

WILMINGTON AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019



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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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan information, and other post-employment benefit plan information on pages 4 through 11 and 55 through 59 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 4, 2019, 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 4, 2019

Wilmington Area School District
Management's Discussion and Analysis (MD&A)
June 30, 2019

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, 2019. 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, 2019 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, 2019 by \$22,078,984. The primary reason for this is due to the net pension liability in the amount of \$26,594,751.
- The total net position increased by \$42,428. The entire increase was associated with governmental activities.
- The District's total long-term debt obligations decreased by the net of \$1,189,292 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 \$8,340,033, an increase of \$2,497,331 in comparison with the prior year. Of this amount, \$2,266,295 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 \$7,804,534. Of the fund balance, \$1,250,000 was assigned for capital projects, \$2,250,000 was assigned for healthcare and retirement costs, and \$144,923 was assigned for subsequent year's expenditures. The remaining amount of \$2,266,295 was unassigned and available for spending. The unassigned fund balance of the General Fund represented 11.5% 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 \$22,078,984 and \$22,121,412 at June 30, 2019 and 2018, respectively.

Table A-1
Fiscal years ended June 30, 2019 and 2018
Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current and other assets	\$ 11,539,197	\$ 8,752,003	\$ 259,178	\$ 45,309	\$ 11,798,375	\$ 8,797,312
Capital assets	22,178,785	22,715,975	8,861	9,075	22,187,646	22,725,050
Total assets	<u>33,717,982</u>	<u>31,467,978</u>	<u>268,039</u>	<u>54,384</u>	<u>33,986,021</u>	<u>31,522,362</u>
Deferred outflows of resources	1,963,655	3,460,045	-	-	1,963,655	3,460,045
Current liabilities	3,557,756	3,287,042	266,633	33,778	3,824,389	3,320,820
Long-term liabilities	50,851,380	52,102,476	-	19,200	50,851,380	52,121,676
Total liabilities	<u>54,409,136</u>	<u>55,389,518</u>	<u>266,633</u>	<u>52,978</u>	<u>54,675,769</u>	<u>55,442,496</u>
Deferred inflows of resources	3,352,891	1,661,323	-	-	3,352,891	1,661,323
NET POSITION (DEFICIT)						
Net investment in capital assets	1,341,797	3,439,533	8,861	9,075	1,350,658	3,448,608
Restricted	2,428,815	-	-	-	2,428,815	-
Unrestricted	<u>(25,851,002)</u>	<u>(25,562,351)</u>	<u>(7,455)</u>	<u>(7,669)</u>	<u>(25,858,457)</u>	<u>(25,570,020)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (22,080,390)</u>	<u>\$ (22,122,818)</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ (22,078,984)</u>	<u>\$ (22,121,412)</u>

A significant portion of the District’s net position (\$1,350,658) 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, 2019 and 2018
Changes in Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
REVENUES						
Program revenues:						
Charges for services	\$ 171,125	\$ 259,629	\$ 188,753	\$ 156,636	\$ 359,878	\$ 416,265
Operating grants and contributions	5,422,880	5,632,734	262,667	274,852	5,685,547	5,907,586
General revenues:						
Property taxes	7,400,333	6,990,924	-	-	7,400,333	6,990,924
Other taxes	1,252,000	1,208,983	-	-	1,252,000	1,208,983
Grants, subsidies and contributions unrestricted	5,727,461	5,708,323	-	-	5,727,461	5,708,323
Gain on sale of capital assets	129,202	-	-	-	129,202	-
Other	439,636	257,492	960	440	440,596	257,932
	<u>20,542,637</u>	<u>20,058,085</u>	<u>452,380</u>	<u>431,928</u>	<u>20,995,017</u>	<u>20,490,013</u>
EXPENSES						
Instruction	11,961,184	11,039,900	-	-	11,961,184	11,039,900
Instructional student support	1,215,654	1,107,011	-	-	1,215,654	1,107,011
Administrative and financial support services	1,792,128	1,570,816	-	-	1,792,128	1,570,816
Operation and maintenance of plant services	1,672,935	1,493,092	-	-	1,672,935	1,493,092
Pupil transportation	1,559,854	1,514,582	-	-	1,559,854	1,514,582
Student activities	754,349	663,069	-	-	754,349	663,069
Community services	5,999.0	-	-	-	5,999.00	-
Interest on long-term debt	560,337	504,042	-	-	560,337	504,042
Depreciation and amortization - unallocated	938,029	917,718	-	-	938,029	917,718
Food services	-	-	500,865	503,298	500,865	503,298
	<u>20,460,469</u>	<u>18,810,230</u>	<u>500,865</u>	<u>503,298</u>	<u>20,961,334</u>	<u>19,313,528</u>
Income (deficiency) before transfers	82,168	1,247,855	(48,485)	(71,370)	33,683	1,176,485
Transfers	(39,740)	(71,370)	48,485	71,370	8,745	-
Changes in net position	42,428	1,176,485	-	-	42,428	1,176,485
Net position, beginning of year	(22,122,818)	(23,299,303)	1,406	1,406	(22,121,412)	(23,297,897)
Net position, end of year	<u>\$ (22,080,390)</u>	<u>\$ (22,122,818)</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ (22,078,984)</u>	<u>\$ (22,121,412)</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, 2019 and 2018
Governmental Activities

