

**WILMINGTON AREA SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2017**



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10 Woodland Center Drive  
Grove City, PA 16127  
**724.458.7490**  
Fax: 724.458.0766  
www.mpbcpa.com

## 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan information, schedule of funding progress for the retiree health plan, and the notes to the required supplementary information on pages 4 through 11 and 48 through 51 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 December 6, 2017, 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.

McGill, Power, Bell & Associates, LLP

*McGill, Power, Bell & Associates, LLP*

Grove City, Pennsylvania

December 6, 2017

**Wilmington Area School District**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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, 2017. 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, 2017 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, 2017 by \$22,140,102. The primary reason for this is due to the net pension liability in the amount of \$29,981,880.
- The total net position decreased by \$823,884. The entire decrease was associated with governmental activities. The primary reason is due to the increase in the net pension liability of \$2,390,028.
- The District's total long-term debt obligations decreased by the net of \$1,094,683 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 \$5,152,870, a decrease of \$557,669 in comparison with the prior year. Of this amount, \$1,411,233 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 \$5,152,870. Of the fund balance, \$1,250,000 was assigned for capital projects, \$2,250,000 was assigned for healthcare and retirement costs, and \$241,637 was assigned for subsequent year's expenditures. The remaining amount of \$1,411,233 was unassigned and available for spending. The unassigned fund balance of the General Fund represented 6.4% 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 and liabilities. 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 liabilities, 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 scholarship funds. 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 \$22,140,102 and \$21,316,218 at June 30, 2017 and 2016, respectively.

Table A-1  
Fiscal years ended June 30, 2017 and 2016  
Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Current and other assets	\$ 7,815,323	\$ 8,286,570	\$ 38,637	\$ 29,361	\$ 7,853,960	\$ 8,315,931
Capital assets	23,822,344	24,934,309	12,872	20,477	23,835,216	24,954,786
Total assets	31,637,667	33,220,879	51,509	49,838	31,689,176	33,270,717
Deferred outflows of resources	3,881,864	969,530	-	-	3,881,864	969,530
Current liabilities	3,378,347	3,298,937	33,678	33,332	3,412,025	3,332,269
Long-term liabilities	52,560,944	50,588,097	16,425	15,100	52,577,369	50,603,197
Total liabilities	55,939,291	53,887,034	50,103	48,432	55,989,394	53,935,466
Deferred inflows of resources	1,721,748	1,620,999	-	-	1,721,748	1,620,999
<b>Net Position (Deficit)</b>						
Net investment in capital assets	3,599,236	3,631,500	12,872	20,477	3,612,108	3,651,977
Unrestricted	(25,740,744)	(24,949,124)	(11,466)	(19,071)	(25,752,210)	(24,968,195)
Total net position (deficit)	\$ (22,141,508)	\$ (21,317,624)	\$ 1,406	\$ 1,406	\$ (22,140,102)	\$ (21,316,218)

A significant portion of the District’s net position (\$3,612,108) 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, 2017 and 2016  
Changes in Net Position

	<i>Governmental</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 158,048	\$ 151,085	\$ 157,421	\$ 177,182	\$ 315,469	\$ 328,267
Operating grants and contributions	5,507,975	5,702,853	266,940	283,660	5,774,915	5,986,513
General revenues:						
Property taxes	6,953,895	6,717,565	-	-	6,953,895	6,717,565
Other taxes	1,207,686	1,260,151	-	-	1,207,686	1,260,151
Grants, subsidies and contributions unrestricted	5,678,937	5,581,129	-	-	5,678,937	5,581,129
Other	164,798	145,802	226	76	165,024	145,878
	<u>19,671,339</u>	<u>19,558,585</u>	<u>424,587</u>	<u>460,918</u>	<u>20,095,926</u>	<u>20,019,503</u>
<b>Expenses</b>						
Instruction	11,996,333	12,881,892	-	-	11,996,333	12,881,892
Instructional student support	1,425,309	1,557,470	-	-	1,425,309	1,557,470
Administrative and financial support services	1,607,063	1,926,018	-	-	1,607,063	1,926,018
Operation and maintenance of plant services	1,649,262	1,702,834	-	-	1,649,262	1,702,834
Pupil transportation	1,586,804	1,532,101	-	-	1,586,804	1,532,101
Student activities	630,511	699,282	-	-	630,511	699,282
Community services	-	25,822	-	-	-	25,822
Interest on long-term debt	529,882	996,475	-	-	529,882	996,475
Depreciation and amortization - unallocated	995,928	1,037,884	-	-	995,928	1,037,884
Food services	-	-	498,718	529,877	498,718	529,877
	<u>20,421,092</u>	<u>22,359,778</u>	<u>498,718</u>	<u>529,877</u>	<u>20,919,810</u>	<u>22,889,655</u>
<b>Deficiency before transfers</b>	(749,753)	(2,801,193)	(74,131)	(68,959)	(823,884)	(2,870,152)
<b>Transfers</b>	(74,131)	(70,000)	74,131	70,000	-	-
<b>Changes in net position</b>	(823,884)	(2,871,193)	-	1,041	(823,884)	(2,870,152)
<b>Net position, beginning of year</b>	(21,317,624)	(18,446,431)	1,406	365	(21,316,218)	(18,446,066)
<b>Net position, end of year</b>	<u>\$ (22,141,508)</u>	<u>\$ (21,317,624)</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ (22,140,102)</u>	<u>\$ (21,316,218)</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, student activities, and community services. 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, 2017 and 2016  
Governmental Activities

