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 0.60% to 4.00% and matures November 2031. At June 30, 2021, the balance outstanding on this bond is \$1,490,000.

During the 2021 year-end, the District issued General Obligation Bonds, Series of 2021B in the amount of \$8,545,000 for the purpose of refunding General Obligation Bonds, Series of 2016, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 3.00% to 4.00% and matures November 2028. At June 30, 2021, the balance outstanding on this bond is \$8,545,000.

Equipment Loan

During 2021, the District entered into a financing arrangement with Honeywell for HVAC control upgrades at the Elementary School in the total amount of \$282,525. Interest was imputed at the prime rate at the time of the agreement which was 3.25%. Principal and interest payments are due annually in the total amount of \$74,055 through December 2023. At June 30, 2021, the balance outstanding on this bond is \$208,470.

Compensated Absences

The District allows all employees to accumulate their unused sick leave. Employees may accumulate an unlimited number of sick days and upon retirement or termination are paid at the rate of \$40 per day (\$20 for support staff) for accumulated unused sick leave days. In addition, the professional staff receives \$25 per year for each year of employment with the District. A liability has been recorded for the unused sick leave days for eligible employees only.

NOTE G – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Food Service Fund	Operations	\$ 57,077

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during the June 30, 2021 year-end is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Projects Fund	General Fund	Capital projects	\$ 225,000

On the government-wide Statement of Activities, all interfund transfers have been eliminated.

NOTE I – SELF INSURANCE – MEDICAL INSURANCE

In July of 2000, the District moved from a fully-insured program with premiums paid to the District’s medical insurance carrier to a self-funded program. As of July 1, 2005, the District participates in the Midwestern Health Combine Plan along with other public school or similar districts. The Reschini Agency administers and monitors the school’s deposits into the school district trust account to be held for the payment of medical and prescription drug claims. Highmark Blue Cross/Blue Shield processes and pays the claims. The District is limited in liability to \$350,000 per individual claim per year by purchasing stop-loss insurance coverage. The District has recorded a liability for estimated claims incurred through June 30, 2021 but not funded at year-end of \$215,136. At June 30, 2021, the District’s investment was \$433,329 which represents the District’s portion of the consortium fund balance at year-end.

NOTE J – PENSION PLAN

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees in the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school 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.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or 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 new 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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

until age 65 with a minimum of three years of service or attain a total combination age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011 after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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.

The contribution policy is set up by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (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 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.67% 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 \$2,916,583 for the year ended June 30, 2021.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance (OPEB). Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2021 for pension and OPEB benefits was \$1,611,807.

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

At June 30, 2021, the District reported a liability of \$27,524,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.0559%, which was a decrease of 0.0019% from its proportion measured as of June 30, 2020. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the General Fund.

For the year ended June 30, 2021, the District recognized pension expense of \$2,024,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources: see next page.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 72,006	\$ 659,694
Changes in assumptions	-	-
Net difference between projected and actual investments earnings	1,209,670	-
Changes in proportions	567,000	1,253,000
Difference between employer contributions and proportionate share of total contributions	19,488	-
Contributions subsequent to the measurement date	1,536,738	-
TOTAL	<u>\$ 3,404,902</u>	<u>\$ 1,912,694</u>

\$1,536,738 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30,:

2022	\$ (11,132)
2023	(11,132)
2024	(11,133)
2025	(11,133)
TOTAL	<u>\$ (44,530)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability at June 30, 2019 to June 30, 2020 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%, including 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

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 target asset allocation percentage and by adding expected inflation.

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.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Global public entity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	110.0%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure /MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
TOTAL	100%	

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, 2020.

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.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

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

The following presents 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><i>1% Decrease</i></u> <u><i>6.25%</i></u>	<u><i>Current Rate</i></u> <u><i>7.25%</i></u>	<u><i>1% Increase</i></u> <u><i>8.25%</i></u>
District's proportionate share of the net pension liability	\$ 34,053,758	\$ 27,524,610	\$ 21,993,509

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,109,557. This amount represents the District’s contractually obligated contributions for wages earned during the 2021 year-end. The balance will be paid in the 2022 year-end.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN

School District OPEB Plan

General Information about the OPEB Plan

Plan Description

The District’s defined benefit OPEB plan, Wilmington Area School District Postemployment Benefit Plan, provides OPEB benefits to all eligible retirees who qualify and elect to participate. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides medical, prescription drug, and dental insurance for eligible retirees based on specific eligibility requirements. Coverage, premium sharing, and life insurance amounts vary by employee classification.