<i>Functions/Programs</i>	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Instruction	\$ 11,961,184	\$ 11,039,900	\$ 7,845,350	\$ 6,863,150
Instructional student support	1,215,654	1,107,011	1,034,619	923,611
Administrative and financial support services	1,792,128	1,570,816	1,596,471	1,389,771
Operation and maintenance of plant services	1,672,935	1,493,092	1,574,754	1,403,493
Pupil transportation	1,559,854	1,514,582	784,772	645,394
Student activities	754,349	663,069	674,718	584,353
Community services	5,999	-	5,999	-
Interest on long-term debt	560,337	504,042	411,752	190,377
Depreciation and amortization - unallocated	938,029	917,718	938,029	917,718
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 20,460,469</u>	<u>\$ 18,810,230</u>	<u>14,866,464</u>	<u>12,917,867</u>
Less:				
Grants, subsidies, and contributions unrestricted			<u>5,727,461</u>	<u>5,708,323</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			<u>\$ 9,139,003</u>	<u>\$ 7,209,544</u>

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

At June 30, 2019, the District’s governmental funds reported a fund balance of \$8,340,033 which is an increase of \$2,497,331 from the June 30, 2018 balance.

The General Fund reported an increase of \$1,961,832 while the budget was anticipating a decrease of \$147,273. Revenues were greater than budgeted primarily because of greater than anticipated tax revenues.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2019, the District had \$22,187,646 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 \$537,404, or 2.4% 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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Land and land improvements	\$ 508,459	\$ 569,788	\$ -	\$ -	\$ 508,459	\$ 569,788
Buildings and building improvements	21,349,946	22,006,106	-	-	21,349,946	22,006,106
Furniture, equipment and other	188,426	140,081	8,861	9,075	197,287	149,156
Construction in progress	131,954	-	-	-	131,954	-
TOTAL	\$ 22,178,785	\$ 22,715,975	\$ 8,861	\$ 9,075	\$ 22,187,646	\$ 22,725,050

The following were the most significant additions in capital assets during the year ended June 30, 2019:

- Elementary roof project = \$389,626
- LED light project (construction in progress) = \$86,954
- Window project (construction in progress) = \$45,000

Debt administration

As of July 1, 2018, the District had total outstanding debt of \$19,519,761. During the year, the District received debt proceeds of \$2,932,549 including a bond discount of \$47,564, made payments against principal of \$1,342,549, and the current year amortization of the bond discount and premium was an additional \$490, resulting in outstanding debt as of June 30, 2019 of \$21,061,707.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

The revenue budget for the 2019-2020 year is \$426,449 more than the original budget for 2018-2019. This represents a 2.2% increase in budgeted revenues. The expenditure budget for the 2019-2020 year is \$424,099 more than the original budget for 2018-2019, or a 2.1% increase.

The comparison of revenue and expenditure categories is as follows:

BUDGETED REVENUES		
	2019-2020	2018-2019
Local	45.2%	45.6%
State	51.4%	50.8%
Federal/Other	3.4%	3.6%
BUDGETED EXPENDITURES		
	2019-2020	2018-2019
Instruction	59.8%	60.2%
Support services	29.8%	29.6%
Non-Instructional	2.8%	2.7%
Capital Improvement	0.1%	0.0%
Fund transfers/Debt	7.5%	7.5%

