

**WESTERN WAYNE SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018  
&  
INDEPENDENT AUDITORS' REPORT  
&  
ADDITIONAL INFORMATION**

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*Brian T. Kelly, CPA  
& Associates, LLC*

**INDEPENDENT AUDITORS' REPORT**

To the School Board of the  
Western Wayne School District:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Western Wayne School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

***Auditors' 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. 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 auditors' 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 activity, each major fund and the aggregate remaining fund information of the Western Wayne School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District implemented the provisions of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2017, the District's net position of its governmental activities was restated to reflect the impact of adoption. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, the schedule of proportionate share of PSERS net pension liability and the PSERS schedule of contributions on page 53 and the schedule of changes in OPEB liability and schedule of OPEB liability on page 54, 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.



Carbondale, Pennsylvania  
December 5, 2018

**WESTERN WAYNE SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

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This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Western Wayne School District (the "District") for the year ended June 30, 2018. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

**FINANCIAL HIGHLIGHTS**

Total net position of the District increased \$2,800,957 in 2018 to \$(25,704,549) at June 30, 2018. Net position of the governmental activities increased \$2,834,615. Net position of the business-type activity decreased \$33,658. Beginning net position of the governmental activities was restated by \$1,998,078 as a result of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as disclosed in Note 1 to the financial statements.

The District had \$41,504,865 in expenses related to governmental activities in 2018; only \$11,821,061 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$32,518,419 were adequate to provide for these programs and therefore our net position increased.

In the District's business-type activity, net position decreased by \$33,658 as a result of a net loss in the food service operation.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

WESTERN WAYNE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

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The statement of net position presents information on all of the District's assets and liabilities and deferred inflows and outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 15-16 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

### **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the District's major funds, the General Fund, the Capital Projects Fund and the Debt Service Fund.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 21 of this report to demonstrate compliance with this budget.

#### **PROPRIETARY FUND**

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

#### **FIDUCIARY FUND**

The District accounts for its activity fund as a fiduciary fund. The basic fiduciary fund financial statement can be found on page 25 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-52 of this report.



WESTERN WAYNE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District prepares a budget each year for its General fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2018 included revenue of \$43,252,475 and expenditures and other financing uses of \$43,583,026. There were no amendments made to the budget in 2018.

Actual revenues were higher than budgeted revenues in 2018 by \$1,264,133. Local source revenue was higher than budget by \$1,252,368 due to higher than expected current real estate tax and real estate transfer tax collections, which account for approximately \$953,000 of the increase, along with the a refund of prior year expense related to our worker's compensation insurance and tuition reimbursement from other Pennsylvania schools. State source revenue was lower than the budget by approximately \$300,000 due primarily to state reimbursements from transportation, social security and retirement coming in slightly lower than expected. Federal Revenue was higher than budgeted revenue by approximately \$311,000 due to receipt of Medical Access reimbursement payments that were higher than anticipated for the year and the receipt of Title II and Title IV funds that were not anticipated and were not budgeted.

Actual expenditures were lower than budgeted expenditures in 2018 by \$110,550. The majority of that was in the instructional budget. Several expenditures for special education instructional items were re-classed to support services to comply with changes in the chart of accounts. Also, professional development for all staff was re-classed from an instructional expense to a support service expense to comply with changes in the chart of accounts. In addition, we made a conscious effort to reduce our spending overall for the 2018 budget.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's condensed government-wide financial statements are presented comparatively as follows:

CONDENSED STATEMENT OF NET ASSETS (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Current and other assets	\$ 19,973	\$ 17,832	\$ 162	\$ 182	\$ 20,135	\$ 18,014	11.77%
Capital Assets	<u>43,727</u>	<u>41,300</u>	<u>93</u>	<u>104</u>	<u>43,820</u>	<u>41,404</u>	5.84%
Deferred Outflows of Resources	<u>12,994</u>	<u>14,701</u>	<u>-</u>	<u>-</u>	<u>12,994</u>	<u>14,701</u>	-11.61%
<b>TOTAL</b>	<b><u>\$ 76,694</u></b>	<b><u>\$ 73,833</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 286</u></b>	<b><u>\$ 76,949</u></b>	<b><u>\$ 74,119</u></b>	<b>3.82%</b>
Current Liabilities	\$ 6,781	\$ 5,732	\$ 19	\$ 19	\$ 6,800	\$ 5,751	18.24%
Long-term liabilities:							
Due within one year	3,420	3,310	-	-	3,420	3,310	3.32%
Due after one year	<u>88,830</u>	<u>87,299</u>	<u>50</u>	<u>47</u>	<u>88,880</u>	<u>87,346</u>	1.76%
Total Liabilities	<u>99,031</u>	<u>96,341</u>	<u>69</u>	<u>66</u>	<u>99,100</u>	<u>96,407</u>	2.79%
Deferred Inflows of Resources	<u>3,553</u>	<u>4,229</u>	<u>-</u>	<u>-</u>	<u>3,553</u>	<u>4,229</u>	-15.98%
Net Position:							
Net investment in capital assets	17,386	15,905	93	104	17,479	16,009	9.18%
Restricted	763	762			763	762	0.13%
Unrestricted	<u>(44,039)</u>	<u>(43,404)</u>	<u>93</u>	<u>116</u>	<u>(43,946)</u>	<u>(43,288)</u>	-1.52%
Total Net Position	<u>(25,890)</u>	<u>(26,737)</u>	<u>186</u>	<u>220</u>	<u>(25,704)</u>	<u>(26,517)</u>	3.07%
<b>TOTAL</b>	<b><u>\$ 76,694</u></b>	<b><u>\$ 73,833</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 286</u></b>	<b><u>\$ 76,949</u></b>	<b><u>\$ 74,119</u></b>	<b>3.82%</b>

WESTERN WAYNE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	2018	2017	2018	2017	2018	2017	
Program Revenues:							
Charges for Services	\$ 1,155	\$ 689	\$ 302	\$ 297	\$ 1,457	\$ 986	47.77%
Operating grants and contributions	10,666	10,762	770	765	11,436	11,527	-0.79%
General Revenues:							
Taxes levied for general purposes	26,335	26,289			26,335	26,289	0.17%
Grants, subsidies and contributions not restricted	5,984	5,921			5,984	5,921	1.06%
Other	200	1,456	1	43	201	1,499	-86.59%
<b>Total Revenues</b>	<b>44,340</b>	<b>45,117</b>	<b>1,073</b>	<b>1,105</b>	<b>45,413</b>	<b>46,222</b>	<b>-1.75%</b>
Program Expenses:							
Instruction	23,571	23,664			23,571	23,664	-0.39%
Instructional student support	3,630	3,454			3,630	3,454	5.10%
Administration and financial support services	3,860	3,761			3,860	3,761	2.63%
Operation and maintenance of plant services	2,604	2,616			2,604	2,616	-0.46%
Pupil transportation	3,831	3,667			3,831	3,667	4.47%
Student activities	1,091	1,062			1,091	1,062	2.73%
Interest on long-term debt	719	658			719	658	9.27%
Unallocated depreciation	2,199	2,179			2,199	2,179	0.92%
Food service	-	-	1,106	1,080	1,106	1,080	2.41%
<b>Total expenses</b>	<b>41,505</b>	<b>41,061</b>	<b>1,106</b>	<b>1,080</b>	<b>42,611</b>	<b>42,141</b>	<b>1.12%</b>
Change in net position	2,835	4,056	(34)	25	2,801	4,081	-31.36%
Net position, beginning as restated	(28,725)	(30,793)	220	195	(28,505)	(30,598)	6.84%
<b>Net Position, ending</b>	<b>\$ (25,890)</b>	<b>\$ (26,737)</b>	<b>\$ 186</b>	<b>\$ 220</b>	<b>\$ (25,704)</b>	<b>\$ (26,517)</b>	<b>3.07%</b>

WESTERN WAYNE SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**GOVERNMENTAL ACTIVITIES**

The net position of the governmental activities increased by \$2,834,615 in 2018. Revenues decreased due to a lower refund of prior expense. There was not an increase in the tax levy for the 2018 year. Expenses increased by approximately 1% due to increased employee salary and benefit costs, primarily pension costs.

**BUSINESS-TYPE ACTIVITY**

The net position of the District's food service operation decreased by approximately \$33,658 from 2017 due to a increase in food service expenses for salaries, benefits and other expenditures.

