

**WILMINGTON AREA SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2018**



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

## **Change in Accounting Principle**

As discussed in Note A to the financial statements, during the 2018 year-end the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **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, other post-employment benefit plan information, and the notes to the required supplementary information on pages 4 through 11 and 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilmington Area School District's basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, 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 5, 2018

**Wilmington Area School District**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2018**

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, 2018. 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, 2018 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, 2018 by \$22,121,412. The primary reason for this is due to the net pension liability in the amount of \$29,435,489.
- The total net position increased by \$1,176,485. The entire increase was associated with governmental activities.
- The District's total long-term debt obligations decreased by the net of \$786,703 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 \$5,842,702, an increase of \$689,832 in comparison with the prior year. Of this amount, \$2,195,429 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 \$5,842,702. Of the fund balance, \$1,250,000 was assigned for capital projects, \$2,250,000 was assigned for healthcare and retirement costs, and \$147,273 was assigned for subsequent year's expenditures. The remaining amount of \$2,195,429 was unassigned and available for spending. The unassigned fund balance of the General Fund represented 11.4% 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

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

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

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



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

*Fiduciary funds* – The District is the trustee, or fiduciary, for student activity funds, the fitness center club, 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 \$22,121,412 and \$23,297,897 at June 30, 2018 and 2017, respectively.

Table A-1  
Fiscal years ended June 30, 2018 and 2017  
Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Current and other assets	\$ 8,752,003	\$ 7,940,396	\$ 45,309	\$ 38,637	\$ 8,797,312	\$ 7,979,033
Capital assets	22,715,975	23,822,344	9,075	12,872	22,725,050	23,835,216
Total assets	31,467,978	31,762,740	54,384	51,509	31,522,362	31,814,249
Deferred outflows of resources	3,460,045	3,881,864	-	-	3,460,045	3,881,864
Current liabilities	3,287,042	3,378,347	33,778	33,678	3,320,820	3,412,025
Long-term liabilities	52,102,476	53,843,812	19,200	16,425	52,121,676	53,860,237
Total liabilities	55,389,518	57,222,159	52,978	50,103	55,442,496	57,272,262
Deferred inflows of resources	1,661,323	1,721,748	-	-	1,661,323	1,721,748
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	3,439,533	3,599,236	9,075	20,477	3,448,608	3,619,713
Unrestricted	(25,562,351)	(26,898,539)	(7,669)	(19,071)	(25,570,020)	(26,917,610)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (22,122,818)</b>	<b>\$ (23,299,303)</b>	<b>\$ 1,406</b>	<b>\$ 1,406</b>	<b>\$ (22,121,412)</b>	<b>\$ (23,297,897)</b>

A significant portion of the District’s net position (\$3,448,608) 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, 2018 and 2017  
Changes in Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 259,629	\$ 158,048	\$ 156,636	\$ 157,421	\$ 416,265	\$ 315,469
Operating grants and contributions	5,632,734	5,507,975	274,852	266,940	5,907,586	5,774,915
General revenues:						
Property taxes	6,990,924	6,953,895	-	-	6,990,924	6,953,895
Other taxes	1,208,983	1,207,686	-	-	1,208,983	1,207,686
Grants, subsidies and contributions unrestricted	5,708,323	5,678,937	-	-	5,708,323	5,678,937
Other	257,492	164,798	440	226	257,932	165,024
	<u>20,058,085</u>	<u>19,671,339</u>	<u>431,928</u>	<u>424,587</u>	<u>20,490,013</u>	<u>20,095,926</u>
<b>EXPENSES</b>						
Instruction	11,039,900	11,996,333	-	-	11,039,900	11,996,333
Instructional student support	1,107,011	1,425,309	-	-	1,107,011	1,425,309
Administrative and financial support services	1,570,816	1,607,063	-	-	1,570,816	1,607,063
Operation and maintenance of plant services	1,493,092	1,649,262	-	-	1,493,092	1,649,262
Pupil transportation	1,514,582	1,586,804	-	-	1,514,582	1,586,804
Student activities	663,069	630,511	-	-	663,069	630,511
Interest on long-term debt	504,042	529,882	-	-	504,042	529,882
Depreciation and amortization - unallocated	917,718	995,928	-	-	917,718	995,928
Food services	-	-	503,298	498,718	503,298	498,718
	<u>18,810,230</u>	<u>20,421,092</u>	<u>503,298</u>	<u>498,718</u>	<u>19,313,528</u>	<u>20,919,810</u>
Income (deficiency) before transfers	1,247,855	(749,753)	(71,370)	(74,131)	1,176,485	(823,884)
Transfers	(71,370)	(74,131)	71,370	74,131	-	-
Changes in net position	1,176,485	(823,884)	-	-	1,176,485	(823,884)
Net position, beginning of year	(23,299,303)	(22,475,419)	1,406	1,406	(23,297,897)	(22,474,013)
Net position, end of year	<u>\$ (22,122,818)</u>	<u>\$ (23,299,303)</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ (22,121,412)</u>	<u>\$ (23,297,897)</u>

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

Table A-3  
Fiscal years ended June 30, 2018 and 2017  
Governmental Activities

<i>Functions/Programs</i>	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Instruction	\$ 11,039,900	\$ 11,996,333	\$ 6,863,150	\$ 7,953,978
Instructional student support	1,107,011	1,425,309	923,611	1,256,718
Administrative and financial support services	1,570,816	1,607,063	1,389,771	1,436,309
Operation and maintenance of plant services	1,493,092	1,649,262	1,403,493	1,559,718
Pupil transportation	1,514,582	1,586,804	645,394	839,741
Student activities	663,069	630,511	584,353	553,156
Interest on long-term debt	504,042	529,882	190,377	159,521
Depreciation and amortization - unallocated	917,718	995,928	917,718	995,928
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 18,810,230</b>	<b>\$ 20,421,092</b>	<b>12,917,867</b>	<b>14,755,069</b>
Less:				
Grants, subsidies, and contributions unrestricted			5,708,323	5,678,937
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>			<b>\$ 7,209,544</b>	<b>\$ 9,076,132</b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental fund reported a fund balance of \$5,842,702 which is an increase of \$689,832 from the June 30, 2017 balance.