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, 2019

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,824,076	\$ 237,714	\$ 9,061,790
Certificates of deposit	549,387	-	549,387
Receivables:			
Delinquent and other taxes receivable	525,084	-	525,084
Accounts	-	5,881	5,881
Intergovernmental	922,021	8,244	930,265
Interfund	220,826	(220,826)	-
Inventories	-	7,339	7,339
	<u>11,041,394</u>	<u>38,352</u>	<u>11,079,746</u>
CAPITAL ASSETS			
Non-depreciable capital assets	325,959	-	325,959
Depreciable capital assets, net of accumulated depreciation	21,852,826	8,861	21,861,687
	<u>22,178,785</u>	<u>8,861</u>	<u>22,187,646</u>
OTHER ASSETS			
Investment in health consortium	471,128	-	471,128
Bonds issue costs, net of accumulated amortization	26,675	-	26,675
	<u>497,803</u>	<u>-</u>	<u>497,803</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	198,044	-	198,044
Relating to the net pension liability, net of amortization	1,663,339	-	1,663,339
Relating to the net OPEB liability, net of amortization	102,272	-	102,272
	<u>1,963,655</u>	<u>-</u>	<u>1,963,655</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 35,681,637</u>	<u>\$ 47,213</u>	<u>\$ 35,728,850</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 390,195	\$ -	\$ 390,195
Current portion of long-term debt	990,000	-	990,000
Accrued salaries and benefits	2,120,066	45,807	2,165,873
Accrued interest payable	57,495	-	57,495
	<u>3,557,756</u>	<u>45,807</u>	<u>3,603,563</u>
NONCURRENT LIABILITIES			
Compensated absences	243,860	-	243,860
Net pension liability	26,594,751	-	26,594,751
Net OPEB liability	3,941,062	-	3,941,062
Long-term debt	20,071,707	-	20,071,707
	<u>50,851,380</u>	<u>-</u>	<u>50,851,380</u>
	<u>54,409,136</u>	<u>45,807</u>	<u>54,454,943</u>
DEFERRED INFLOWS OF RESOURCES			
Relating to the net pension liability, net of amortization	2,821,239	-	2,821,239
Relating to the net OPEB liability, net of amortization	531,652	-	531,652
	<u>3,352,891</u>	<u>-</u>	<u>3,352,891</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	1,341,797	8,861	1,350,658
Restricted	2,428,815	-	2,428,815
Unrestricted	(25,851,002)	(7,455)	(25,858,457)
	<u>(22,080,390)</u>	<u>1,406</u>	<u>(22,078,984)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 35,681,637</u>	<u>\$ 47,213</u>	<u>\$ 35,728,850</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense) Revenue and Changes In Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 11,961,184	\$ 138,743	\$ 3,977,091	\$ (7,845,350)	\$ -	\$ (7,845,350)
Instructional student support	1,215,654	-	181,035	(1,034,619)	-	(1,034,619)
Administrative and financial support services	1,792,128	-	195,657	(1,596,471)	-	(1,596,471)
Operation and maintenance of plant services	1,672,935	-	98,181	(1,574,754)	-	(1,574,754)
Pupil transportation	1,559,854	-	775,082	(784,772)	-	(784,772)
Student activities	754,349	32,382	47,249	(674,718)	-	(674,718)
Community services	5,999	-	-	(5,999)	-	(5,999)
Interest on long-term debt	560,337	-	148,585	(411,752)	-	(411,752)
Depreciation and amortization - unallocated	938,029	-	-	(938,029)	-	(938,029)
	<u>20,460,469</u>	<u>171,125</u>	<u>5,422,880</u>	<u>(14,866,464)</u>	<u>-</u>	<u>(14,866,464)</u>
BUSINESS-TYPE ACTIVITIES						
Food services	500,865	188,753	262,667	-	(49,445)	(49,445)
	<u>\$ 20,961,334</u>	<u>\$ 359,878</u>	<u>\$ 5,685,547</u>	<u>(14,866,464)</u>	<u>(49,445)</u>	<u>(14,915,909)</u>
GENERAL REVENUES						
Property taxes, levied for general purposes, net				7,400,333	-	7,400,333
Other taxes levied				1,252,000	-	1,252,000
Grants, subsidies, and contributions, unrestricted				5,727,461	-	5,727,461
Investment earnings				119,740	960	120,700
Gain on sale of capital assets				129,202	-	129,202
Miscellaneous income				319,896	-	319,896
Transfers				(39,740)	48,485	8,745
				<u>14,908,892</u>	<u>49,445</u>	<u>14,958,337</u>
CHANGES IN NET POSITION (DEFICIT)				42,428	-	42,428
NET POSITION (DEFICIT), BEGINNING OF YEAR				(22,122,818)	1,406	(22,121,412)
NET POSITION (DEFICIT), END OF YEAR				<u>\$ (22,080,390)</u>	<u>\$ 1,406</u>	<u>\$ (22,078,984)</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Governmental Funds</i>
ASSETS			
Cash and cash equivalents	\$ 8,288,577	\$ 535,499	\$ 8,824,076
Certificates of deposit	549,387	-	549,387
Delinquent and other taxes receivable	525,084	-	525,084
Intergovernmental receivables	922,021	-	922,021
Interfund receivable	220,826	-	220,826
TOTAL ASSETS	\$ 10,505,895	\$ 535,499	\$ 11,041,394
LIABILITIES			
Accounts payable	\$ 390,195	\$ -	\$ 390,195
Accrued salaries and benefits	2,120,066	-	2,120,066
	2,510,261	-	2,510,261
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	191,100	-	191,100
FUND BALANCES			
Fund balances:			
Restricted:			
Capital projects	1,893,316	535,499	2,428,815
Assigned:			
Capital projects	1,250,000	-	1,250,000
Healthcare and retirement costs	2,250,000	-	2,250,000
Subsequent year's budget	144,923	-	144,923
Unassigned	2,266,295	-	2,266,295
	7,804,534	535,499	8,340,033
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,505,895	\$ 535,499	\$ 11,041,394

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, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 8,340,033
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 \$44,450,306, and the accumulated depreciation is \$22,271,521. The unamortized bond issue costs are \$26,675.	22,205,460
The investments in health consortium is expensed in the fund financial statements.	471,128
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.	191,100
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.	(1,389,236)
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	\$ (21,061,707)
Net pension liability	(26,594,751)
Accrued interest on the bonds	(57,495)
Compensated absences	(243,860)
Net OPEB liability	(3,941,062)
	(51,898,875)
TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES	<u>\$ (22,080,390)</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<i>General Fund</i>	<i>Capital Projects Fund</i>	<i>Governmental Funds</i>
REVENUES			
Local sources:			
Taxes	\$ 8,716,633	\$ -	\$ 8,716,633
Other	580,306	-	580,306
State sources	10,207,529	55,301	10,262,830
Federal sources	917,966	-	917,966
	<u>20,422,434</u>	<u>55,301</u>	<u>20,477,735</u>
EXPENDITURES			
Instruction	11,609,515	-	11,609,515
Support services	5,996,556	-	5,996,556
Non-instructional services	562,771	-	562,771
Capital outlay	701,607	194,703	896,310
Debt service:			
Principal retirement	1,350,039	-	1,350,039
Interest and issuance costs on long-term debt	538,901	-	538,901
Refund of prior year revenue	759	-	759
	<u>20,760,148</u>	<u>194,703</u>	<u>20,954,851</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(337,714)</u>	<u>(139,402)</u>	<u>(477,116)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	2,932,549	-	2,932,549
Discounts/premiums on bonds issued	(47,564)	-	(47,564)
Sale of capital assets	-	129,202	129,202
Interfund transfers	(585,439)	545,699	(39,740)
	<u>2,299,546</u>	<u>674,901</u>	<u>2,974,447</u>
NET CHANGE IN FUND BALANCE	1,961,832	535,499	2,497,331
FUND BALANCE, BEGINNING OF YEAR	<u>5,842,702</u>	<u>-</u>	<u>5,842,702</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 7,804,534</u></u>	<u><u>\$ 535,499</u></u>	<u><u>\$ 8,340,033</u></u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 2,497,331
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 (\$606,022) is less than depreciation (\$1,143,212) in the period.	(537,190)
Change in investment in health care consortium.	148,228
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.	(64,300)
The issuance of long-term debt provides current financial resources but has no effect on net position.	(2,932,549)
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.	29,454
Change in accrued interest expense on bonds payable.	2,817
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,342,549
In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	
Change in compensated absences	\$ (12,932)
Change in net pension liability and relating deferred inflows and outflows	509,292
Change in net OPEB liability and relating deferred inflows and outflows	(940,272)
TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 42,428