WILMINGTON AREA SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at July 1, 2019, the date of the last actuarial valuation.

Active participants	117
Vested former participants	7
Retired participants	15
TOTAL	139

Total OPEB Liability

The District's total OPEB liability of \$3,654,000 was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	None
Salary increases	Assumed salary increases are based on the rates utilized in the Actuarial Valuation for PSERS and vary by age
Discount rate	2.16%
Healthcare cost trend rates	Assumed to increase as shown in the following table (selected years shown):

<i>Fiscal Year Ending June 30,</i>	<i>Increase in Health Cost over Prior Year</i>
2021	6.80%
2022	6.40%
2023	5.60%
2024	5.10%
2025	5.00%
2030	4.60%
2035	4.60%
2040	4.70%
2050	4.80%
2076 and later	3.70%

The discount rate was based on the Bond Buyer 20-Year Bond GO Index.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The RP-2014 Mortality Tables were used and were adjusted to reflect Mortality Improvement Scale MP-2019 from 2006 base year and projected forward on a generational basis with Scale MP-2019 (based on recommendation of Society of Actuaries’ Retirement Plans Experience Committee).

The actuarial assumptions used in the July 1, 2019 were based on census information at that time.

Changes in the Total OPEB liability

	<u><i>Increase (Decrease)</i></u>
	<u><i>Total OPEB Liability</i></u>
BALANCES AT JULY 1, 2020	<u>\$ 3,581,000</u>
Changes for the year:	
Service cost	180,000
Interest	77,000
Effect of plan changes	-
Effect of economic/ demographic (gains) or losses	-
Changes of assumptions	18,000
Benefit payments	(202,000)
Net changes	<u>73,000</u>
BALANCES AT JULY 1, 2021	<u><u>\$ 3,654,000</u></u>

There were no changes in the benefit terms since the prior valuation.

Changes of assumptions and other inputs reflect a change in the discount rate to 2.16%. Per capita costs and future retiree healthcare trend rates were updated. The mortality assumption has been updated from the RP-2000 Mortality Tables with Mortality Improvement Project Scale AA to the RP-2014 Mortality Tables with Mortality Improvement Projection Scale MP-2019. Assumed termination and retirement rates have been updated to those used in the most recent actuarial valuation of PSERS.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage -point higher (3.16 percent) than the current discount rate: see table on next page.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

	<i>1% Decrease</i>	<i>Current Rate</i>	<i>1% Increase</i>
	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
Total OPEB liability (asset)	\$ 3,932,000	\$ 3,654,000	\$ 3,385,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<i>1% Decrease</i>	<i>Current Rates</i>	<i>1% Increase</i>
	<u> </u>	<u> </u>	<u> </u>
Total OPEB liability (asset)	\$ 3,320,000	\$ 3,654,000	\$ 4,197,000

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$313,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 452,000	\$ -
Changes in assumptions	379,000	264,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	<u><u>\$ 831,000</u></u>	<u><u>\$ 264,000</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows: see table on next page.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

<u>Year Ended</u>		
2022	\$	56,000
2023		56,000
2024		56,000
2025		56,000
2026		120,000
Thereafter		223,000
TOTAL	\$	<u>567,000</u>

PSERS OPEB Plan

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other OPEB for all eligible retirees who qualify and elect to participate. Employer contributions rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of 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, 2020 there were no assumed future benefit increase to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the 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 HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school 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.pa.gov.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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, 2020 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 \$72,763 for the year ended June 30, 2021.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the OPEB obligation and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2021 for pension and OPEB benefits was \$1,611,807.

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

At June 30, 2021, the District reported a liability of \$1,207,830 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2021, the District's proportion was 0.0559 percent, which was a decrease of 0.0019 from its proportion measured as of June 30, 2020. The net OPEB obligation will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the General Fund.