The General Fund reported an increase of \$689,832 while the budget was anticipating a decrease of \$5,152,870. Revenues were greater than budgeted primarily because of federal sources being higher than anticipated.

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, 2018, the District had \$22,725,050 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 \$1,110,166, or 4.7% 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>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Land and land improvements	\$ 569,788	\$ 613,344	\$ -	\$ -	\$ 569,788	\$ 613,344
Buildings and building improvements	22,006,106	23,035,658	-	-	22,006,106	23,035,658
Furniture, equipment and other	140,081	173,342	9,075	12,872	149,156	186,214
<b>TOTAL</b>	<b>\$ 22,715,975</b>	<b>\$ 23,822,344</b>	<b>\$ 9,075</b>	<b>\$ 12,872</b>	<b>\$ 22,725,050</b>	<b>\$ 23,835,216</b>

The following were the most significant additions in capital assets during the year ended June 30, 2018:

- Playground and baseball field fence = \$16,994

### *Debt administration*

As of July 1, 2017, the District had total outstanding bond principal of \$20,490,000. During the year, the District refunded \$5,285,000 of its debt with \$5,435,000 of new debt and made payments against principal of \$1,035,000, resulting in outstanding debt principal as of June 30, 2018 of \$19,605,000.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

The revenue budget for the 2018-2019 year is \$550,935 more than the original budget for 2017-2018. This represents a 2.9% increase in budgeted revenues. The expenditure budget for the 2018-2019 year is \$450,166 more than the original budget for 2017-2018, or a 2.3% increase.

The comparison of revenue and expenditure categories is as follows:

BUDGETED REVENUES		
	2018-2019	2017-2018
Local	45.6%	43.9%
State	50.8%	52.2%
Federal/Other	3.6%	3.9%

  

BUDGETED EXPENDITURES		
	2018-2019	2017-2018
Instruction	60.2%	59.8%
Support services	29.6%	29.4%
Non-Instructional	2.7%	2.6%
Fund transfers/Debt	7.5%	8.2%

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, 2018

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 6,179,983	\$ 211,112	\$ 6,391,095
Certificates of deposit	539,110	-	539,110
Receivables:			
Taxes-delinquent and other	660,520	-	660,520
Intergovernmental	799,515	34,772	834,287
Interfund	220,704	(220,704)	-
Inventories	-	20,129	20,129
	<u>8,399,832</u>	<u>45,309</u>	<u>8,445,141</u>
<b>CAPITAL ASSETS</b>			
Non-depreciable capital assets	194,005	-	194,005
Depreciable capital assets, net of accumulated depreciation	22,521,970	9,075	22,531,045
	<u>22,715,975</u>	<u>9,075</u>	<u>22,725,050</u>
<b>OTHER ASSETS</b>			
Investment in health consortium	322,900	-	322,900
Bonds issue costs, net of accumulated amortization	29,271	-	29,271
	<u>352,171</u>	<u>-</u>	<u>352,171</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on bond refunding	214,048	-	214,048
Relating to the net pension liability, net of amortization	2,760,051	-	2,760,051
Relating to the net OPEB liability, net of amortization	485,946	-	485,946
	<u>3,460,045</u>	<u>-</u>	<u>3,460,045</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 34,928,023</u></b>	<b><u>\$ 54,384</u></b>	<b><u>\$ 34,982,407</u></b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 377,612	\$ -	\$ 377,612
Current portion of long-term debt	925,000	-	925,000
Accrued salaries and benefits	1,924,118	33,778	1,957,896
Accrued interest payable	60,312	-	60,312
	<u>3,287,042</u>	<u>33,778</u>	<u>3,320,820</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	230,928	19,200	250,128
Net pension liability	29,435,489	-	29,435,489
Net OPEB liability	3,841,298	-	3,841,298
Bonds payable	18,594,761	-	18,594,761
	<u>52,102,476</u>	<u>19,200</u>	<u>52,121,676</u>
	<u>55,389,518</u>	<u>52,978</u>	<u>55,442,496</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Relating to the net pension liability, net of amortization	1,586,505	-	1,586,505
Relating to the net OPEB liability, net of amortization	74,818	-	74,818
	<u>1,661,323</u>	<u>-</u>	<u>1,661,323</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	3,439,533	9,075	3,448,608
Unrestricted	(25,562,351)	(7,669)	(25,570,020)
	<u>(22,122,818)</u>	<u>1,406</u>	<u>(22,121,412)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 34,928,023</u></b>	<b><u>\$ 54,384</u></b>	<b><u>\$ 34,982,407</u></b>

See accompanying notes to the basic financial statements.