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, 2019

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>	<i>Budgetary Basis to GAAP Difference</i>	<i>Actual Amounts GAAP Basis</i>
REVENUES					
Local Sources:					
Taxes	\$ 8,311,755	\$ 8,716,633	\$ 404,878	\$ (64,300)	\$ 8,652,333
Other	663,879	580,306	(83,573)	-	580,306
State sources	9,984,741	10,207,529	222,788	-	10,207,529
Federal sources	704,929	917,966	213,037	-	917,966
	<u>19,665,304</u>	<u>20,422,434</u>	<u>757,130</u>	<u>(64,300)</u>	<u>20,358,134</u>
EXPENDITURES					
Regular programs	8,480,406	8,876,171	(395,765)	1,118,899	9,995,070
Special programs	2,999,991	2,505,875	494,116	-	2,505,875
Vocational education	434,408	394,599	39,809	-	394,599
Other instructional programs	12,287	1,563	10,724	-	1,563
Pupil personnel	445,088	373,376	71,712	42,264	415,640
Instructional staff	139,472	137,958	1,514	-	137,958
Administration	1,473,697	1,473,104	593	49,305	1,522,409
Pupil health	224,582	232,240	(7,658)	-	232,240
Business office	262,233	269,719	(7,486)	-	269,719
Operation and maintenance of plant	1,352,135	1,583,669	(231,534)	30,229	1,613,898
Student transportation	1,529,278	1,559,232	(29,954)	622	1,559,854
Other support services	437,495	429,816	7,679	-	429,816
Student activities	535,779	556,772	(20,993)	197,577	754,349
Community services	-	5,999	(5,999)	-	5,999
Land and existing site improvements	-	470,356	(470,356)	(434,626)	35,730
Debt service:					
Principal retirement	964,810	1,350,039	(385,229)	(1,350,039)	-
Interest and issuance costs on long-term debt	490,916	538,901	(47,985)	22,783	561,684
Refund of prior year revenue	-	759	(759)	-	759
	<u>19,782,577</u>	<u>20,760,148</u>	<u>(977,571)</u>	<u>(322,986)</u>	<u>20,437,162</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(117,273)	(337,714)	(220,441)	258,686	(79,028)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	-	2,932,549	2,932,549	(2,932,549)	-
Discounts/premiums on bonds issued	-	(47,564)	(47,564)	47,564	-
Interfund transfers	(30,000)	(585,439)	(555,439)	-	(585,439)
	<u>(30,000)</u>	<u>2,299,546</u>	<u>2,329,546</u>	<u>(2,884,985)</u>	<u>(585,439)</u>
NET CHANGE IN FUND BALANCE	(147,273)	1,961,832	2,109,105	(2,626,299)	(664,467)
FUND BALANCE, BEGINNING OF YEAR	-	5,842,702	5,842,702	2,626,299	(23,299,303)
FUND BALANCE, END OF YEAR	<u>\$ (147,273)</u>	<u>\$ 7,804,534</u>	<u>\$ 7,951,807</u>	<u>\$ -</u>	<u>\$ (23,963,770)</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND (FOOD SERVICE)
 JUNE 30, 2019

	<i>Food Service</i>
ASSETS	
CURRENT ASSETS	
Cash	\$ 237,714
Accounts receivable	5,881
Intergovernmental receivables	8,244
Inventories	7,339
	<u>259,178</u>
NONCURRENT ASSETS	
Depreciable capital assets, net	<u>8,861</u>
TOTAL ASSETS	<u>\$ 268,039</u>
LIABILITIES	
CURRENT LIABILITIES	
Interfund payable	\$ 220,826
Accrued liabilities	45,807
	<u>266,633</u>
NET POSITION	
Net investment in capital assets	8,861
Unrestricted	(7,455)
	<u>1,406</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 268,039</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

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

PROPRIETARY FUND (FOOD SERVICE)

YEAR ENDED JUNE 30, 2019

	<i>Food Service</i>
OPERATING REVENUES	
Food service sales	<u>\$ 188,753</u>
OPERATING EXPENSES	
Cost of sales	183,515
Gross wages	175,360
Fringe benefit costs	93,731
Nonfood supplies	16,799
Other operating costs	28,048
Depreciation	3,412
	<u>500,865</u>
OPERATING LOSS	<u>(312,112)</u>
NONOPERATING REVENUES	
State subsidies	48,775
Federal subsidies	213,892
Investment earnings	960
	<u>263,627</u>
LOSS BEFORE TRANSFER	(48,485)
Transfer from General Fund	<u>48,485</u>
CHANGE IN NET POSITION	-
NET POSITION, BEGINNING OF YEAR	<u>1,406</u>
NET POSITION, END OF YEAR	<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, 2019