**FINANCIAL ANALYSIS OF THE FUNDS**

**GENERAL FUND (MAJOR)**

The following represents a summary of General Fund revenue, by source, along with changes from 2017

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Local sources	\$27,882,118	\$28,293,694	\$(411,576)	-1.45 %
State sources	15,815,198	15,892,388	(77,190)	-0.49 %
Federal sources	<u>819,292</u>	<u>823,051</u>	<u>(3,759)</u>	-0.46 %
Total	<u>\$44,516,608</u>	<u>\$45,009,133</u>	<u>\$(492,525)</u>	-1.09 %

**LOCAL SOURCES**

The majority of the decrease in local source revenue is attributable to a substantial refund of healthcare premiums that was received in 2017 and did not repeat in 2018.

WESTERN WAYNE SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (UNAUDITED)

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**STATE SOURCES**

The District received less reimbursement from transportation, social security and retirement than was budgeted.

**FEDERAL SOURCES**

The increase in federal sources is primarily due to collection of additional Medical Access funds for school age students and early intervention students along with funding for Title II and Title IV that was not budgeted.

The following represents a summary of General Fund expenditures, by function, along with changes from 2017:

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Instruction	\$23,705,323	\$22,697,295	\$ 1,008,028	4.44 %
Support services	14,336,431	13,247,784	1,088,647	8.22 %
Non-instructional services	1,079,959	1,035,938	44,021	4.25 %
Other	<u>4,129,263</u>	<u>3,915,185</u>	<u>214,078</u>	5.47 %
Total	<u>\$43,250,976</u>	<u>\$40,896,202</u>	<u>\$ 2,354,774</u>	5.76 %

**INSTRUCTION**

The District had increased costs related to Special Education, along with salaries and benefits.

**SUPPORT SERVICES**

The District had increased costs for salaries and benefits along with the re-class of several expenses from the instructional section.

**NON-INSTRUCTIONAL SERVICES**

The District contributed more towards transportation and travel for extra-curricular teams along with increased costs for our athletic activities.

**OTHER**

The debt service remained relatively stable with a slight increase interest payments on the 2017 note. The remainder of the increase represents a refund of subsidy to the Commonwealth of Pennsylvania of approximately \$83,000.

WESTERN WAYNE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**CAPITAL PROJECTS FUNDS (MAJOR)**

The Capital Projects Fund accounts for major construction projects in the District. Fund balance at June 30, 2018 was approximately \$763,000, which represents capital reserve funds for future capital needs.

**DEBT SERVICE FUND (MAJOR)**

The Debt Service Fund accounts for the proceeds of, and payment on, notes and bonds payable. In 2018, the District paid a total of approximately \$3.9 million in current debt service, including \$3 million of principal.

**CAPITAL ASSETS**

The District's investment in capital assets as of June 30, 2018 is summarized below.

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITY</u>	<u>TOTALS</u>
Land	\$ 539,550		\$ 539,550
Construction in Progress	5,416,249		5,416,249
Land improvements	5,035,803		5,035,803
Buildings and improvements	59,648,219		59,648,219
Furniture and equipment	<u>3,832,781</u>	<u>\$ 174,299</u>	<u>4,007,080</u>
Total	74,472,602	174,299	74,646,901
Less accumulated depreciation	<u>30,745,058</u>	<u>81,552</u>	<u>30,826,610</u>
Net	<u>\$ 43,727,544</u>	<u>\$ 92,747</u>	<u>\$43,820,291</u>

Additional information on the District's capital assets can be found on pages 36 and 37 of this report.

**LONG TERM DEBT**

At June 30, 2018, the District's general obligation debt was \$25,213,705. This amount is approximately 34.0% of its legal limit of \$75 million. \$3,170,000 of this debt is scheduled for payment in 2019. The District's bonds have an A1 enhanced rating from Moody's Investors Service and an underlying rating of A3. S&P Global Ratings has affirmed its 'A' underlying rating on our existing unlimited and limited general obligation bonds. The outlook is stable.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Additional information on the District's long-term debt can be found on pages 37 and 38 of this report.

## **ECONOMIC CONDITION AND OUTLOOK**

The District is residential in nature and has experienced only modest growth in its tax base and consistent student enrollment in recent years.

The district experienced added costs from rising salaries and benefits but these expenses were offset by decreases to our post retirement benefits and increased revenue from real estate taxes and real estate transfer taxes. The District did raise its real estate tax levy in fiscal 2019 modestly at 0.75%.

In 2017-2018, the District extended our Guaranteed Energy Savings Project and funded this extension with existing fund balance. No additional debt was incurred.