**WILMINGTON AREA SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

<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	\$ 11,039,900	\$ 218,366	\$ 3,958,384	\$ (6,863,150)	\$ -	\$ (6,863,150)
Instructional student support	1,107,011	-	183,400	(923,611)	-	(923,611)
Administrative and financial support services	1,570,816	-	181,045	(1,389,771)	-	(1,389,771)
Operation and maintenance of plant services	1,493,092	-	89,599	(1,403,493)	-	(1,403,493)
Pupil transportation	1,514,582	-	869,188	(645,394)	-	(645,394)
Student activities	663,069	41,263	37,453	(584,353)	-	(584,353)
Interest on long-term debt	504,042	-	313,665	(190,377)	-	(190,377)
Depreciation and amortization - unallocated	917,718	-	-	(917,718)	-	(917,718)
	<u>18,810,230</u>	<u>259,629</u>	<u>5,632,734</u>	<u>(12,917,867)</u>	<u>-</u>	<u>(12,917,867)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food services	<u>503,298</u>	<u>156,636</u>	<u>274,852</u>	<u>-</u>	<u>(71,810)</u>	<u>(71,810)</u>
	<u><b>\$ 19,313,528</b></u>	<u><b>\$ 416,265</b></u>	<u><b>\$ 5,907,586</b></u>	<u>(12,917,867)</u>	<u>(71,810)</u>	<u>(12,989,677)</u>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes, net				6,990,924	-	6,990,924
Other taxes levied				1,208,983	-	1,208,983
Grants, subsidies, and contributions, unrestricted				5,708,323	-	5,708,323
Investment earnings				46,856	440	47,296
Miscellaneous income				210,636	-	210,636
<b>TRANSFERS</b>				<u>(71,370)</u>	<u>71,370</u>	<u>-</u>
				<u>14,094,352</u>	<u>71,810</u>	<u>14,166,162</u>
<b>CHANGES IN NET POSITION (DEFICIT)</b>				<u>1,176,485</u>	<u>-</u>	<u>1,176,485</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR, AS RESTATED (NOTE N)</b>				<u>(23,299,303)</u>	<u>1,406</u>	<u>(23,297,897)</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>				<u><b>\$ (22,122,818)</b></u>	<u><b>\$ 1,406</b></u>	<u><b>\$ (22,121,412)</b></u>

See accompanying notes to the basic financial statements.



**WILMINGTON AREA SCHOOL DISTRICT**  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
 JUNE 30, 2018

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	<i>General Fund</i>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,179,983
Certificates of deposit	539,110
Delinquent and other taxes receivable	660,520
Intergovernmental receivables	799,515
Interfund receivable	220,704
<b>TOTAL ASSETS</b>	<b>\$ 8,399,832</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 377,612
Accrued salaries and benefits	1,924,118
	<u>2,301,730</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - taxes	<u>255,400</u>
<b>FUND BALANCES</b>	
Fund balances:	
Assigned:	
Capital projects	1,250,000
Healthcare and retirement costs	2,250,000
Subsequent year's budget	147,273
Unassigned	2,195,429
	<u>5,842,702</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,399,832</b>

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, 2018**

---

**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 5,842,702

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 \$45,702,969, and the accumulated depreciation is \$22,986,994. The unamortized bond issue costs are \$29,271.

22,745,246

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

322,900

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.

255,400

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

1,798,722

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

Bonds payable	\$ (19,519,761)	
Net pension liability	(29,435,489)	
Accrued interest on the bonds	(60,312)	
Compensated absences	(230,928)	
Net OPEB liability	(3,841,298)	(53,087,788)

**TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES** **\$ (22,122,818)**

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, 2018**

	<i>General Fund</i>
<b>REVENUES</b>	
Local sources:	
Taxes	\$ 8,259,407
Other	546,005
State sources	10,191,491
Federal sources	1,113,857
	<u>20,110,760</u>
<b>EXPENDITURES</b>	
Instruction	11,379,480
Support services	5,696,206
Non-instructional services	485,289
Capital outlay	332,576
Debt service:	
Principal retirement	1,035,000
Interest and issuance costs on long-term debt	499,430
	<u>19,427,981</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>682,779</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Refund of prior year revenue	(780)
Proceeds from refunding bonds issued	5,435,000
Payment to refunded bond escrow agent	(5,362,622)
Discounts/premiums on bonds issued	6,825
Interfund transfers	(71,370)
	<u>7,053</u>
<b>NET CHANGE IN FUND BALANCE</b>	689,832
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>5,152,870</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 5,842,702</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, 2018**

<b>TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$ 689,832</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 (\$16,994) is less than depreciation (\$1,123,363) in the period.	(1,106,369)
Change in investment in health care consortium.	197,827
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.	(59,500)
The issuance of long-term debt provides current financial resources but has no effect on net position.	(5,435,000)
The defeasance of long-term debt uses current financial resources but has no effect on net position.	5,362,622
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.	(15,956)
Change in accrued interest expense on bonds payable.	8,838
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,035,000
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	\$ 31,377
Change in net pension liability and relating deferred inflows and outflows	(440,179)
Change in net OPEB liability and relating deferred inflows and outflows	907,993
<b>TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,176,485</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, 2018