For the year ended June 30, 2021, the District recognized OPEB expense of \$48,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources: see table on next page.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 11,114	\$ -
Changes in assumptions	49,219	26,500
Net difference between projected and actual earnings on OPEB plan investments	2,084	-
Changes in proportion	36,000	94,000
Difference between employer contributions and proportionate share of total contributions	444	-
Contributions subsequent to the measurement date	38,695	-
TOTAL	\$ 137,556	\$ 120,500

\$38,695 reported as deferred outflows of resources related to the 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended</i>	
2022	\$ (4,328)
2023	(4,328)
2024	(4,328)
2025	(4,328)
2026	(4,327)
TOTAL	\$ (21,639)

Actuarial Assumptions:

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment rate of return – 2.79% – S&P 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's experience and projected using a modified version of the RP-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%

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- 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 Health Annuitant Tables with age set back 3 years 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 for 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 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 Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<i>OPEB -Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fund	3.2%	-0.1%
TOTAL	100%	

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, 2020.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy set contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. 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 System net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 2,160,420,000	\$ 2,160,697,000	\$ 2,160,918,000

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

The following presents the District’s net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the District net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,207,675	\$ 1,207,830	\$ 1,207,953

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current rate:

	<i>1% Decrease</i> <i>1.79%</i>	<i>Current</i> <i>Discount Rate</i> <i>2.79%</i>	<i>1% Increase</i> <i>3.79%</i>
District's proportionate share of the net OPEB liability	\$ 1,377,112	\$ 1,207,830	\$ 1,067,649

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 the System’s website at www.psers.pa.gov.

Payables Related to the Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,109,557. This amount represents the District’s contractually obligated contributions for wages earned during the 2021 year-end. The balance will be paid in the 2022 year-end.

NOTE L – CONTINGENT LIABILITIES

Grant Programs

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

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE N – ECONOMIC UNCERTAINTIES

Due to the COVID-19 outbreak, the District has experienced unprecedented interruption in its operations including, but not limited to, disruption to the delivery of traditional schooling and daily business management. While the disruption is considered to be temporary, there is still uncertainty related to the total financial impact and duration of the outbreak. Additionally, the District may be subject to mandated closings without warning. While there has been no material decline in funding received from state or federal sources, there is the potential for such. The District is continuing to monitor and implement best practices to ensure the financial health of the District. At the date of the financial statements, the financial impact cannot be reasonably estimated.

NOTE O – PRIOR PERIOD ADJUSTMENTS

Due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, the 2020 year-end “due to student organizations” liability in the amount of \$98,464 is reported as the beginning net position for the Student Activities Fund in the 2021 year-end financial statements.

The total beginning fund balances per the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds increased by \$46,248 and is reported as \$8,499,665 due to the inclusion of the Scholarship Fund as a governmental fund during the current year.

The beginning net position per the Statement of Activities increased by \$46,248 and is reported as \$(21,121,670) for the governmental activities due to the inclusion of the Scholarship Fund as a governmental activity during the current year.

REQUIRED SUPPLEMENTARY INFORMATION

WILMINGTON AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
District's proportion of the net pension liability	0.0559%	0.0578%	0.0554%	0.0596%	0.0605%	0.0637%	0.0651%	0.0632%
District's proportionate share of the net pension liability	\$27,524,610	\$27,040,347	\$26,594,751	\$29,435,489	\$29,981,880	\$27,591,852	\$25,767,047	\$25,871,713
District's covered-employee payroll	\$ 7,840,383	\$ 7,971,802	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	351.06%	339.20%	356.53%	370.86%	382.80%	336.91%	310.06%	319.12%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

Notes:

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

See accompanying notes.

WILMINGTON AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PENSION PLAN

LAST TEN FISCAL YEARS

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Contractually required contribution	\$ 2,916,583	\$ 2,638,212	\$ 2,617,924	\$ 2,389,659	\$ 2,325,563	\$ 1,880,974	\$ 1,727,441	\$ 1,360,677	\$ 950,120	\$ 671,093
Contributions in relation to the contractually required contribution	2,916,583	2,638,212	2,617,924	2,389,659	2,325,563	1,880,974	1,727,441	1,360,677	950,120	671,093
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,662,260	\$ 7,887,031	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165		
Contributions as a percentage of covered-employee payroll	33.67%	33.45%	35.10%	30.11%	29.69%	22.97%	20.79%	16.78%		

Notes to Schedule:

Changes of benefits terms:

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2017, beginning June 30, 2018, beginning June 30, 2019, and beginning June 30, 2020:

None.