For fiscal year 2020, the District can raise taxes without PDE approval or voter referendum by a 2.3% index. The Board of Education is considering a resolution stating that the District will not increase the rate of any tax for the support of its public schools for the 2020 fiscal year by more than the index established by the Department of Education for the district. The District is able to do this now that our Fund Balance has grown and we have received reimbursement for our construction project.

The District has labor contracts with both the Professional and Support Professional unions that run through Fiscal Year 2020.

## **REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rose E. Emmett, Business Manager, Western Wayne School District, 1970 C Easton Turnpike, Lake Ariel, PA 18436.

**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF NET POSITION  
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITY	TOTAL
<b><u>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Current assets:			
Cash and cash equivalents	\$ 13,399,734	\$ 530,216	\$ 13,929,950
Real estate taxes receivable, net	1,635,188		1,635,188
Due from (to) other funds	511,189	(511,189)	-
Due from other governments	3,392,773	136,041	3,528,814
Other receivables	271,259		271,259
Inventories		<u>6,758</u>	<u>6,758</u>
Total current assets	19,210,143	161,826	19,371,969
CAPITAL ASSETS	43,727,544	92,747	43,820,291
ASSETS HELD FOR CAPITAL PROJECTS	<u>762,787</u>		<u>762,787</u>
Total assets	63,700,474	254,573	63,955,047
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,993,529</u>		<u>12,993,529</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 76,694,003</u>	<u>\$ 254,573</u>	<u>\$ 76,948,576</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u></b>			
Current liabilities:			
Accounts payable	\$ 1,620,273		\$ 1,620,273
Accrued salaries and benefits	4,765,774		4,765,774
Payroll deductions and withholdings	189,382		189,382
Other current liabilities	6,579		6,579
Current maturities of bonds and notes payable	3,170,000		3,170,000
Current portion of special termination benefits	108,945		108,945
Current portion of compensated absences	141,737	\$ 5,560	147,297
Accrued interest	198,647		198,647
Unearned revenues		<u>13,035</u>	<u>13,035</u>
Total current liabilities	10,201,337	18,595	10,219,932
BONDS AND NOTES PAYABLE	23,171,360		23,171,360
SPECIAL TERMINATION BENEFITS	201,061		201,061
TOTAL OPEB LIABILITY	3,581,784		3,581,784
COMPENSATED ABSENCES	1,275,633	50,040	1,325,673
NET PENSION LIABILITY	<u>60,600,000</u>		<u>60,600,000</u>
Total liabilities	<u>99,031,175</u>	<u>68,635</u>	<u>99,099,810</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,553,315</u>		<u>3,553,315</u>
NET POSITION:			
Net investment in capital assets	17,386,184	92,747	17,478,931
Restricted for capital assets	762,787		762,787
Unrestricted	<u>(44,039,458)</u>	<u>93,191</u>	<u>(43,946,267)</u>
Total net position	<u>(25,890,487)</u>	<u>185,938</u>	<u>(25,704,549)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 76,694,003</u>	<u>\$ 254,573</u>	<u>\$ 76,948,576</u>

See Notes to Financial Statements



**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
Governmental activities:						
Instruction	\$ (23,571,126)	\$ 1,103,727	\$ 6,435,839	\$ (16,031,560)		\$ (16,031,560)
Instructional student support	(3,629,292)		447,091	(3,182,201)		(3,182,201)
Administration and financial support services	(3,859,581)		337,162	(3,522,419)		(3,522,419)
Operation and maintenance of plant services	(2,604,355)	2,006	160,084	(2,442,265)		(2,442,265)
Pupil transportation	(3,831,204)		2,675,622	(1,155,582)		(1,155,582)
Student activities	(1,090,823)	49,518	76,133	(965,172)		(965,172)
Interest on bonds and notes payable	(719,034)		533,879	(185,155)		(185,155)
Unallocated depreciation expenses	<u>(2,199,450)</u>			<u>(2,199,450)</u>		<u>(2,199,450)</u>
Total governmental activities	(41,504,865)	1,155,251	10,665,810	(29,683,804)		(29,683,804)
Business-type activity,						
Food service	<u>(1,106,030)</u>	<u>302,308</u>	<u>769,972</u>		\$ (33,750)	<u>(33,750)</u>
TOTAL	<u>\$ (42,610,895)</u>	<u>\$ 1,457,559</u>	<u>\$ 11,435,782</u>	<u>(29,683,804)</u>	<u>(33,750)</u>	<u>(29,717,554)</u>
General revenues:						
Taxes levied for general purposes, net				26,334,559		26,334,559
Grants, subsidies and contributions not restricted				5,983,754		5,983,754
Investment earnings				108,533	92	108,625
Miscellaneous income				<u>91,573</u>		<u>91,573</u>
Total general revenues				<u>32,518,419</u>	<u>92</u>	<u>32,518,511</u>
Change in net position				<u>2,834,615</u>	<u>(33,658)</u>	<u>2,800,957</u>
Net position, beginning, as previously reported				(26,737,024)	219,596	(26,517,428)
Restatement				<u>(1,988,078)</u>		<u>(1,988,078)</u>
Net position, beginning, as restated				<u>(28,725,102)</u>	<u>219,596</u>	<u>(28,505,506)</u>
Net position, ending				<u>\$ (25,890,487)</u>	<u>\$ 185,938</u>	<u>\$ (25,704,549)</u>