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>	<i>Budgetary Basis to GAAP Difference</i>	<i>Actual Amounts GAAP Basis</i>
<b>REVENUES</b>					
Local Sources:					
Taxes	\$ 8,031,409	\$ 8,259,407	\$ 227,998	\$ (59,500)	\$ 8,199,907
Other	354,000	546,005	192,005	-	546,005
State sources	9,986,969	10,191,491	204,522	-	10,191,491
Federal sources	741,991	1,113,857	371,866	-	1,113,857
	<u>19,114,369</u>	<u>20,110,760</u>	<u>996,391</u>	<u>(59,500)</u>	<u>20,051,260</u>
<b>EXPENDITURES</b>					
Regular programs	8,202,686	8,428,198	(225,512)	360,912	8,789,110
Special programs	2,834,317	2,615,749	218,568	-	2,615,749
Vocational education	520,952	543,864	(22,912)	-	543,864
Other instructional programs	12,240	5,609	6,631	-	5,609
Pupil personnel	423,055	387,970	35,085	(40,780)	347,190
Instructional staff	127,601	129,597	(1,996)	-	129,597
Administration	1,451,691	1,386,289	65,402	(49,428)	1,336,861
Pupil health	199,960	218,774	(18,814)	-	218,774
Business office	241,916	233,955	7,961	-	233,955
Operation and maintenance of plant	1,317,563	1,520,817	(203,254)	(38,485)	1,482,332
Student transportation	1,528,039	1,515,230	12,809	(648)	1,514,582
Other support services	402,880	411,450	(8,570)	-	411,450
Student activities	507,156	485,289	21,867	177,780	663,069
Land and existing site improvements	-	10,760	(10,760)	-	10,760
Debt service:					
Principal retirement	1,045,000	1,035,000	10,000	(1,035,000)	-
Interest and issuance costs on long-term debt	514,855	499,430	15,425	7,118	506,548
	<u>19,329,911</u>	<u>19,427,981</u>	<u>(98,070)</u>	<u>(618,531)</u>	<u>18,809,450</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(215,542)	682,779	898,321	559,031	1,241,810
<b>OTHER FINANCING SOURCES (USES)</b>					
Refund of prior year revenue	(2,500)	(780)	1,720	-	(780)
Proceeds from refunding bonds issued	-	5,435,000	5,435,000	(5,435,000)	-
Payment to refunded bond escrow agent	-	(5,362,622)	(5,362,622)	5,362,622	-
Discounts/premiums on bonds issued	-	6,825	6,825	-	6,825
Interfund transfers	(30,000)	(71,370)	(41,370)	-	(71,370)
	<u>(32,500)</u>	<u>7,053</u>	<u>39,553</u>	<u>(72,378)</u>	<u>(65,325)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(248,042)	689,832	937,874	486,653	1,176,485
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>5,152,870</u>	<u>5,152,870</u>	<u>-</u>	<u>(486,653)</u>	<u>(23,299,303)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,904,828</u>	<u>\$ 5,842,702</u>	<u>\$ 937,874</u>	<u>\$ -</u>	<u>\$ (22,122,818)</u>

See accompanying notes to the basic financial statements.

**WILMINGTON AREA SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUND (FOOD SERVICE)  
 JUNE 30, 2018

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	<i>Food Service</i>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 211,112
Intergovernmental receivables	34,772
Inventories	20,129
	<u>266,013</u>
<b>NONCURRENT ASSETS</b>	
Depreciable capital assets, net	<u>9,075</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 275,088</u></b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Interfund payable	\$ 220,704
Accrued liabilities	33,778
	<u>254,482</u>
<b>NONCURRENT LIABILITIES</b>	
Compensated absences payable	<u>19,200</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,075
Unrestricted	(7,669)
	<u>1,406</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 275,088</u></b>

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, 2018

	<i>Food Service</i>
<b>OPERATING REVENUES</b>	
Food service sales	<u>\$ 156,636</u>
<b>OPERATING EXPENSES</b>	
Cost of sales	191,066
Gross wages	191,923
Fringe benefit costs	96,196
Nonfood supplies	16,518
Other operating costs	3,798
Depreciation	3,797
	<u>503,298</u>
<b>OPERATING LOSS</b>	<u>(346,662)</u>
<b>NONOPERATING REVENUES</b>	
State subsidies	48,900
Federal subsidies	225,952
Investment earnings	440
	<u>275,292</u>
<b>LOSS BEFORE TRANSFER</b>	(71,370)
Transfer from General Fund	<u>71,370</u>
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,406</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,406</u></u>

See accompanying notes to the basic financial statements.

**WILMINGTON AREA SCHOOL DISTRICT**  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND (FOOD SERVICE)  
 YEAR ENDED JUNE 30, 2018

	<i>Food Service</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 156,636
Cash payments to employees for services	(272,990)
Cash payments to suppliers for good and services	(203,951)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(320,305)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State subsidies	51,290
Federal subsidies	258,965
Transfer from General Fund	71,370
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>381,625</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	440
<b>CHANGE IN CASH</b>	61,760
<b>CASH, BEGINNING OF YEAR</b>	<u>149,352</u>
<b>CASH, END OF YEAR</b>	<u><b>\$ 211,112</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
<b>OPERATING LOSS</b>	\$ (346,662)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Depreciation	3,797
Decrease in inventories	7,431
Increase in interfund payable	12,254
Increase in accrued liabilities	100
Increase in compensated absences	2,775
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><b>\$ (320,305)</b></u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
<b>DONATED FOOD RECEIVED</b>	<u><b>\$ 29,924</b></u>
<b>DONATED FOOD USED</b>	<u><b>\$ 29,924</b></u>

See accompanying notes to the basic financial statements.



**WILMINGTON AREA SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	<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	\$ 4,332	\$ 5,072	\$ 1,811	\$ 11,215	\$ 95,108	\$ 1,619	\$ 96,727
Certificates of deposit	22,116	16,084	7,000	45,200	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 26,448</b>	<b>\$ 21,156</b>	<b>\$ 8,811</b>	<b>\$ 56,415</b>	<b>\$ 95,108</b>	<b>\$ 1,619</b>	<b>\$ 96,727</b>
<b>LIABILITIES</b>							
Due to student organizations	\$ -	\$ -	\$ -	\$ -	\$ 95,108	\$ 1,619	\$ 96,727
<b>NET POSITION</b>							
Held in trust for other purposes	26,448	21,156	8,811	56,415	-	-	-
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 26,448</b>	<b>\$ 21,156</b>	<b>\$ 8,811</b>	<b>\$ 56,415</b>	<b>\$ 95,108</b>	<b>\$ 1,619</b>	<b>\$ 96,727</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, 2018

	<i>Private Purpose Trust Funds</i>			
	<i>Kaufmann/ McCrum Scholarship</i>	<i>Magyary Music Scholarship</i>	<i>Butia Computer</i>	<i>Total</i>
<b>ADDITIONS</b>				
Interest income	\$ 230	\$ 353	\$ 2	\$ 585
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>26,218</u>	<u>20,803</u>	<u>8,809</u>	<u>55,830</u>
<b>NET POSITION, END OF YEAR</b>	<u><b>\$ 26,448</b></u>	<u><b>\$ 21,156</b></u>	<u><b>\$ 8,811</b></u>	<u><b>\$ 56,415</b></u>
<b>NET POSITION COMPRISED OF:</b>				
Principal (Nonexpendable)	\$ 22,506	\$ -	\$ 7,000	\$ 29,506
Principal (Expendable)	-	20,000	-	20,000
Interest	3,942	1,156	1,811	6,909
	<u><b>\$ 26,448</b></u>	<u><b>\$ 21,156</b></u>	<u><b>\$ 8,811</b></u>	<u><b>\$ 56,415</b></u>

See accompanying notes to the basic financial statements.