<i>Functions/Programs</i>	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Instruction	\$ 11,996,333	\$ 12,881,892	\$ 7,953,978	\$ 9,187,382
Instructional student support	1,425,309	1,557,470	1,256,718	1,382,889
Administrative and financial support services	1,607,063	1,926,018	1,436,309	1,764,558
Operation and maintenance of plant services	1,649,262	1,702,834	1,559,718	1,615,969
Pupil transportation	1,586,804	1,532,101	839,741	713,867
Student activities	630,511	699,282	553,156	615,516
Community services	-	25,822	-	25,164
Interest on long-term debt	529,882	996,475	159,521	162,611
Depreciation and amortization - unallocated	995,928	1,037,884	995,928	1,037,884
<b>Total governmental activities</b>	<b>\$ 20,421,092</b>	<b>\$ 22,359,778</b>	<b>14,755,069</b>	<b>16,505,840</b>
Less:				
Grants, subsidies, and contributions unrestricted			5,678,937	5,581,129
<b>Total needs from local taxes and other revenues</b>			<b>\$ 9,076,132</b>	<b>\$ 10,924,711</b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental fund reported a fund balance of \$5,152,870 which is a decrease of \$557,669 from the June 30, 2016 balance.

The General Fund reported a decrease of \$557,669 while the budget was anticipating a decrease of \$2,875,352. Expenditures were less than budgeted primarily because the regular administration programs costs were less than anticipated. The District prepares a budget with a modest reserve each year for unexpected emergencies.

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, 2017, the District had \$23,835,216 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 decrease (including additions and deletions) of \$1,119,570, or 4.5% 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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Land and land improvements	\$ 613,344	\$ 673,823	\$ -	\$ -	\$ 613,344	\$ 673,823
Buildings and building improvements	23,035,658	24,053,544	-	-	23,035,658	24,053,544
Furniture, equipment and other	173,342	206,942	12,872	20,477	186,214	227,419
	<u>\$ 23,822,344</u>	<u>\$ 24,934,309</u>	<u>\$ 12,872</u>	<u>\$ 20,477</u>	<u>\$ 23,835,216</u>	<u>\$ 24,954,786</u>

The following were the most significant additions in capital assets during the year ended June 30, 2017:

- New Wilmington Elementary hot water boiler replacement = \$59,870

### *Debt administration*

As of July 1, 2016, the District had total outstanding bond principal of \$21,600,000. During the year, the District refunded \$12,860,000 of its debt with \$14,560,000 of new debt and made payments against principal of \$1,045,000, resulting in outstanding debt principal as of June 30, 2017 of \$20,490,000. The results of the refunding resulted in \$1,102,935 received in cash.

Other obligations include accrued sick leave and the net OPEB obligation 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 2017-2018 year is \$177,775 less than the original budget for 2016-2017. This represents a 0.9% decrease in budgeted revenues. The expenditure budget for the 2017-2018 year is \$2,811,490 less than the original budget for 2016-2017, or a 12.7% decrease.

The comparison of revenue and expenditure categories is as follows:

BUDGETED REVENUES		
	2017-2018	2016-2017
Local	44.9%	46.7%
State	52.2%	52.3%
Federal/Other	2.9%	1.0%

  

BUDGETED EXPENDITURES		
	2017-2018	2016-2017
Instruction	59.6%	54.7%
Support services	29.6%	27.9%
Non-Instructional	2.6%	2.4%
Fund transfers/Debt	8.2%	15.0%

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, 2017

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,394,986	\$ 149,352	\$ 5,544,338
Certificates of deposit	555,398	-	555,398
Receivables:			
Taxes-delinquent and other	656,964	-	656,964
Intergovernmental	916,169	70,175	986,344
Interfund	208,450	(208,450)	-
Inventories	-	27,560	27,560
	<u>7,731,967</u>	<u>38,637</u>	<u>7,770,604</u>
<b>CAPITAL ASSETS</b>			
Non-depreciable capital assets	194,005	-	194,005
Depreciable capital assets, net of accumulated depreciation	23,628,339	12,872	23,641,211
	<u>23,822,344</u>	<u>12,872</u>	<u>23,835,216</u>
<b>OTHER ASSETS</b>			
Bonds issue costs, net of accumulated amortization	83,356	-	83,356
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Relating to the net pension liability, net of amortization	3,881,864	-	3,881,864
	<u>\$ 35,519,531</u>	<u>\$ 51,509</u>	<u>\$ 35,571,040</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 385,928	\$ -	\$ 385,928
Current portion of long-term debt	1,045,000	-	1,045,000
Accrued salaries and benefits	1,878,269	33,678	1,911,947
Accrued interest payable	69,150	-	69,150
	<u>3,378,347</u>	<u>33,678</u>	<u>3,412,025</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	262,305	16,425	278,730
Net OPEB obligation	3,055,295	-	3,055,295
Net pension liability	29,981,880	-	29,981,880
Bonds payable	19,261,464	-	19,261,464
	<u>52,560,944</u>	<u>16,425</u>	<u>52,577,369</u>
	<u>55,939,291</u>	<u>50,103</u>	<u>55,989,394</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Relating to the net pension liability, net of amortization	1,721,748	-	1,721,748
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	3,599,236	12,872	3,612,108
Unrestricted	(25,740,744)	(11,466)	(25,752,210)
	<u>(22,141,508)</u>	<u>1,406</u>	<u>(22,140,102)</u>
	<u>\$ 35,519,531</u>	<u>\$ 51,509</u>	<u>\$ 35,571,040</u>

See accompanying notes to the basic financial statements.