	<i>Food Service</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 179,048
Cash payments to employees for services	(276,140)
Cash payments to suppliers for good and services	(215,572)
NET CASH USED IN OPERATING ACTIVITIES	<u>(312,664)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State subsidies	50,609
Federal subsidies	242,410
Transfer from General Fund	48,485
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>341,504</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(3,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>960</u>
CHANGE IN CASH	26,602
CASH, BEGINNING OF YEAR	<u>211,112</u>
CASH, END OF YEAR	<u>\$ 237,714</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
OPERATING LOSS	\$ (312,112)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation	3,412
Increase in accounts receivable	(5,881)
Increase in intergovernmental receivables	(3,824)
Decrease in inventories	12,790
Increase in interfund payable	122
Increase in accrued liabilities	12,029
Decrease in compensated absences	(19,200)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (312,664)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
DONATED FOOD RECEIVED	<u>\$ 26,714</u>
DONATED FOOD USED	<u>\$ 26,714</u>

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

	<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>
ASSETS							
Cash and cash equivalents	\$ 4,531	\$ 5,173	\$ -	\$ 9,704	\$ 94,102	\$ 2,274	\$ 96,376
Certificates of deposit	22,116	16,408	-	38,524	-	-	-
TOTAL ASSETS	\$ 26,647	\$ 21,581	\$ -	\$ 48,228	\$ 94,102	\$ 2,274	\$ 96,376
LIABILITIES							
Due to student organizations	\$ -	\$ -	\$ -	\$ -	\$ 94,102	\$ 2,274	\$ 96,376
NET POSITION							
Held in trust for other purposes	26,647	21,581	-	48,228	-	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 26,647	\$ 21,581	\$ -	\$ 48,228	\$ 94,102	\$ 2,274	\$ 96,376

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, 2019

	<i>Private Purpose Trust Funds</i>			
	<i>Kaufmann/ McCrumb Scholarship</i>	<i>Magyary Music Scholarship</i>	<i>Butia Computer</i>	<i>Total</i>
ADDITIONS				
Interest income	\$ 199	\$ 425	\$ 4	\$ 628
DEDUCTIONS				
Transfers	-	-	8,745	8,745
Miscellaneous	-	-	70	70
	-	-	8,815	8,815
CHANGES IN NET POSITION	199	425	(8,811)	(8,187)
NET POSITION, BEGINNING OF YEAR	26,448	21,156	8,811	56,415
NET POSITION, END OF YEAR	\$ 26,647	\$ 21,581	\$ -	\$ 48,228
NET POSITION COMPRISED OF:				
Principal (Nonexpendable)	\$ 22,506	\$ -	\$ -	\$ 22,506
Principal (Expendable)	-	20,000	-	20,000
Interest	4,141	1,581	-	5,722
	\$ 26,647	\$ 21,581	\$ -	\$ 48,228

See accompanying notes to the basic financial statements.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

Lawrence County Career and Technical Center – is a separate legal entity. It was organized by the eight public school districts in Lawrence County to provide services in the county. Each of the public school districts appoints member(s) to serve on the joint operating committee based on the Career and Technical Center’s bylaws, and each has an ongoing financial responsibility to fund the Career and Technical Center. Funding requirements of the District are based on the number of students attending the full-day classes from the District compared to the total students attending the Lawrence County Career and Technical Center. Audited financial statements for the year ended June 30, 2019 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, 2019 for the IU IV are available at its business office.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

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

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

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

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

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

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

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

For the year ended June 30, 2019, expenditures exceeded appropriations in thirteen functions by approximately \$2,207,000. These over-expenditures were funded by greater than anticipated revenues.

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, 2019. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

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

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

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

Long-Term Obligations

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

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

Net Position

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

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

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

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

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

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

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

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

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

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

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

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

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

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Estimates

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

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.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

Subsequent Events

Management has evaluated subsequent events through December 4, 2019, the date on which the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

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

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

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

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

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, the carrying amount of the District's deposits was \$6,112,126 with a corresponding bank balance of \$5,565,810. Of the bank balances at year end, \$250,000 was covered by federal depository insurance, and the remaining amount was held in collateral by the depository's agent but not in the District's name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

Additionally, the District had cash maintained in fiduciary funds. At June 30, 2019, the bank balance for the fiduciary funds amounted to \$106,080. 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.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an annual independent audit. The District's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania. Funds amounting to \$1,056,348 and \$1,893,316 were on deposit with PLGIT and PSDLAF, respectively.

NOTE C – CERTIFICATES OF DEPOSIT

Certificates of deposit amounted to \$549,387 for the General Fund and \$38,524 for the fiduciary funds as of June 30, 2019. 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, 2019 was 15.748 and 65.837 mills (\$15.748 per \$1,000 of assessed valuation based on 75% of 1966's market value and \$65.837 per \$1,000 of assessed valuation based on 2002's market value) as levied by the Board of School Directors for Lawrence and Mercer Counties, respectively.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – TAXES (CONTINUED)

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

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

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

The balances at June 30, 2019 are as follows:

	<i>Net Estimated to be Collectible</i>	<i>Tax Revenue Recognized</i>	<i>Unavailable Taxes</i>
Real estate	\$ 328,129	\$ 137,029	\$ 191,100
Earned income	192,093	192,093	-
Realty transfer tax	4,862	4,862	-
TOTAL	\$ 525,084	\$ 333,984	\$ 191,100