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Reporting Entity

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

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

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

Lawrence County Career and Technical Center – is a separate legal entity. It was organized by the eight public school districts in Lawrence County to provide services in the county. Each of the public school districts appoints member(s) to serve on the joint operating committee based on the Career and Technical Center’s bylaws, and each has an ongoing financial responsibility to fund the Career and Technical Center. Funding requirements of the District are based on the number of students attending the full-day classes from the District compared to the total students attending the Lawrence County Career and Technical Center. Audited financial statements for the year ended June 30, 2018 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, 2018 for the IU IV are available at its business office.

WILMINGTON AREA SCHOOL DISTRICT  
NOTES TO THE BASIC 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 BASIC 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 BASIC 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 BASIC 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, 2018. 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 BASIC 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:

<i>Asset Category</i>	<i>Years</i>
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 and net OPEB liabilities 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 three items that qualify for reporting in this category. They are delinquent taxes as reported in the Balance Sheet of the governmental fund statement and deferred inflows relating to the pension and net OPEB liabilities as reported on the Statement of Net Position.



WILMINGTON AREA SCHOOL DISTRICT  
NOTES TO THE BASIC 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 BASIC 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.

#### Postemployment Benefits Other Than Pensions (OPEB)

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

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### 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.

#### Recent Issued and Adopted 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.

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.

#### Impact of Recently Issued Accounting Principles

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* is effective for periods beginning after June 15, 2018. The objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### Subsequent Events

Subsequent to year-end, the District obtained financing for a roof replacement project approximating \$417,000. The project was completed during the year ended June 30, 2019.

### NOTE B – CASH AND CASH EQUIVALENTS

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

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

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

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

The deposit and investment policy of the District adheres to state statutes and prudent business practice. Deposits of the District consist of demand deposits at various financial institutions, certificates of deposit, 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, 2018, the carrying amount of the District's deposits was \$5,362,011 with a corresponding bank balance of \$5,245,183. Of the bank balances at year end, \$250,000 was covered by federal depository insurance, and the remaining amount was held in collateral by the depository's agent but not in the District's name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Additionally, the District had cash maintained in fiduciary funds. At June 30, 2018, the bank balance for the fiduciary funds amounted to \$107,942. 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 \$1,029,084 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 \$539,110 for the General Fund and \$45,200 for the fiduciary funds as of June 30, 2018. 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, 2018 was 15.23 and 61.41 mills (\$15.23 per \$1,000 of assessed valuation based on 75% of 1966's market value and \$61.41 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.

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.

WILMINGTON AREA SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE D – TAXES (CONTINUED)

The balances at June 30, 2018 are as follows:

	<i>Net Estimated to be Collectible</i>	<i>Tax Revenue Recognized</i>	<i>Unavailable Taxes</i>
Real estate	\$ 454,931	\$ 199,531	\$ 255,400
Earned income	193,909	193,909	-
Realty transfer tax	11,680	11,680	-
<b>TOTAL</b>	<b><u>\$ 660,520</u></b>	<b><u>\$ 405,120</u></b>	<b><u>\$ 255,400</u></b>

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE E – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018 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	16,994	-	1,152,542
Buildings and building improvements	42,885,199	-	-	42,885,199
Furniture, equipment and other	1,471,223	-	-	1,471,223
Total capital assets, being depreciated	<u>45,491,970</u>	<u>16,994</u>	<u>-</u>	<u>45,508,964</u>
Less accumulated depreciation:				
Land improvements	(716,209)	(60,550)	-	(776,759)
Buildings and building improvements	(19,849,541)	(1,029,552)	-	(20,879,093)
Furniture, equipment and other	(1,297,881)	(33,261)	-	(1,331,142)
Total accumulated depreciation	<u>(21,863,631)</u>	<u>(1,123,363)</u>	<u>-</u>	<u>(22,986,994)</u>
Total capital assets, being depreciated, net	<u>23,628,339</u>	<u>(1,106,369)</u>	<u>-</u>	<u>22,521,970</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 23,822,344</u></b>	<b><u>\$ (1,106,369)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 22,715,975</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated:				
Furniture, equipment and other	\$ 405,655	\$ -	\$ -	\$ 405,655
Less accumulated depreciation:				
Furniture, equipment and other	<u>(392,783)</u>	<u>(3,797)</u>	<u>-</u>	<u>(396,580)</u>
<b>BUSINESS-TYPE CAPITAL</b>				
<b>ASSETS, NET</b>	<b><u>\$ 12,872</u></b>	<b><u>\$ (3,797)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,075</u></b>

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE E – CAPITAL ASSETS (CONTINUED)**

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

**GOVERNMENTAL ACTIVITIES**

Instruction	\$ 5,558
Instructional student support	10,703
Operation and maintenance of plant services	4,621
Non-instructional services	188,049
Unallocated	914,432
	<u>1,123,363</u>

**BUSINESS-TYPE ACTIVITIES**

Food service	<u>3,797</u>
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**TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL  
AND BUSINESS-TYPE ACTIVITIES**