Wilmington Area School District  
Statement of Activities  
Year ended June 30, 2017

<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>
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 11,996,333	\$ 119,274	\$ 3,923,081	\$ (7,953,978)	\$ -	\$ (7,953,978)
Instructional student support	1,425,309	-	168,591	(1,256,718)	-	(1,256,718)
Administrative and financial support services	1,607,063	-	170,754	(1,436,309)	-	(1,436,309)
Operation and maintenance of plant services	1,649,262	-	89,544	(1,559,718)	-	(1,559,718)
Pupil transportation	1,586,804	-	747,063	(839,741)	-	(839,741)
Student activities	630,511	38,774	38,581	(553,156)	-	(553,156)
Interest on long-term debt	529,882	-	370,361	(159,521)	-	(159,521)
Depreciation and amortization - unallocated	995,928	-	-	(995,928)	-	(995,928)
	<u>20,421,092</u>	<u>158,048</u>	<u>5,507,975</u>	<u>(14,755,069)</u>	<u>-</u>	<u>(14,755,069)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food services	498,718	157,421	266,940	-	(74,357)	(74,357)
	<u>\$ 20,919,810</u>	<u>\$ 315,469</u>	<u>\$ 5,774,915</u>	<u>(14,755,069)</u>	<u>(74,357)</u>	<u>(14,829,426)</u>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes, net				6,953,895	-	6,953,895
Other taxes levied				1,207,686	-	1,207,686
Grants, subsidies, and contributions, unrestricted				5,678,937	-	5,678,937
Investment earnings				25,322	226	25,548
Miscellaneous income				139,476	-	139,476
<b>TRANSFERS</b>				(74,131)	74,131	-
				<u>13,931,185</u>	<u>74,357</u>	<u>14,005,542</u>
<b>CHANGES IN NET POSITION (DEFICIT)</b>						
				(823,884)	-	(823,884)
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR, AS RESTATED (NOTE N)</b>						
				(21,317,624)	1,406	(21,316,218)
<b>NET POSITION (DEFICIT), END OF YEAR</b>						
				<u>\$ (22,141,508)</u>	<u>\$ 1,406</u>	<u>\$ (22,140,102)</u>

See accompanying notes to the basic financial statements.



**Wilmington Area School District**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2017**

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	<i>General Fund</i>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,394,986
Certificates of deposit	555,398
Delinquent and other taxes receivable	656,964
Intergovernmental receivables	916,169
Interfund receivable	208,450
	<u>\$ 7,731,967</u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 385,928
Accrued salaries and benefits	1,878,269
	<u>2,264,197</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - taxes	<u>314,900</u>
 <b>FUND BALANCES</b>	
Fund balances:	
Assigned:	
Capital projects	1,250,000
Healthcare and retirement costs	2,250,000
Subsequent year's budget	241,637
Unassigned	1,411,233
	<u>5,152,870</u>
	<u>\$ 7,731,967</u>

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, 2017**

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**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** **\$ 5,152,870**

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 \$45,685,975, and the accumulated depreciation is \$21,863,631. The unamortized bond issue costs are \$83,356.

23,905,700

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.

314,900

Deferred outflows and deferred inflows of resources relating to the net pension liability are not reported in the funds.

2,160,116

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	\$ (20,306,464)	
Net pension liability	(29,981,880)	
Accrued interest on the bonds	(69,150)	
Compensated absences	(262,305)	
Net OPEB obligation	(3,055,295)	(53,675,094)

**TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES** **\$ (22,141,508)**

See accompanying notes to the basic financial statements.

**Wilmington Area School District**  
**Statement of Revenues, Expenditures, and Change in**  
**Fund Balance - Governmental Fund**  
**Year ended June 30, 2017**

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	<i>General Fund</i>
<b>REVENUES</b>	
Local sources:	
Taxes	\$ 8,211,591
Other	589,454
State sources	10,226,886
Federal sources	693,418
	<u>19,721,349</u>
 <b>EXPENDITURES</b>	
Instruction	11,659,420
Support services	5,904,485
Non-instructional services	460,772
Capital outlay	533,324
Debt service:	
Principal retirement	1,110,000
Interest and issuance costs on long-term debt	536,886
	<u>20,204,887</u>
 <b>EXCESS OF EXPENDITURES OVER REVENUES</b>	 <u>(483,538)</u>
 <b>OTHER FINANCING USES</b>	
Interfund transfers	<u>(74,131)</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 (557,669)
 <b>FUND BALANCE, BEGINNING OF YEAR, AS RESTATED (NOTE N)</b>	 <u>5,710,539</u>
 <b>FUND BALANCE, END OF YEAR</b>	 <u><u>\$ 5,152,870</u></u>

See accompanying notes to the basic financial statements.