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is presented as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 194,005	\$ -	\$ -	\$ 194,005
Construction in progress	-	131,954	-	131,954
Total capital assets, not being depreciated	<u>194,005</u>	<u>131,954</u>	<u>-</u>	<u>325,959</u>
Capital assets being depreciated:				
Land improvements	1,152,542	-	-	1,152,542
Buildings and building improvements	42,885,199	389,626	(1,564,087)	41,710,738
Furniture, equipment and other	1,471,223	84,442	(294,598)	1,261,067
Total capital assets, being depreciated	<u>45,508,964</u>	<u>474,068</u>	<u>(1,858,685)</u>	<u>44,124,347</u>
Less accumulated depreciation:				
Land improvements	(776,759)	(61,329)	-	(838,088)
Buildings and building improvements	(20,879,093)	(1,045,786)	1,564,087	(20,360,792)
Furniture, equipment and other	(1,331,142)	(36,097)	294,598	(1,072,641)
Total accumulated depreciation	<u>(22,986,994)</u>	<u>(1,143,212)</u>	<u>1,858,685</u>	<u>(22,271,521)</u>
Total capital assets, being depreciated, net	<u>22,521,970</u>	<u>(669,144)</u>	<u>-</u>	<u>21,852,826</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 22,715,975</u>	<u>\$ (537,190)</u>	<u>\$ -</u>	<u>\$ 22,178,785</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture, equipment and other	\$ 405,655	\$ 3,198	\$ -	\$ 408,853
Less accumulated depreciation:				
Furniture, equipment and other	(396,580)	(3,412)	-	(399,992)
BUSINESS-TYPE CAPITAL				
ASSETS, NET	<u>\$ 9,075</u>	<u>\$ (214)</u>	<u>\$ -</u>	<u>\$ 8,861</u>

Construction in progress at June 30, 2019 consists of costs associated with the window project and the light project.

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	\$ 2,496
Instructional student support	10,703
Operation and maintenance of plant services	5,738
Non-instructional services	188,352
Unallocated	935,923
	<u>1,143,212</u>
BUSINESS-TYPE ACTIVITIES	
Food service	<u>3,412</u>
TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	<u>\$ 1,146,624</u>

NOTE F – LONG-TERM DEBT

During the fiscal year ended June 30, 2019, the District's long-term obligations changed as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
Long-term debt	\$ 19,605,000	\$ 2,932,549	\$ (1,342,549)	\$ 21,195,000	\$ 990,000
Deferred amounts:					
Discount	(95,535)	9,208	(47,564)	(133,891)	-
Premium	10,296	-	(9,698)	598	-
Due to refunding	(214,048)	16,004	-	(198,044)	-
Net pension liability	29,435,489	-	(2,840,738)	26,594,751	-
Net OPEB liability	3,841,298	99,764	-	3,941,062	-
Compensated absences	250,128	-	(6,268)	243,860	-
TOTAL	<u>\$ 52,832,628</u>	<u>\$ 3,057,525</u>	<u>\$ (4,246,817)</u>	<u>\$ 51,643,336</u>	<u>\$ 990,000</u>

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM DEBT (CONTINUED)

The future annual payments required to amortize outstanding long-term debt as of June 30, 2019, including total interest payments are as follows:

<i>Year ended June 30,</i>	<i>Long-Term Debt</i>		<i>Total</i>
	<i>Interest</i>	<i>Principal</i>	
2020	\$ 513,101	\$ 990,000	\$ 1,503,101
2021	499,733	1,020,000	1,519,733
2022	477,780	1,055,000	1,532,780
2023	447,335	1,495,000	1,942,335
2024	412,810	1,520,000	1,932,810
2025-2029	1,531,167	8,125,000	9,656,167
2030-2034	441,786	6,830,000	7,271,786
2035	2,400	160,000	162,400
TOTAL	\$ 4,326,112	\$ 21,195,000	\$ 25,521,112

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

General Obligation Bonds, Series of 2015

During the 2016 year-end, the District issued general obligation bonds in the amount of \$4,560,000. The purpose of the bonds was to refund and retire General Obligation Bonds, Series of 2010, pay the costs of the issuance of the bond, and take advantage of more favorable interest rates. The bond bears interest of 0.55% to 3.125% and matures November 15, 2031. At June 30, 2019, the balance outstanding on this bond is \$3,340,000.

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, 2019, the balance outstanding on this bond is \$9,910,000.

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, 2019, the balance outstanding on this bond is \$5,430,000.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – LONG-TERM DEBT (CONTINUED)

First National Bank Loan

During the 2019 year-end, the District entered into interim financing to cover the costs of the elementary school roof project. The District drew down \$417,549 on the loan at an interest rate of 3.69%. The loan was paid in full with the issuance of General Obligation Bonds, Series of 2019 during the 2019 year-end.

General Obligation Bonds, Series of 2019

During the 2019 year-end, the District issued general obligation bonds in the amount of \$2,515,000. The purpose of the bonds was to pay off the interim financing for the elementary roof project and obtain funding for future capital projects. The bond bears interest of 2% to 3% and matures November 2034. At June 30, 2019, the balance outstanding on this bond is \$2,515,000.