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprise of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females of 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females to the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

See accompanying notes.

WILMINGTON AREA SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 180,000	\$ 128,000	\$ 124,000	\$ 175,000
Interest	77,000	95,000	99,000	106,000
Changes of benefit terms	-	(223,000)	-	-
Differences between expected and actual experience	-	-	-	-
Effect of liability gains or losses	-	582,000	-	-
Changes of assumptions	18,000	419,000	62,000	(528,000)
Benefit payments	(202,000)	(206,000)	(126,000)	(161,000)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>73,000</u>	<u>795,000</u>	<u>159,000</u>	<u>(408,000)</u>
TOTAL OPEB LIABILITY - BEGINNING	<u>3,581,000</u>	<u>2,786,000</u>	<u>2,627,000</u>	<u>3,035,000</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 3,654,000</u>	<u>\$ 3,581,000</u>	<u>\$ 2,786,000</u>	<u>\$ 2,627,000</u>

Notes to Schedule:

Changes of assumptions:

The discount rate has decreased from 2.21% to 2.16% based on the Bond Buyer 20-Year Bond GO Index.

Changes of benefit terms: None

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

WILMINGTON AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OPEB LIABILITY LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0559%	0.0578%	0.0554%	0.0596%	0.0605%
District's proportionate share of the net OPEB liability	\$1,207,830	\$1,229,315	\$1,155,062	\$1,214,298	\$1,303,163
District's covered-employee payroll	\$7,840,383	\$7,971,802	\$7,459,408	\$7,937,064	\$7,832,316
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.41%	15.42%	15.48%	15.30%	16.64%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

Notes:

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net OPEB liability, which is as of the beginning of the District's fiscal year.

See accompanying notes.

WILMINGTON AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PSERS OPEB PLAN
LAST TEN FISCAL YEARS

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
Contractually required contribution	\$ 72,763	\$ 66,251	\$ 66,653	\$ 62,490	\$ 66,103	\$ 63,201	\$ 75,839	\$ 79,089	\$ 71,052	\$ 54,526
Contributions in relation to the contractually required contribution	72,763	66,251	66,653	62,490	66,103	63,201	75,839	79,089	71,052	54,526
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,662,260	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165			
Contributions as a percentage of covered-employee payroll	0.84%	0.89%	0.84%	0.80%	0.81%	0.76%	0.94%			

Notes to Schedule:

Changes of benefits terms:

None.

Changes in assumptions used in measurement of the total OPEB liability beginning June 30, 2020:

The Discount Rate decreased from 2.79% to 2.66%

Changes in assumptions used in measurement of the total OPEB liability beginning June 30, 2019:

The Discount Rate decreased from 2.98% to 2.79%.

Changes in assumptions used in measurement of the total OPEB liability beginning June 30, 2018:

The Discount Rate decreased from 3.13% to 2.98%.

Changes in assumptions used in measurement of the total OPEB liability beginning June 30, 2017:

The Discount Rate increased from 2.71% to 3.13%.

Changes in assumptions used in measurement of the total OPEB liability beginning June 30, 2016:

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprise of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females of 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females to the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Notes:

The District is required to present the information for the last ten fiscal years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

See accompanying notes.

SUPPLEMENTARY INFORMATION



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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*

To the Board of School Directors
Wilmington Area School District
New Wilmington, PA

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 the Wilmington Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Wilmington Area School District's basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wilmington Area 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 the Wilmington Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wilmington Area 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 the Wilmington Area 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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania

January 28, 2022



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

To the Board of School Directors
Wilmington Area School District
New Wilmington, PA

Report on Compliance for Each Major Federal Program

We have audited Wilmington Area 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 the Wilmington Area School District's major federal programs for the year ended June 30, 2021. Wilmington Area 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Wilmington Area 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 the Wilmington Area 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 the Wilmington Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Wilmington Area 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, 2021.