See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	MAJOR FUNDS		TOTALS
	GENERAL	CAPITAL PROJECTS	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 13,399,734	\$ 762,787	\$ 14,162,521
Real estate taxes receivable, net	1,635,188		1,635,188
Due from other funds	253,576	257,613	511,189
Due from other governments	3,392,773		3,392,773
Other receivables	<u>271,259</u>		<u>271,259</u>
Total assets	<u>\$ 18,952,530</u>	<u>\$ 1,020,400</u>	<u>\$ 19,972,930</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,362,660	\$ 257,613	\$ 1,620,273
Accrued salaries and benefits	4,765,774		4,765,774
Payroll deductions and withholdings	189,382		189,382
Special termination benefits	108,945		108,945
Other current liabilities	<u>6,579</u>		<u>6,579</u>
Total liabilities	<u>6,433,340</u>	<u>257,613</u>	<u>6,690,953</u>
<b>DEFERRED INFLOWS OF RESOURCES,</b>			
Unavailable revenue - property taxes	<u>933,726</u>		<u>933,726</u>
<b>FUND BALANCES:</b>			
Restricted		762,787	762,787
Committed	608,700		608,700
Assigned	7,656,329		7,656,329
Unassigned	<u>3,320,435</u>		<u>3,320,435</u>
Total fund balances	<u>11,585,464</u>	<u>762,787</u>	<u>12,348,251</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,952,530</u>	<u>\$ 1,020,400</u>	<u>\$ 19,972,930</u>

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 12,348,251

Amounts reported for governmental activities  
in the statement of net position are different because:

Capital assets used in governmental activities are  
not financial resources and are not reported in the funds 43,727,544

Real estate taxes receivable will not be collected soon  
enough to pay for the current period's expenditures and  
therefore are deferred in the funds 933,726

Accrued interest payable is included on the statement  
of net position (198,647)

Long-term liabilities are not due and payable in the  
current period, and therefore are not reported in the  
governmental funds

Bonds and notes payable (26,341,360)

Special termination benefits (201,061)

Total OPEB liability and related deferred outflows and inflows  
of resources (3,129,570)

Compensated absences (1,417,370)

Net pension liability and related deferred outflows and inflows  
of resources (51,612,000)

TOTAL NET POSITION - GOVERNMENT ACTIVITIES \$ (25,890,487)

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	MAJOR FUNDS			TOTALS
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES:				
Local sources	\$ 27,882,118	\$ 761		\$ 27,882,879
State sources	15,815,198			15,815,198
Federal sources	<u>819,292</u>			<u>819,292</u>
Total revenues	<u>44,516,608</u>	<u>761</u>	<u>-</u>	<u>44,517,369</u>
EXPENDITURES:				
Instruction	23,705,323			23,705,323
Support services	14,336,431	5		14,336,436
Noninstructional services	1,079,959			1,079,959
Capital outlay		4,254,073		4,254,073
Debt service	128,945		\$ 3,917,320	4,046,265
Refund of prior year revenues	<u>82,998</u>			<u>82,998</u>
Total expenditures	<u>39,333,656</u>	<u>4,254,078</u>	<u>3,917,320</u>	<u>47,505,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,182,952</u>	<u>(4,253,317)</u>	<u>(3,917,320)</u>	<u>(2,987,685)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	4,254,073			4,254,073
Transfers in		4,254,073	3,917,320	8,171,393
Transfers out	<u>(8,171,393)</u>			<u>(8,171,393)</u>
Total other financing sources (uses)	<u>(3,917,320)</u>	<u>4,254,073</u>	<u>3,917,320</u>	<u>4,254,073</u>
NET CHANGE IN FUND BALANCES	1,265,632	756	-	1,266,388
FUND BALANCE, BEGINNING	<u>10,319,832</u>	<u>762,031</u>		<u>11,081,863</u>
FUND BALANCE, ENDING	<u>\$ 11,585,464</u>	<u>\$ 762,787</u>	<u>\$ -</u>	<u>\$ 12,348,251</u>