**\$ 1,127,160**

**NOTE F – LONG-TERM DEBT**

During the fiscal year ended June 30, 2018, the District's long-term debt (excluding the net pension and net OPEB liabilities) changed as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
General obligation bonds	\$ 20,490,000	\$ 5,435,000	\$ (6,320,000)	\$ 19,605,000	\$ 925,000
Deferred amounts:					
Discount	(203,530)	107,995	-	(95,535)	-
Premium	19,994	-	(9,698)	10,296	-
Due to refunding	-	12,670	(226,718)	(214,048)	-
Compensated absences	278,730	-	(28,602)	250,128	-
<b>TOTAL</b>	<b><u>\$ 20,585,194</u></b>	<b><u>\$ 5,555,665</u></b>	<b><u>\$ (6,585,018)</u></b>	<b><u>\$ 19,555,841</u></b>	<b><u>\$ 925,000</u></b>

The future annual payments required to amortize outstanding bonds payable as of June 30, 2018, including total interest payments are as follows:

<i>Year ended June 30,</i>	<i>General Obligation Bonds</i>		<i>Total</i>
	<i>Interest</i>	<i>Principal</i>	
2019	\$ 471,226	\$ 925,000	\$ 1,396,226
2020	449,501	985,000	1,434,501
2021	428,276	1,015,000	1,443,276
2022	406,424	1,050,000	1,456,424
2023	376,079	1,490,000	1,866,079
2024-2028	1,366,495	7,905,000	9,271,495
2029-2032	326,059	6,235,000	6,561,059
<b>TOTAL</b>	<b><u>\$ 3,824,060</u></b>	<b><u>\$ 19,605,000</u></b>	<b><u>\$ 23,429,060</u></b>



# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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. These bonds were paid in full during the 2018 year-end.

#### 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. These bonds were refunded by the issuance of the General Obligation Bonds, Series of 2017.

#### 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. These bonds were refunded by the issuance of the General Obligation Bonds, Series of 2017.

#### 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, 2018, the balance outstanding on this bond is \$4,175,000.

#### 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, 2018, the balance outstanding on this bond is \$9,995,000.

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

General Obligation Bonds, Series of 2017

During the 2018 year-end, the District issued general obligation bonds in the amount of \$5,435,000. The purpose of the bonds was to refund the General Obligation Bonds, Series of 2011 and 2012, pay the cost of the issuance of the bond, and take advantage for more favorable interest rates. The bond bears interest of 1.1% to 3% and matures November 2031. The refunding resulted in a cash savings of \$167,506 and a present value savings of \$167,019. At June 30, 2018, the balance outstanding on this bond is \$5,435,000.

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, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Food Service Fund	Operations	\$ 220,704

**NOTE H – INTERFUND TRANSFERS**

The composition of and purpose of transfers between funds during the June 30, 2018 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	\$ 71,370

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

**NOTE I – SELF INSURANCE – MEDICAL INSURANCE**

In July of 2000, the District moved from a fully-insured program with premiums paid to the District’s medical insurance carrier to a self-funded program. As of July 1, 2005, the District participates in the Midwestern Health Combine Plan along with other public school or similar districts. The Reschini Agency administers and monitors the school’s deposits into the school district trust account to be held for the payment of medical and prescription drug claims. Highmark Blue Cross/Blue Shield processes and pays the claims. The District is limited in liability to \$350,000 per individual claim per year by purchasing stop-loss insurance coverage. The District has recorded a liability for estimated claims incurred through June 30, 2018 but not funded at year-end of \$161,122. At June 30, 2018, the District’s investment was \$322,900 which represents the District’s portion of the consortium fund balance at year-end.

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### 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; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work 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.

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.

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE J – PENSION PLAN (CONTINUED)

#### Member Contributions

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (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, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contribution to PSERS for the year ending June 30, 2018 was \$2,389,659 which was 100% of the required contribution.

At June 30, 2018, the District had an accrued balance due to PSERS of \$821,320. The amount represents the District's contractually obligated contributions for wages earned during the 2018 year-end. The balance will be paid in the 2019 year-end.

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE J – PENSION PLAN (CONTINUED)**

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

At June 30, 2018, the District reported a liability of \$29,435,489 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District’s proportion was 0.0596%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,711,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Difference between expected and actual experience	\$ 307,084	\$ 177,866
Changes in assumptions	799,635	-
Net difference between projected and actual investments earnings	682,074	-
Changes in proportions	174,000	1,401,000
Difference between employer contributions and proportionate share of total contributions	-	7,639
Contributions subsequent to the measurement date	797,258	-
<b>TOTAL</b>	<u><u>\$ 2,760,051</u></u>	<u><u>\$ 1,586,505</u></u>

WILMINGTON AREA SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE J – PENSION PLAN (CONTINUED)

\$797,258 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30,:

2019	\$	94,072
2020		94,072
2021		94,072
2022		94,072
<b>TOTAL</b>	<b>\$</b>	<b><u>376,288</u></b>

Actuarial Assumptions

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

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

The 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.

WILMINGTON AREA SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Global public entity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure /MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
<b>TOTAL</b>	<b>100%</b>	

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

*Discount Rate*

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

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

The following 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:

	<i>1% Decrease 6.25%</i>	<i>Current Rate 7.25%</i>	<i>1% Increase 8.25%</i>
District's proportionate share of the net pension liability	\$ 36,232,527	\$ 29,435,489	\$ 23,696,866

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE J – PENSION PLAN (CONTINUED)**

*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**

**General Information about the OPEB Plan**

*Plan Description*

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

*Benefits Provided*

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

*Employees Covered by Benefit Terms*

Membership in the plan consisted of the following at July 1, 2017, the date of the last actuarial valuation.

Active participants	106
Vested former participants	8
Retired participants	19
<b>TOTAL</b>	<b><u>133</u></b>

**Total OPEB Liability**

The District's total OPEB liability of \$2,627,000 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.