**Wilmington Area School District**  
**Reconciliation of the Governmental Fund**  
**Statement of Revenues, Expenditures and Change in Fund Balance**  
**to the Statement of Activities**  
**Year ended June 30, 2017**

<b>TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$ (557,669)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized outlay expenditures (\$59,870) is less than depreciation (\$1,171,835) in the period.	(1,111,965)
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.	(50,010)
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.	(30,299)
Change in accrued interest expense on bonds payable.	7,004
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,110,000
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	\$ (12,097)
Change in net pension liability and relating deferred inflows and outflows of resources	421,557
Change in net OPEB obligation	(600,405)
<b>TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (823,884)</u></b>

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, 2017**

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>REVENUES</b>			
Local Sources:			
Taxes	\$ 7,927,392	\$ 8,211,591	\$ 284,199
Other	1,066,826	589,454	(477,372)
State sources	10,097,926	10,226,886	128,960
Federal sources	200,000	693,418	493,418
	<u>19,292,144</u>	<u>19,721,349</u>	<u>429,205</u>
<b>EXPENDITURES</b>			
Regular programs	8,873,561	8,677,374	196,187
Special programs	2,749,842	2,720,371	29,471
Vocational education	458,411	407,637	50,774
Other instructional programs	33,647	7,673	25,974
Pupil personnel	528,368	507,044	21,324
Instructional staff	240,043	235,971	4,072
Administration	1,527,956	1,321,329	206,627
Pupil health	224,621	225,720	(1,099)
Business office	240,205	276,408	(36,203)
Operation and maintenance of plant	1,406,621	1,379,331	27,290
Student transportation	1,602,335	1,586,167	16,168
Other support services	424,161	422,018	2,143
Student activities	515,309	463,172	52,137
Community services	26,688	-	26,688
Land and existing site improvements	-	327,786	(327,786)
Debt service:			
Principal retirement	1,110,000	1,110,000	-
Interest and issuance costs on long-term debt	536,614	536,886	(272)
Budgetary reserve	1,646,614	-	1,646,614
	<u>22,144,996</u>	<u>20,204,887</u>	<u>1,940,109</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(2,852,852)	(483,538)	2,369,314
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year revenue	(2,500)	-	2,500
Interfund transfers	(20,000)	(74,131)	(54,131)
	<u>(22,500)</u>	<u>(74,131)</u>	<u>(51,631)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,875,352)	(557,669)	2,317,683
<b>FUND BALANCE, BEGINNING OF YEAR, AS RESTATED (NOTE N)</b>	<u>2,875,352</u>	<u>5,710,539</u>	<u>2,835,187</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,152,870</u>	<u>\$ 5,152,870</u>

See accompanying notes to the basic financial statements.

**Wilmington Area School District**  
**Statement of Net Position**  
**Proprietary Fund (Food Service)**  
**June 30, 2017**

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	<i>Food Service</i>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 149,352
Intergovernmental receivables	70,175
Inventories	27,560
	<u>247,087</u>
<b>NONCURRENT ASSETS</b>	
Depreciable capital assets, net	<u>12,872</u>
	<u><u>\$ 259,959</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Interfund payable	\$ 208,450
Accrued liabilities	33,678
Compensated absences payable	16,425
	<u>258,553</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,872
Unrestricted	<u>(11,466)</u>
	<u>1,406</u>
	<u><u>\$ 259,959</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, 2017**

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	<i>Food Service</i>
<b>OPERATING REVENUES</b>	
Food service sales	\$ 157,421
<b>OPERATING EXPENSES</b>	
Cost of sales	166,336
Gross wages	196,344
Fringe benefit costs	93,508
Nonfood supplies	18,533
Other operating costs	14,200
Depreciation	9,797
Total operating expenses	498,718
<b>OPERATING LOSS</b>	(341,297)
<b>NONOPERATING REVENUES</b>	
State subsidies	48,062
Federal subsidies	218,878
Investment earnings	226
Total non-operating revenues	267,166
<b>LOSS BEFORE TRANSFER</b>	(74,131)
Transfer from General Fund	74,131
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION, BEGINNING OF YEAR</b>	1,406
<b>NET POSITION, END OF YEAR</b>	\$ 1,406

See accompanying notes to the basic financial statements.

**Wilmington Area School District**  
**Statement of Cash Flows**  
**Proprietary Fund (Food Service)**  
**Year ended June 30, 2017**

	<i>Food Service</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 157,421
Cash payments to employees for services	(108,891)
Cash payments to suppliers for good and services	(202,565)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(154,035)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State subsidies	46,984
Federal subsidies	203,245
Transfer from General Fund	74,131
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>324,360</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of equipment	<u>(2,192)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>226</u>
<b>CHANGE IN CASH</b>	168,359
<b>CASH, BEGINNING OF YEAR</b>	<u>(19,007)</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 149,352</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
<b>OPERATING LOSS</b>	\$ (341,297)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Depreciation	9,797
Decrease in inventories	(4,812)
Decrease in accounts payable	1,316
Increase in interfund payable	161,599
Increase in accrued liabilities	18,037
Increase in compensated absences	1,325
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><u>\$ (154,035)</u></u>

See accompanying notes to the basic financial statements.