See Notes to Financial Statements

## WESTERN WAYNE SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

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TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS      \$ 1,266,388

Amounts reported for governmental activities  
in the statement of activities are different because:

Capital asset additions are reported as expenditures in the funds	4,626,822
Depreciation expense on capital assets is reported in the statement of activities	(2,199,450)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenue accrued between the prior and current year	(177,889)
Issuance of long-term obligations provides current financial resources in the funds	(4,254,073)
Repayment of bonds and notes payable uses current financial resources and is reported in the funds but not the statement of activities	3,050,000
Amortization of premium on bonds payable	257,685
Change in accrued interest on bonds payable	19,546
Change in total OPEB liability and related deferred outflows and inflows of resources	721,403
Change in special termination benefits	76,212
Change in compensated absences	(67,029)
Change in net pension liability and related deferred outflows and inflows of resources	<u>(485,000)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES      \$ 2,834,615

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>			
Local sources	\$ 26,629,750	\$ 27,882,118	\$ 1,252,368
State sources	16,114,725	15,815,198	(299,527)
Federal sources	<u>508,000</u>	<u>819,292</u>	<u>311,292</u>
Total revenues	<u>43,252,475</u>	<u>44,516,608</u>	<u>1,264,133</u>
<b>EXPENDITURES:</b>			
Instruction	24,527,709	23,705,323	822,386
Support services	13,980,253	14,336,431	(356,178)
Noninstructional services	936,244	1,079,959	(143,715)
Debt service		128,945	(128,945)
Refund of prior year revenues		<u>82,998</u>	<u>(82,998)</u>
Total expenditures	<u>39,444,206</u>	<u>39,333,656</u>	<u>110,550</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>3,808,269</u>	<u>5,182,952</u>	<u>1,374,683</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan proceeds		4,254,073	4,254,073
Interfund transfers	<u>(4,138,820)</u>	<u>(8,171,393)</u>	<u>(4,032,573)</u>
Total other financing sources (uses)	<u>(4,138,820)</u>	<u>(3,917,320)</u>	<u>221,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	(330,551)	1,265,632	1,596,183
<b>FUND BALANCE, BEGINNING</b>	<u>6,206,901</u>	<u>10,319,832</u>	<u>4,112,931</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 5,876,350</u>	<u>\$ 11,585,464</u>	<u>\$ 5,709,114</u>

See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2018**

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$530,216
Due from other governments	136,041
Inventories	<u>6,758</u>

Total current assets 673,015

CAPITAL ASSETS 92,747

TOTAL \$765,762

LIABILITIES AND NET POSITION

LIABILITIES:

Current liabilities:

Due to other funds	\$511,189
Unearned revenues	13,035
Current portion of compensated absences	<u>5,560</u>

Total current liabilities 529,784

COMPENSATED ABSENCES 50,040

Total liabilities 579,824

NET POSITION:

Investment in capital assets	92,747
Unrestricted	<u>93,191</u>

Total net position 185,938

TOTAL \$765,762

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

---

OPERATING REVENUES,	
Food service revenue	<u>\$ 302,308</u>
OPERATING EXPENSES:	
Salaries	389,635
Employee benefits	250,568
Purchased professional and technical services	998
Purchased property services	10,876
Other purchased services	2,428
Food and supplies	440,046
Depreciation	<u>11,479</u>
Total operating expenses	<u>1,106,030</u>
OPERATING LOSS	<u>(803,722)</u>
NONOPERATING REVENUES:	
Earnings on investments	92
State sources	113,443
Federal sources	<u>656,529</u>
Total nonoperating revenues	<u>770,064</u>
NET LOSS	(33,658)
NET POSITION, BEGINNING	<u>219,596</u>
NET POSITION, ENDING	<u>\$ 185,938</u>

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See Notes to Financial Statements