**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	None
Salary increases	Assumed salary increases are based on the rates utilized in the Actuarial Valuation for PSERS and vary by age
Discount rate	3.87%
Healthcare cost trend rates	Assumed to increase as shown in the following table (selected years shown):

<i>Fiscal Year Ending June 30,</i>	<i>Increase in Health Cost over Prior Year</i>
2019	6.90%
2020	6.20%
2021	5.50%
2022	5.20%
2023	5.10%
2028	4.90%
2033	5.00%
2038	6.00%
2043	6.00%
2048	5.60%
2058	5.20%
2076 and later	4.10%

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

The RP-2014 Mortality Tables were used and were adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis with Scale MP-2017 (based on recommendation of Society of Actuaries' Retirement Plans Experience Committee).

The actuarial assumptions used in the July 1, 2017 were based on census information at that time and is believed to be representative of the population for the 2017-2018 school year.

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**Changes in the Total OPEB liability**

	<u><i>Increase (Decrease)</i></u>
	<u><i>Total OPEB Liability</i></u>
<b>BALANCES AT JULY 1, 2017</b>	<b>\$ 3,035,000</b>
Changes for the year:	
Service cost	175,000
Interest	106,000
Changes of assumptions	(528,000)
Benefit payments	(161,000)
Net changes	<u>(408,000)</u>
 <b>BALANCES AT JULY 1, 2018</b>	 <b>\$ <u>2,627,000</u></b>

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

Changes of assumptions and other inputs reflect a change in the discount rate to 3.87%. Per capita costs and future retiree healthcare trend rates were updated. The mortality assumption has been updated from the RP-2000 Mortality Tables with Mortality Improvement Project Scale AA to the RP-2014 Mortality Tables with Mortality Improvement Projection Scale MP-2017. Assumed termination and retirement rates have been updated to those used in the most recent actuarial valuation of PSERS. The actuarial cost method has been updated from the Projected Unit Credit cost method to the Entry Age Normal cost method.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage -point higher (4.87 percent) than the current discount rate:

	<u><i>1% Decrease</i></u>	<u><i>Current Rate</i></u>	<u><i>1% Increase</i></u>
	<u><i>2.87%</i></u>	<u><i>3.87%</i></u>	<u><i>4.87%</i></u>
Total OPEB liability (asset)	\$ 2,843,000	\$ 2,627,000	\$ 2,425,000

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

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

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability (asset)	\$ 2,344,000	\$ 2,627,000	\$ 2,966,000

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$215,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	462,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ 462,000</b>	<b>\$ -</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u>	
2019	\$ 66,000
2020	66,000
2021	66,000
2022	66,000
2023	66,000
Thereafter	132,000
<b>TOTAL</b>	<b>\$ 462,000</b>

# WILMINGTON AREA SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### PSERS OPEB Plan

##### General Information about the Health Insurance Premium Assistance Program

##### Health Insurance Premium Assistance Program

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

##### Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

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

##### Pension Plan Description

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

##### Benefits Provided

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

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

Employer Contribution

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$62,490 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$1,214,298 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.596 percent, which was a decrease of 0.0009 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$49,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	56,506
Net difference between projected and actual earnings on OPEB plan investments	1,284	-
Changes in proportion	-	17,000
Difference between employer contributions and proportionate share of total contributions	-	1,312
Contributions subsequent to the measurement date	22,662	-
<b>TOTAL</b>	<b>\$ 23,946</b>	<b>\$ 74,818</b>

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

\$22,662 reported as deferred outflows of resources related to the OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u>		
2019	\$	(18,384)
2020		(18,384)
2021		(18,383)
2022		(18,383)
<b>TOTAL</b>	<b>\$</b>	<b><u>(73,534)</u></b>

Actuarial Assumptions:

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment rate of return – 3.13% – S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’s experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determine the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

- Mortality rates and retirement ages were based on the RP-2000 Combined Health Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB -Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
<b>TOTAL</b>	<b>100%</b>	

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy set contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to met projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 2,036,880,000	\$ 2,037,412,000	\$ 2,037,839,000

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

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
District's proportionate share of the net OPEB liability	\$ 1,380,334	\$ 1,214,298	\$ 1,076,371

*OPEB Plan Fiduciary Net Position*

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



**WILMINGTON AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC 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, 2018 and the two previous fiscal years, no settlements exceeded insurance coverage.

**NOTE N – PRIOR PERIOD ADJUSTMENTS**

Net position for the governmental activities as of July 1, 2017 has been restated as follows due to recording the investment in health consortium and due to the implementation of GASB 75:

Net deficit as previously reported at June 30, 2017:	\$ (22,141,508)
Prior period adjustment:	
Investment in health consortium	125,073
Net OPEB liability	<u>(1,282,868)</u>
Net deficit as restated, July 1, 2017	<u><u>\$ (23,299,303)</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**WILMINGTON AREA SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2018

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	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
District's proportion of the net pension liability	0.0596%	0.0605%	0.0637%	0.0651%	0.0632%
District's proportionate share of the net pension liability	\$ 29,435,489	\$ 29,981,880	\$ 27,591,852	\$ 25,767,047	\$ 25,871,713
District's covered-employee payroll	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	370.86%	382.80%	336.91%	310.06%	319.12%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%	54.50%

**Notes:**

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

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

See accompanying notes.