Report on Internal Control over Compliance

Management of the Wilmington Area 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 the Wilmington Area 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 the Wilmington Area 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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Grove City, Pennsylvania

January 28, 2022

WILMINGTON AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

<i>Grantor Project Title</i>	<i>Source</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Total Received for the Year</i>	<i>Revenues</i>	<i>Expenditures</i>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Child Nutrition Cluster:</i>						
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
School Breakfast Program	I	10.553	365	F \$ 91,616	\$ 91,913	\$ 91,913
National School Lunch Program	I	10.555	362	F 213,106	215,502	215,502
PASSED THROUGH THE U.S. DEPARTMENT OF AGRICULTURE						
Donated Commodities - Non-Cash Assistance	I	10.555	N/A	F 24,635	24,635	24,635
<i>Total Child Nutrition Cluster</i>				<u>237,741</u>	<u>240,137</u>	<u>240,137</u>
				<u>329,357</u>	<u>332,050</u>	<u>332,050</u>
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
School Breakfast Program	I	N/A	511	S 4,058	4,070	4,070
National School Lunch Program	I	N/A	510	S 7,540	7,631	7,631
				<u>11,598</u>	<u>11,701</u>	<u>11,701</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>340,955</u>	<u>343,751</u>	<u>343,751</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	I	84.010	013-210488	F 575,466	535,196	535,196
Title II Supporting Effective Instruction	I	84.367	020-210488	F 69,651	74,630	74,630
Student Support and Academic Enrichment Program	I	84.424	144-210488	F 36,103	38,198	38,198
COVID-19 - Education Stabilization Fund						
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER Fund)	I	84.425D	200-200488	F 413,689	413,689	413,689
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER Fund)	I	84.425D	200-210488	F -	406,182	406,182
COVID-19 - Special Education COVID-19 Impact Mitigation Grant	I	84.425C	252-200488	F 6,369	6,824	6,824
				<u>420,058</u>	<u>826,695</u>	<u>826,695</u>
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE						
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER Fund)	I	84.425D	2020-ES-01-35300	F -	31,163	31,163
				<u>420,058</u>	<u>857,858</u>	<u>857,858</u>

See notes to schedule of expenditures of federal and state awards.

Special Education Cluster (IDEA):

PASSED THROUGH MIDWESTERN INTERMEDIATE UNIT #4

Special Education - Grants to States (IDEA, Part B)

I	84.027	N/A	F	226,728	226,728	226,728
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Total Special Education Cluster (IDEA)

	226,728	226,728	226,728
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TOTAL U.S. DEPARTMENT OF EDUCATION

	646,786	1,084,586	1,732,610
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U.S. DEPARTMENT OF THE TREASURY

PASSED THROUGH PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY

COVID-19 - Coronavirus Relief Fund

I	21.019	2020-CS-01-33830	F	165,511	165,511	165,511
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TOTAL U.S. DEPARTMENT OF THE TREASURY

	165,511	165,511	165,511
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

Medicaid Cluster:

Medical Assistance Program

I	93.778	N/A	F	4,405	4,405	4,405
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Total Medicaid Cluster

	4,405	4,405	4,405
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TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

	4,405	4,405	4,405
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Total Federal and State Expenditures

2,246,277

Less: State Matching Funds

(11,701)

TOTAL FEDERAL AWARDS

\$ 2,234,576

SOURCE CODE:

D = DIRECT FUNDING

I = INDIRECT FUNDING

S = STATE PROGRAM

F = FEDERAL PROGRAM

See notes to schedule of expenditures of federal and state awards.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal award activity of Wilmington Area School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Wilmington Area School District, it is not intended to be and does not present the financial position, changes in net position, or cash flows for Wilmington Area School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Wilmington Area School District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had \$7,702 of food commodity inventory.

NOTE D – SUBRECIPIENT FUNDING

There were no funds passed through to subrecipients from any of the federal programs.

WILMINGTON AREA SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- * Material weakness(es) identified? yes no
- * Significant deficiency(ies) identified that are not considered to be material weakness? yes none reported
- * Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? yes no
- * Significant deficiency(ies) identified that are not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s) or Cluster(s)</u>
84.425	COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:
\$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

There are no findings and questioned costs in the current year.

Section III - Federal Award Findings and Questioned Costs

There are no findings and questioned costs in the current year.