**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS-  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 302,555
Cash payments to employees for services	(480,687)
Cash paid to suppliers for goods and services	<u>(404,140)</u>
Net cash used in operating activities	<u>(582,272)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	112,945
Federal sources	<u>594,999</u>
Net cash provided by noncapital financing activities	<u>707,944</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,	
Earnings on investments	<u>92</u>
CHANGE IN CASH AND CASH EQUIVALENTS	125,764
CASH AND CASH EQUIVALENTS, BEGINNING	<u>404,452</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 530,216</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS,	
USDA donated commodities	<u>\$ 50,731</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (803,722)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	11,479
USDA donated commodities	50,731
Increase or decrease in:	
Inventory	(523)
Due to other funds	157,723
Unearned revenues	(540)
Compensated absences	<u>2,580</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (582,272)</u>

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION - ACTIVITY FUND  
JUNE 30, 2018

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ASSETS

CASH AND CASH EQUIVALENTS \$90,076

LIABILITIES

OTHER CURRENT LIABILITIES \$90,076

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See Notes to Financial Statements

**WESTERN WAYNE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The major accounting principles and practices followed by the Western Wayne School District (the "District") are summarized below:

**NATURE OF OPERATIONS**

The District provides elementary and secondary education to the residents of the following municipalities: The Borough of Waymart, Canaan Township, South Canaan Township, Clinton Township, Salem Township, Sterling Township and Lake Township.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

**REPORTING ENTITY**

The reporting entity has been defined in accordance with the criteria established in Statement 14, as amended by Statement 39, issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements.

**BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General, Capital Projects, and Debt Service Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### **BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

#### **GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

##### **GENERAL FUND (MAJOR)**

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

##### **CAPITAL PROJECTS FUND (MAJOR)**

The Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation or construction of major capital facilities.

##### **DEBT SERVICE FUND (MAJOR)**

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term obligations.

### **PROPRIETARY FUND TYPE**

Proprietary funds 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 the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating.

### **FIDUCIARY FUND TYPE**

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The fund included in this category is:

#### **ACTIVITY FUND**

The Activity Fund accounts for the collections and disbursements of assets of various student activities and clubs.

### **MEASUREMENT FOCUS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position.

#### **FUND FINANCIAL STATEMENTS**

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### **ACCRUAL BASIS**

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

### **MODIFIED ACCRUAL BASIS**

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. Expenditures, other than principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments are recorded as fund liabilities when due and unpaid.

### **ALLOCATION OF INDIRECT EXPENSES**

The District does not allocate any indirect expenses, including depreciation.

### **BUDGETARY DATA**

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the administration to prepare and submit a plan of financial operation to the School Board.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and money market funds, which are carried at cost. The District considers all investments purchased with an original maturity of three months or less to be cash equivalents.

**INVENTORIES**

Inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

**CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the Food Service Fund are reported both in the business-type activity of the government-wide statement of net position and in the fund financial statements.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land and construction in progress are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Land improvements	15 - 20 years	N/A
Buildings and improvements	30 - 40 years	N/A
Furniture and equipment	5 - 20 years	5 - 10 years

The District does not have any infrastructure capital assets.

If applicable, interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. However, no interest is capitalized on general capital assets.

#### **ASSETS HELD FOR CAPITAL PROJECTS**

Assets held for capital projects represent funds in the District's Capital Reserve Fund, which is accounted for as a Capital Projects Fund in the accompanying financial statements.

#### **DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

The balance sheet and statement of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, which are reported after total assets, are defined by GASB as a consumption of net assets that applies to future periods. The expense is recognized in the applicable future period(s). Deferred inflows of resources, which are reported after total liabilities, are defined by GASB as an acquisition of net assets that applies to future periods. The revenue, or reduction of expense, is recognized in the applicable future period(s). Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The District is required to report the following as deferred outflows of resources and deferred inflows of resources:

- Unavailable revenue – property taxes, which represents the portion of taxes receivable that does not meet both the measurable and available criteria for recognition in the current period in the governmental funds balance sheet. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.
- For defined benefit pension plan and the other postemployment benefit (OPEB) plan: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the District's proportion of expenses and liabilities to the pension as a whole, differences between the District's pension contributions and its proportionate share of contributions, and District contributions subsequent to the valuation measurement date.



### **UNEARNED REVENUE**

The District reports unearned revenue on its financial statements. Unearned revenue arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when cash is received prior to the provision of services. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

### **COMPENSATED ABSENCES**

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated. The rate paid varies by position. Vacation leave is available only to administrative and twelve month support employees. Vacation pay is earned in the year in which the service has been performed. Administrative employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

### **PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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. PSERS' investments are reported at fair value.