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, 2019, is as follows:

<u><i>Receivable Fund</i></u>	<u><i>Payable Fund</i></u>	<u><i>Purpose</i></u>	<u><i>Amount</i></u>
General Fund	Food Service Fund	Operations	\$ 220,826

NOTE H – INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during the June 30, 2019 year-end is as follows:

<u><i>Recipient Fund</i></u>	<u><i>Payor Fund</i></u>	<u><i>Purpose</i></u>	<u><i>Amount</i></u>
Food Service Fund	General Fund	Operations	\$ 48,485
Capital Projects Fund	General Fund	Capital projects	536,954
Capital Projects Fund	Butia Computer Fund	Computer equipment	8,745
TOTAL			<u>\$ 594,184</u>

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019 but not funded at year-end of \$146,096. At June 30, 2019, the District's investment was \$471,128 which represents the District's portion of the consortium fund balance at year-end.

NOTE J – PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

For members whose membership started prior to July 1, 2011 after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

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

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

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

Member Contributions

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 32.6% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,617,924 for the year ended June 30, 2019.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance (OPEB). Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District’s share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2019 for pension and OPEB benefits was \$1,435,210.

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

At June 30, 2019, the District reported a liability of \$26,594,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District’s proportion was 0.0554%, which was a decrease of 0.0042% from its proportion measured as of June 30, 2018. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the General Fund.

For the year ended June 30, 2019, the District recognized pension expense of \$1,838,000. At June 30, 2019, 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	\$ 214,083	\$ 411,644
Changes in assumptions	495,523	-
Net difference between projected and actual investments earnings	130,343	-
Changes in proportions	23,000	2,392,000
Difference between employer contributions and proportionate share of total contributions	-	17,595
Contributions subsequent to the measurement date	800,390	-
TOTAL	<u><u>\$ 1,663,339</u></u>	<u><u>\$ 2,821,239</u></u>

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

\$800,390 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, 2019. 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	\$	(489,573)
2020		(489,573)
2021		(489,572)
2022		(489,572)
TOTAL	\$	<u>(1,958,290)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System’s total pension liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
TOTAL	100%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

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	\$ 32,966,152	\$ 26,594,751	\$ 21,207,545

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Payables to the Pension Plan

At June 30, 2019, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,061,770. This amount represents the District's contractually obligated contributions for wages earned during the 2019 year-end. The balance will be paid in the 2020 year-end.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN

School District OPEB Plan

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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
TOTAL	<u>133</u>

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Total OPEB Liability

The District’s total OPEB liability of \$2,786,000 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

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	3.50%
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>
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.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Changes in the Total OPEB liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCES AT JULY 1, 2018	\$ 2,627,000
Changes for the year:	
Service cost	124,000
Interest	99,000
Changes of assumptions	62,000
Benefit payments	(126,000)
Net changes	<u>159,000</u>
BALANCES AT JULY 1, 2019	<u>\$ 2,786,000</u>

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

Changes of assumptions and other inputs reflect a change in the discount rate to 3.50%. 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 (2.50 percent) or 1-percentage -point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Total OPEB liability (asset)	\$ 3,010,000	\$ 2,786,000	\$ 2,599,000

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)	\$ 2,486,000	\$ 2,786,000	\$ 3,146,000

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$165,000. At June 30, 2019, 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	54,000	396,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ 54,000	\$ 396,000

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>	
2020	\$ (58,000)
2021	(58,000)
2022	(58,000)
2023	(58,000)
2024	(58,000)
Thereafter	(52,000)
TOTAL	\$ (342,000)

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2018 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.

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, 2018 there were no assumed future benefit increases to participating eligible retirees.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Employer Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 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 \$66,653 for the year ended June 30, 2019.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the OPEB obligation and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2019 for pension and OPEB benefits was \$1,435,210.

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

At June 30, 2019, the District reported a liability of \$1,155,062 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was 0.0554 percent, which was a decrease of 0.0042 from its proportion measured as of June 30, 2018. The net OPEB obligation will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the General Fund.

For the year ended June 30, 2019, the District recognized OPEB expense of \$38,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 7,131	\$ -
Changes in assumptions	18,261	43,770
Net difference between projected and actual earnings on OPEB plan investments	1,950	-
Changes in proportion	-	91,000
Difference between employer contributions and proportionate share of total contributions	-	882
Contributions subsequent to the measurement date	20,930	-
TOTAL	<u>\$ 48,272</u>	<u>\$ 135,652</u>

\$20,930 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, 2019. 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	\$ (27,078)
2020	(27,078)
2021	(27,077)
2022	(27,077)
TOTAL	<u>\$ (108,310)</u>

Actuarial Assumptions:

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 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%

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Health Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<i>OPEB -Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fund	1.3%	0.4%
TOTAL	100%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy set contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018, 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	\$ 2,084,537,000	\$ 2,084,949,000	\$ 2,085,279,000

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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

WILMINGTON AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

	<i>1% Decrease</i> <i>1.98%</i>	<i>Current</i> <i>Discount Rate</i> <i>2.98%</i>	<i>1% Increase</i> <i>3.98%</i>
District's proportionate share of the net OPEB liability	\$ 1,313,599	\$ 1,155,062	\$ 1,023,465

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2019, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,061,770. This amount represents the District's contractually obligated contributions for wages earned during the 2019 year-end. The balance will be paid in the 2020 year-end.

NOTE L – CONTINGENT LIABILITIES

Grant Programs

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

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

WILMINGTON AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

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

Notes:

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

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

See accompanying notes.