Wilmington Area School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	<i>Private Purpose Trust Funds</i>				<i>Agency Funds</i>		
	<i>Kaufmann/ McCrum Scholarship</i>	<i>Magyary Music Scholarship</i>	<i>Butia Computer</i>	<i>Total</i>	<i>Student Activities</i>	<i>Fitness Center Club</i>	<i>Total</i>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,102	\$ 5,036	\$ 1,809	\$ 10,947	\$ 100,716	\$ 1,219	\$ 101,935
Certificates of deposit	22,116	15,767	7,000	44,883	-	-	-
	<b>\$ 26,218</b>	<b>\$ 20,803</b>	<b>\$ 8,809</b>	<b>\$ 55,830</b>	<b>\$ 100,716</b>	<b>\$ 1,219</b>	<b>\$ 101,935</b>
<b>LIABILITIES</b>							
Due to student organizations	\$ -	\$ -	\$ -	\$ -	\$ 100,716	\$ 1,219	\$ 101,935
<b>NET POSITION</b>							
Held in trust for other purposes	26,218	20,803	8,809	55,830	-	-	-
	<b>\$ 26,218</b>	<b>\$ 20,803</b>	<b>\$ 8,809</b>	<b>\$ 55,830</b>	<b>\$ 100,716</b>	<b>\$ 1,219</b>	<b>\$ 101,935</b>

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, 2017**

	<i>Private Purpose Trust Funds</i>			
	<i>Kaufmann/ McCrumb Scholarship</i>	<i>Magyary Music Scholarship</i>	<i>Butia Computer</i>	<i>Total</i>
<b>ADDITIONS</b>				
Interest income	\$ 207	\$ 329	\$ 1	\$ 537
<b>NET POSITION, BEGINNING OF YEAR</b>	26,011	20,474	8,808	55,293
<b>NET POSITION, END OF YEAR</b>	<b>\$ 26,218</b>	<b>\$ 20,803</b>	<b>\$ 8,809</b>	<b>\$ 55,830</b>
<b>NET POSITION COMPRISED OF:</b>				
Principal (Nonexpendable)	\$ 22,506	\$ -	\$ 7,000	\$ 29,506
Principal (Expendable)	-	20,000	-	20,000
Interest	3,712	803	1,809	6,324
	<b>\$ 26,218</b>	<b>\$ 20,803</b>	<b>\$ 8,809</b>	<b>\$ 55,830</b>

See accompanying notes to the basic financial statements.

# Wilmington Area School District

## *Notes to the Financial Statements*

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wilmington Area School District (the District) operates two elementary schools, 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, 2017 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, 2017 for the IU IV are available at its business office.

# Wilmington Area School District

## Notes to the Financial Statements

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### 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.

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.

*Private Purpose Trust Fund* – used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship and computer programs for students.

*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 Financial Statements*

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### 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 Financial Statements*

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### 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 Financial Statements*

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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, 2017. 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.

#### 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.

# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### 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 deferred outflows relating to the pension as reported on the Statement of Net Position.

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 two items that qualify for reporting in this category. They are delinquent taxes, reported in the Balance Sheet of the governmental fund statement and deferred inflows relating to the pension, reported on the Statement of Net Position.



# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### 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.

# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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.

#### 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.

#### Estimates

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

# Wilmington Area School District

## *Notes to the Financial Statements*

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Recently Issued Accounting Pronouncements*

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by governments for postemployment benefits other than pensions (OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB 85 addresses practice issues identified during implementation and application of certain other GASB Statements. Specifically, the Statement addresses the timing and measurement of pension or OPEB liabilities and expenditures in the fund financial statements, OPEB supplementary information, and simplifying certain aspects of the OPEB alternative measurement method. This statement is effective for fiscal years beginning after June 15, 2017. 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 December 6, 2017, 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.

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.

# Wilmington Area School District

## *Notes to the Financial Statements*

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### **NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)**

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, and money market mutual fund investments in Pennsylvania Local Government Investment Trust (PLGIT).

#### *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, 2017, the carrying amount of the District's deposits was \$4,528,246 with a corresponding bank balance of \$4,575,196. The bank balance is insured to \$524,411 and the remaining balance is collateralized with securities held by the pledging financial institutions in separate pooled accounts but not in the District's name.

Additionally, the District had cash maintained in fiduciary funds. At June 30, 2017, the bank balance for the fiduciary funds amounted to \$112,882. The bank balances 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.

The District's cash equivalents, consisting of investments with bank balances at year-end of \$1,016,092 were on deposit with PLGIT. The portfolios of the Trust are comprised of investments with relatively high and consistent yields and minimum risk. Although not registered with the Securities and Exchange Commission, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share. It is rated by a nationally recognized statistical rating organization and is subject to oversight by the Commonwealth of Pennsylvania.