**WILMINGTON AREA SCHOOL DISTRICT**

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PENSION PLAN  
YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<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>
Contractually required contribution	\$ 2,389,659	\$ 2,325,563	\$ 1,880,974	\$ 1,727,441	\$ 1,360,677	\$ 950,120	\$ 671,093	\$ 404,387	\$ 322,784	\$ 295,775
Contributions in relation to the contractually required contribution	<u>2,389,659</u>	<u>2,325,563</u>	<u>1,880,974</u>	<u>1,727,441</u>	<u>1,360,677</u>	<u>950,120</u>	<u>671,093</u>	<u>404,387</u>	<u>322,784</u>	<u>295,775</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered-employee payroll	\$ 7,528,858	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165				
Contributions as a percentage of covered-employee payroll	31.74%	29.30%	24.02%	21.09%	16.37%	11.72%				

**NOTES TO SCHEDULE:**

Changes of benefits terms:

There were no changes of benefit terms for the year ended June 30, 2018.

Actuarial assumptions:

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

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

	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 175,000
Interest	106,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(528,000)
Benefit payments	(161,000)
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<u>(408,000)</u>
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	3,035,000
<b>TOTAL OPEB LIABILITY - ENDING</b>	<u><u>\$ 2,627,000</u></u>

### Notes to Schedule:

#### *Changes of assumptions:*

The discount rate has increased to 3.87% based on the Bond Buyer 20-Year Bond GO Index.

Per capita claims costs were updated.

Future retiree healthcare trend rates were updated.

The mortality assumption has been updated from the RP-2000 Mortality Tables with Mortality Improvement Projection Scale AA to the RP-2014 Mortality Tables with Mortality Improvement Projection Scale MP-2017.

Assumed termination and retirement rates have been updated to those used in the most recent actuarial valuation of PSERS.

The actuarial cost method has been updated from the Projected Unit Credit cost method to the Entry Age Normal cost method.

#### *Changes of benefit terms:* None

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

## WILMINGTON AREA SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OPEB LIABILITY YEAR ENDED JUNE 30, 2018

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	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0596%	0.0605%
District's proportionate share of the net OPEB liability	\$ 1,214,298	\$ 1,303,163
District's covered-employee payroll	\$ 7,937,064	\$ 7,832,316
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.30%	16.64%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.47%

**Notes:**

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

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

See accompanying notes.

**WILMINGTON AREA SCHOOL DISTRICT**

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PSERS OPEB PLAN

YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<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>
Contractually required contribution	\$ 62,490	\$ 66,103	\$ 63,201	\$ 75,839	\$ 79,089	\$ 71,052	\$ 54,526	\$ 51,761	\$ 62,943	\$ 56,197
Contributions in relation to the contractually required contribution	62,490	66,103	63,201	75,839	79,089	71,052	54,526	51,761	62,943	56,197
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered-employee payroll	\$ 7,528,858	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165				
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.81%	0.93%	0.95%	0.88%				

**Notes to Schedule:**

Changes of benefits terms:

There were no changes of benefit terms for the year ended June 30, 2018.

Actuarial assumptions:

- 1) Actuarial cost method - Entry Age Normal - level % of pay
- 2) Investment return - 3.13% - S&P 20 Year Municipal Bond Rate
- 3) Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- 4) Premium Assistance reimbursement is capped at \$1,200 per year
- 5) Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- 6) Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale
- 7) Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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### 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, 2018, expenditures exceeded appropriations in seven functions by approximately \$490,000. These over-expenditures were funded by greater than anticipated revenues.



**SUPPLEMENTARY INFORMATION**



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Grove City, PA 16127  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmington Area School District, as of and for the year ended June 30, 2018, 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 5, 2018.

**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 5, 2018



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

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

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

We have audited Wilmington Area School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wilmington Area School District’s major federal programs for the year ended June 30, 2018. 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, 2018.

### **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 5, 2018

**WILMINGTON AREA SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2018

<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	F	\$ 50,262	\$ 42,753	\$ 42,753
National School Lunch Program	I	10.555	362	F	178,779	153,275	153,275
<b>PASSED THROUGH THE U.S. DEPARTMENT OF AGRICULTURE</b>							
Donated Commodities - Non-Cash Assistance	I	10.555	N/A	F	29,924	29,924	29,924
					<u>208,703</u>	<u>183,199</u>	<u>183,199</u>
<b>PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION</b>							
School Breakfast Program	I	N/A	511	S	3,404	2,882	2,882
National School Lunch Program	I	N/A	510	S	11,710	9,841	9,841
					<u>15,114</u>	<u>12,723</u>	<u>12,723</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<u>274,079</u>	<u>238,675</u>	<u>238,675</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	F	958,003	626,913	626,913 *
Improving Teacher Quality State Grants	D	84.367	N/A	F	187,190	133,944	133,944
Student Support and Academic Enrichment Program	D	84.424	N/A	F	12,923	12,923	12,923
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	F	194,466	194,466	194,466
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<u>1,352,582</u>	<u>968,246</u>	<u>968,246</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	F	1,004	1,004	1,004
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<u>1,004</u>	<u>1,004</u>	<u>1,004</u>
<b>TOTAL FEDERAL AND STATE EXPENDITURES</b>							<b>\$ 1,207,925</b>
SOURCE CODE:					COVERAGE TEST:		
D = DIRECT FUNDING					TOTAL EXPENDITURES PER ABOVE		
I = INDIRECT FUNDING					<b>\$ 1,207,925</b>		
S = STATE PROGRAM					PROGRAMS TESTED:		
F = FEDERAL PROGRAM					TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES		
					<u>626,913</u>		
					<b>\$ 626,913</b>		
* = SELECTED FOR TESTING					TOTAL FEDERAL EXPENDITURES %		
					<u>52.5%</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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Wilmington Area School District, it is not intended to be and does not present the financial position, changes in net position, or cash flows for Wilmington Area School District.

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### NOTE C – FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had \$9,714 of food commodity inventory.

### NOTE D – SUBRECIPIENT FUNDING

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

**WILMINGTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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> 84.010	<u>Name of Federal Program(s) or Cluster(s)</u> 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.