WILMINGTON AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PENSION PLAN
LAST TEN FISCAL YEARS

	<u>2019</u>	<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>
Contractually required contribution	\$ 2,617,924	\$ 2,389,659	\$ 2,325,563	\$ 1,880,974	\$ 1,727,441	\$ 1,360,677	\$ 950,120	\$ 671,093	\$ 404,387	\$ 322,784
Contributions in relation to the contractually required contribution	<u>2,617,924</u>	<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>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,030,443	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165			
Contributions as a percentage of covered-employee payroll	32.60%	32.04%	29.30%	24.02%	21.09%	16.37%	11.72%			

Notes to Schedule:

Changes of benefits terms:

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

Changes in assumptions:

None.

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2017 actuarial valuation will be made during the fiscal year ending June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule:

- 1) Investment return - 7.25%, includes inflation at 2.75% and the real rate of return of 4.5%.
- 2) Salary growth - Effective average of 5%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%.
- 3) Benefit payments - no postretirement benefit increases assumed in the future.
- 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.

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>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 124,000	\$ 175,000
Interest	99,000	106,000
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	62,000	(528,000)
Benefit payments	(126,000)	(161,000)
NET CHANGE IN TOTAL OPEB LIABILITY	<u>159,000</u>	<u>(408,000)</u>
TOTAL OPEB LIABILITY - BEGINNING	<u>2,627,000</u>	<u>3,035,000</u>
TOTAL OPEB LIABILITY - ENDING	<u><u>\$ 2,786,000</u></u>	<u><u>\$ 2,627,000</u></u>

Notes to Schedule:

Changes of assumptions:

The discount rate has decreased from 3.87% to 3.50% based on the Bond Buyer 20-Year Bond GO Index.

Changes of benefit terms: None

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

WILMINGTON AREA SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0554%	0.0596%	0.0605%
District's proportionate share of the net OPEB liability	\$ 1,155,062	\$ 1,214,298	\$ 1,303,163
District's covered-employee payroll	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.48%	15.30%	16.64%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.73%	5.47%

Notes:

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

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

See accompanying notes.

WILMINGTON AREA SCHOOL DISTRICT

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

	<u>2019</u>	<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>
Contractually required contribution	\$ 66,653	\$ 62,490	\$ 66,103	\$ 63,201	\$ 75,839	\$ 79,089	\$ 71,052	\$ 54,526	\$ 51,761	\$ 62,943
Contributions in relation to the contractually required contribution	66,653	62,490	66,103	63,201	75,839	79,089	71,052	54,526	51,761	62,943
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,030,443	\$ 7,459,408	\$ 7,937,064	\$ 7,832,316	\$ 8,189,676	\$ 8,310,381	\$ 8,107,165			
Contributions as a percentage of covered-employee payroll	0.83%	0.84%	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.

Changes in assumptions:

The Discount Rate decreased from 3.13% to 2.98%

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2017 actuarial valuation will be made during the fiscal year ending June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule:

- 1) Investment return - 2.98% - 20 year S&P Municipal Bond Rate.
- 2) Salary growth - Effective average of 5%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%.
- 3) Benefit payments - no postretirement benefit increases assumed in the future.
- 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.
- 5) Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

See accompanying notes.

SUPPLEMENTARY INFORMATION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilmington Area School District, as of and for the year ended June 30, 2019, 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 4, 2019.

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 4, 2019



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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, 2019. 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, 2019.

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 4, 2019

WILMINGTON AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2019

<i>Grantor Project Title</i>	<i>Source</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Total Received for the Year</i>	<i>Revenues</i>	<i>Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE						
<i>Child Nutrition Cluster:</i>						
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
School Breakfast Program	I	10.553	365	F \$ 47,061	\$ 40,622	\$ 40,622
National School Lunch Program	I	10.555	362	F 168,635	146,556	146,556
PASSED THROUGH THE U.S. DEPARTMENT OF AGRICULTURE						
Donated Commodities - Non-Cash Assistance	I	10.555	N/A	F 26,714	26,714	26,714
				195,349	173,270	173,270
<i>Total Child Nutrition Cluster</i>				242,410	213,892	213,892
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
School Breakfast Program	I	N/A	511	S 2,971	2,527	2,527
National School Lunch Program	I	N/A	510	S 10,635	9,245	9,245
				13,606	11,772	11,772
TOTAL U.S. DEPARTMENT OF AGRICULTURE				256,016	225,664	225,664
U.S. DEPARTMENT OF EDUCATION						
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	D	84.010	N/A	F 486,069	660,712	660,712
Improving Teacher Quality State Grants	D	84.367	N/A	F 52,027	68,025	68,025
Student Support and Academic Enrichment Program	D	84.424	N/A	F 35,494	41,410	41,410
				573,590	770,147	770,147
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	F 199,170	199,170	199,170
<i>Total Special Education Cluster (IDEA)</i>				199,170	199,170	199,170
TOTAL U.S. DEPARTMENT OF EDUCATION				772,760	969,317	969,317
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION						
<i>Medicaid Cluster:</i>						
Medical Assistance Program	I	93.778	N/A	F 1,599	1,599	1,599
<i>Total Medicaid Cluster</i>				1,599	1,599	1,599
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				1,599	1,599	1,599
TOTAL FEDERAL AND STATE EXPENDITURES						\$ 1,196,580

SOURCE CODE:
 D = DIRECT FUNDING
 I = INDIRECT FUNDING
 S = STATE PROGRAM
 F = FEDERAL PROGRAM

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

WILMINGTON AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal award activity of Wilmington Area School District under programs of the federal government for the year ended June 30, 2019. 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, 2019, the District had \$4,479 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, 2019

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.