### **NOTE C – CERTIFICATES OF DEPOSIT**

Certificates of deposit amounted to \$555,398 for the General Fund and \$44,883 for the fiduciary funds as of June 30, 2017. 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, 2017 was 15.23 and 60.05 mills (\$15.23 per \$1,000 of assessed valuation based on 75% of 1966's market value and \$60.05 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 Financial Statements

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### 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, 2017 are as follows:

	<i>Net Estimated to be Collectible</i>	<i>Tax Revenue Recognized</i>	<i>Unavailable Taxes</i>
Real estate	\$ 451,692	\$ 136,792	\$ 314,900
Earned income	183,370	183,370	-
Realty transfer tax	19,671	19,671	-
Local services tax	2,231	2,231	-
Total	<u>\$ 656,964</u>	<u>\$ 342,064</u>	<u>\$ 314,900</u>

# Wilmington Area School District

## Notes to the Financial Statements

### NOTE E – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is presented as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 194,005	\$ -	\$ -	\$ 194,005
Capital assets being depreciated:				
Land improvements	1,135,548	-	-	1,135,548
Buildings and building improvements	42,825,329	59,870	-	42,885,199
Furniture, equipment and other	1,471,223	-	-	1,471,223
Total capital assets, being depreciated	<u>45,432,100</u>	<u>59,870</u>	<u>-</u>	<u>45,491,970</u>
Less accumulated depreciation:				
Land improvements	(655,730)	(60,479)	-	(716,209)
Buildings and building improvements	(18,771,785)	(1,077,756)	-	(19,849,541)
Furniture, equipment and other	(1,264,281)	(33,600)	-	(1,297,881)
Total accumulated depreciation	<u>(20,691,796)</u>	<u>(1,171,835)</u>	<u>-</u>	<u>(21,863,631)</u>
Total capital assets, being depreciated, net	<u>24,740,304</u>	<u>(1,111,965)</u>	<u>-</u>	<u>23,628,339</u>
Governmental activities capital assets, net	<u>\$ 24,934,309</u>	<u>\$ (1,111,965)</u>	<u>\$ -</u>	<u>\$ 23,822,344</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Furniture, equipment and other	\$ 405,893	\$ 2,192	\$ (2,430)	\$ 405,655
Less accumulated depreciation:				
Furniture, equipment and other	<u>(385,416)</u>	<u>(9,797)</u>	<u>2,430</u>	<u>(392,783)</u>
Business-type capital assets, net	<u>\$ 20,477</u>	<u>\$ (7,605)</u>	<u>\$ -</u>	<u>\$ 12,872</u>

# Wilmington Area School District

## Notes to the Financial Statements

### NOTE E – CAPITAL ASSETS (CONTINUED)

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

#### Governmental Activities

Instruction	\$ 5,897
Instructional student support	10,703
Operation and maintenance of plant services	1,557
Non-instructional services	188,049
Unallocated	965,629
	<u>1,171,835</u>

#### Business-Type Activities

Food service	<u>9,797</u>
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Total Depreciation Expense, Governmental  
and Business-Type Activities

\$ 1,181,632

### NOTE F – LONG-TERM DEBT

During the fiscal year ended June 30, 2017, the District's long-term debt changed as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
General obligation bonds	\$ 21,600,000	\$ -	\$ (1,110,000)	\$ 20,490,000	\$ 1,045,000
Deferred amounts:					
Discount	(228,545)	25,015	-	(203,530)	-
Premium	29,692	-	(9,698)	19,994	-
Compensated absences	265,308	13,422	-	278,730	-
Net OPEB obligation	2,454,890	600,405	-	3,055,295	-
	<u>\$ 24,121,345</u>	<u>\$ 638,842</u>	<u>\$ (1,119,698)</u>	<u>\$ 23,640,489</u>	<u>\$ 1,045,000</u>

# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE F – LONG-TERM DEBT (CONTINUED)

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences and the net OPEB obligation, as of June 30, 2017, including total interest payments are as follows:

<i>Year ended</i> <u>June 30,</u>	<u>General Obligation Bonds</u>		<i>Total</i>
	<i>Interest</i>	<i>Principal</i>	
2018	\$ 536,886	\$ 1,045,000	\$ 1,581,886
2019	492,115	930,000	1,422,115
2020	470,150	990,000	1,460,150
2021	448,728	1,015,000	1,463,728
2022	426,880	1,030,000	1,456,880
2023-2027	1,635,514	7,645,000	9,280,514
2028-2032	578,871	7,835,000	8,413,871
Total	<u>\$ 4,589,144</u>	<u>\$ 20,490,000</u>	<u>\$ 25,079,144</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 2010A

On September 15, 2010, the District issued general obligation bonds in the amount of \$6,335,000. The purpose of the bonds was to current refund and retire General Obligation Bonds, Series of 2005, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 2% to 2.25% and matures on September 1, 2017. The economic gain to the District from this current refunding was \$270,689. At June 30, 2017, the balance outstanding on this bond is \$720,000.

#### General Obligation Bonds, Series of 2011

On July 26, 2011, the District issued general obligation bonds in the amount of \$9,995,000. The purpose of the bonds was to finance renovations and additions to the Middle/High School Building. The bond bears interest of 2% to 4.1% and matures on November 15, 2028. These bonds were partially refunded during with the issuance of General Obligation Bonds, Series of 2016. At June 30, 2017, the balance outstanding on this bond is \$835,000.

#### General Obligation Bonds, Series of 2012

On May 22, 2012, the District issued general obligation bonds in the amount of \$4,470,000. The purpose of the bonds was to finance renovations and additions to the Middle/High School Building. The bond bears interest of 1.5% to 3.4% and matures on November 15, 2031. At June 30, 2017, the balance outstanding on this bond is \$4,450,000.



# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE F – LONG-TERM DEBT (CONTINUED)

#### 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. At June 30, 2017, the balance outstanding on this bond is \$4,485,000.

#### 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. At June 30, 2017, the balance outstanding on this bond is \$10,000,000.

#### 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 \$30 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, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Food Service Fund	Operations	\$ 208,450

### NOTE H – INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during the June 30, 2017 year-end is as follows:

<u>Recipient Fund</u>	<u>Payor Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service Fund	General Fund	Operations	\$ 74,131

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

# Wilmington Area School District

## *Notes to the Financial Statements*

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### 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, 2017 but not funded at year-end of \$190,151.

### NOTE J – 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 PSERS 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](http://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; (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 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 2.00% or 2.50%, 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.

# Wilmington Area School District

## *Notes to the Financial Statements*

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### NOTE J – PENSION PLAN (CONTINUED)

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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.

#### Member Contributions

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

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

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

Members who joined PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

#### Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 29.20% 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. The District's contributions to PSERS for the years ending June 30, 2017, 2016, and 2015 were \$2,391,666, \$1,944,175, and \$1,803,280, respectively, which were 100% of the required contributions. The corresponding rates for these years were 29.20%, 25.84%, and 21.40%, respectively.

# Wilmington Area School District

## Notes to the Financial Statements

### NOTE J – PENSION PLAN (CONTINUED)

At June 30, 2017, the District had an accrued balance due to PSERS of \$819,920. The amount represents the District's contractually obligated contributions for wages earned during the 2017 year-end. The balance will be paid in the 2018 year-end.

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

At June 30, 2017, the District reported a liability of \$29,981,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0605%, which was a decrease of 0.0032% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,794,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 249,748
Changes in assumptions	1,082,281	-
Net difference between projected and actual investments earnings	1,671,052	-
Changes in proportions	325,000	1,472,000
Difference between employer contributions and proportionate share of total contributions	19,405	-
Contributions subsequent to the measurement date	784,126	-
	<u>\$ 3,881,864</u>	<u>\$ 1,721,748</u>

# Wilmington Area School District

## Notes to the Financial Statements

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### NOTE J – PENSION PLAN (CONTINUED)

\$784,126 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, 2017. 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,:

2018	\$	343,998
2019		343,998
2020		343,997
2021		343,997
	\$	<u>1,375,990</u>

#### Changes in Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the PSERS' total pension liability as of the June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Change 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 3.0% 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%, comprised 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 3 years for both males and females to the RP-2014 Morality 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 7 years for males and 3 years for females to 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

# Wilmington Area School District

## Notes to the Financial Statements

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### 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 equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure /MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

#### 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 Financial Statements

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### 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>1% Decrease</u> 6.25%	<u>Current Rate</u> 7.25%	<u>1% Increase</u> 8.25%
District's proportionate share of the net pension liability	\$ 36,675,907	\$ 29,981,880	\$ 24,356,925

#### 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](http://www.psers.pa.gov).

### NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN

#### Post Retirement Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 15 years, commencing with the 2009 liability.

#### Plan Description

During the 2011 year-end, the District implemented a new post-retirement benefit plan going forward for retirees who meet certain eligibility requirements. Subject to a retiree's premium co-payment obligations through PSERS, the District will provide each eligible retiring bargaining unit member with the same insurance coverage as provided to active bargaining unit members for a period of time not to exceed 99 months for single coverage or 33 months for two-person coverage. In addition to the health insurance coverage, retirees may purchase dental and vision insurance from the District at rates in effect for the given period.

# Wilmington Area School District

## Notes to the Financial Statements

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

During the 2015 year-end, the District implemented a voluntary early retirement incentive for retirees that meet certain eligibility requirements. The District will provide each eligible retiree with three years of single health insurance coverage (until Medicare eligible) and \$20,000 to be made in two payments of \$10,000 each in September 2015, and September 2016. Payments of \$20,000 will be placed in a 403b plan as a non-elective employer contribution. In addition to the single health insurance coverage, the retiree may elect to purchase spousal coverage, dental, and vision insurance from the District at rates in effect for the given period.

An actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2014. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the District are established and may be amended by the District. The District determines the required contribution using the closed level dollar method of amortization.

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	21
Active plan members	<u>127</u>
Total	<u><u>148</u></u>

The District's annual other post-employment benefit (OPEB) cost (expenses) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years. The actuarial accrued liability as of July 1, 2014 is estimated to be \$2,918,800. The District's contributions represent payments made for premiums for insured individuals.





# Wilmington Area School District

## *Notes to the Financial Statements*

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### 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, 2017 and the two previous fiscal years, no settlements exceeded insurance coverage.

### NOTE N – RESTATEMENT

During the current year it was noted that the prior year financial statements required an adjustment due to an under accrual of accrued salaries and benefits. As a result of the adjustment, the beginning net deficit per the government-wide financial statements decreased from (\$21,133,707) to (\$21,316,218), and the beginning General Fund fund balance per the fund financial statements decreased from \$5,893,050 to \$5,710,539.

### NOTE O – SUBSEQUENT EVENT

In October 2017, the District issued General Obligation Bonds, Series of 2017 in the amount of \$5,435,000 for a refunding of its General Obligation Bonds, Series of 2011 and Series of 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Wilmington Area School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Year ended June 30, 2017**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0605%	0.0637%	0.0651%	0.0632%
District's proportionate share of the net pension liability	\$ 29,981,880	\$ 27,591,852	\$ 25,767,047	\$ 25,871,713
District's covered-employee payroll	\$ 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	382.80%	336.91%	310.06%	319.12%
Plan fiduciary net position as a percentage of the total pension liability	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**  
**Year ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 2,391,666	\$ 1,944,175	\$ 1,803,280	\$ 1,439,766	\$ 1,021,172	\$ 725,619	\$ 456,148	\$ 385,727	\$ 351,972	\$ 566,920
Contributions in relation to the contractually required contribution	2,391,666	1,944,175	1,803,280	1,439,766	1,021,172	725,619	456,148	385,727	351,972	566,920
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165						
Contributions as a percentage of covered-employee payroll	30.54%	23.74%	21.70%	17.76%						

**Notes to Schedule:**

Changes of benefits terms:

There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions:

- 1) The Investment Rate of Return was adjusted from 7.50% to 7.25%
- 2) The inflation assumption was decreased from 3.0% to 2.75%
- 3) 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%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- 4) Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Morality 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 7 years for males and 3 years for females to 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

**Wilmington Area School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Year ended June 30, 2017**

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	\$ -	\$ 2,918,800	\$ 2,918,800	0.0%	N/A	N/A
7/1/2011	-	2,042,100	2,042,100	0.0%	N/A	N/A
7/1/2008	-	2,232,300	2,232,300	0.0%	N/A	N/A

**Notes:**

1. The District is required to present the above information for the three most recent actuarial studies.

**NOTE A – 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, 2017, expenditures exceeded appropriations in four functions by approximately \$365,000. These over-expenditures were funded by less than anticipated expenditures in other functions.

**SUPPLEMENTARY INFORMATION**





10 Woodland Center Drive  
Grove City, PA 16127  
724.458.7490  
Fax: 724.458.0766  
www.mpbcpa.com

**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, 2017, 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 December 6, 2017.

**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

December 6, 2017



10 Woodland Center Drive  
Grove City, PA 16127  
**724.458.7490**  
Fax: 724.458.0766  
www.mpbcpa.com

## 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, 2017. 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, 2017.

### **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

December 6, 2017

Wilmington Area School District  
 Schedule of Expenditures of Federal and State Awards  
 Year ended June 30, 2017

<i>Federal 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>Federal Receipts</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Agriculture</b>						
<b>Passed through the Pennsylvania Department of Education</b>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	I	10.553	365	\$ 38,342	\$ 41,350	\$ 41,350
National School Lunch Program	I	10.555	362	141,352	153,976	153,976
				<u>179,694</u>	<u>195,326</u>	<u>195,326</u>
School Breakfast Program		N/A	511	2,603	2,792	2,792
National School Lunch Program		N/A	510	9,404	10,292	10,292
				<u>12,007</u>	<u>13,084</u>	<u>13,084</u>
<b>Passed through the U.S. Department of Agriculture</b>						
Donated Commodities - Non-Cash Assistance	I	10.555	N/A	23,552	23,552	23,552
<b>Total U.S. Department of Agriculture</b>				<u>215,253</u>	<u>231,962</u>	<u>231,962</u>
<b>U.S. Department of Education</b>						
<b>Passed through the Pennsylvania Department of Education</b>						
Title I Grants to Local Educational Agencies	D	84.010	N/A	73,081	402,293	402,293 *
Improving Teacher Quality State Grants	D	84.367	N/A	15,500	68,491	68,491
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	203,163	203,163	203,163
<b>Total U.S. Department of Education</b>				<u>291,744</u>	<u>673,947</u>	<u>673,947</u>
<b>U.S. Department of Health and Human Services</b>						
<b>Passed through the Pennsylvania Department of Education</b>						
Medical Assistance Program	I	93.778	N/A	820	820	820
<b>Total U.S. Department of Health and Human Services</b>				<u>820</u>	<u>820</u>	<u>820</u>
<b>Total Federal Expenditures</b>						<u>\$ 906,729</u>
SOURCE CODE:						
D = DIRECT FUNDING						
I = INDIRECT FUNDING						
* = SELECTED FOR TESTING						
COVERAGE TEST:						\$ 906,729
TOTAL EXPENDITURES PER ABOVE						<u><u>906,729</u></u>
PROGRAMS TESTED:						
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES						402,293
TOTAL PROGRAMS TESTED						<u>\$ 402,293</u>
TOTAL FEDERAL EXPENDITURES %						<u><u>44.4%</u></u>

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*

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#### **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, 2017. 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 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, 2017, the District had \$10,597 of food commodity inventory.

**Wilmington Area School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2017**

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>
84.010	Title I Grants to Local Educational Agencies

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.