### **GOVERNMENT FUND BALANCE CLASSIFICATIONS**

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the District’s “highest level of decision-making authority” which do not lapse at year-end. The School Board is its highest level of decision-making authority, and the School Board commits funds through resolutions.
- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through formal action of the School Board.
- *Unassigned* – includes fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

#### **NET POSITION**

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The District maintains the following classifications of net position:

- Net investment in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
- Restricted – the portion of net position subject to externally imposed conditions.
- Unrestricted – all other categories of net position. Net position may be designated for specific purposes by the School Board.

#### **ELIMINATIONS AND INTERNAL BALANCES**

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled “internal balances” on the statement of net position.

#### **RESTRICTED RESOURCES**

When both restricted and unrestricted resources are available for use, the District’s policy is to use restricted resources first, and then unrestricted resources as needed.

### **USE OF ESTIMATES**

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

### **NEW ACCOUNTING PRONOUNCEMENTS**

The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended. Statement No. 75 significantly increased the liability that the District records for the defined benefit retiree healthcare plan that the District administers, and requires the recording of deferred outflows of resources and deferred inflows of resources associated with the plan. The July 1, 2017 balance of these other postemployment benefit liabilities and related deferred outflows of resources related to benefit payments made subsequent to the measurement date are reported in the statement of activities as a restatement of the beginning net position of the governmental activities of \$1,988,078.

## **2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits adhere to those statutes.

### **DEPOSITS WITH FINANCIAL INSTITUTIONS**

#### **CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. At June 30, 2018, the bank balance of the District's deposits with financial institutions including cash equivalents was \$15,883,438 compared to the carrying amount of \$14,782,813. The difference is primarily caused by items in-transit and outstanding checks. \$14,633,432 of the District's deposits was exposed to custodial credit risk. This entire amount was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

### 3. REAL ESTATE TAXES

The real estate taxes for the District are collected from one borough and six townships. The tax on real estate, as levied by the School Board, was 16.7024 mills (\$16.70 per \$1,000 of assessed valuation) for fiscal 2018. Assessed valuations of property are determined by Wayne County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	Levy Date
August 1 - September 30	2% discount period
October 1 – November 30	Face payment period
December 1 - December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at June 30, 2018 amounted to \$1,635,188. The amount of taxes receivable is reported net of an allowance for doubtful collections of \$992,255.

### 4. DUE FROM OTHER GOVERNMENTS

The amount reported in the General Fund at June 30, 2018 as due from other governments is summarized below:

Pennsylvania Department of Education:	
State source revenue	\$ 2,287,090
Federal source revenue	467,690
Northeastern Educational Intermediate Unit #19,	
Federal source revenue	176,673
Lancaster-Lebanon Intermediate Unit #13,	
Federal source revenue	7,000
Pennsylvania Department of Human Services,	
Federal source revenue	9,407
Other school districts	410,866
County of Wayne	<u>34,047</u>
 Total	 <u>\$ 3,392,773</u>

The amount reported in the Food Service Fund as due from other governments of \$136,041 represents \$7,470 due from the PDE for state meal subsidies, as well as \$128,571 in federal funds passed through the PDE.

WESTERN WAYNE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**5. CAPITAL ASSETS**

The changes in the District's capital assets in 2018 are summarized as follows:

	BALANCE JULY 1, <u>2017</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE JUNE 30, <u>2018</u>
<b><u>Governmental activities:</u></b>				
Cost:				
Assets not being depreciated :				
Land	\$ 539,550			\$ 539,550
Construction in progress	<u>898,191</u>	<u>\$ 4,518,058</u>		<u>5,416,249</u>
Subtotal	<u>1,437,741</u>	<u>4,518,058</u>		<u>5,955,799</u>
Assets being depreciated:				
Land improvements	5,035,803			5,035,803
Buildings and improvements	59,616,843	31,376		59,648,219
Furniture and equipment	<u>3,755,393</u>	<u>77,388</u>		<u>3,832,781</u>
Subtotal	<u>68,408,039</u>	<u>108,764</u>		<u>68,516,803</u>
Total cost	<u>69,845,780</u>	<u>4,626,822</u>		<u>74,472,602</u>
Less accumulated depreciation:				
Land improvements	1,591,830	274,394		1,866,224
Buildings and improvements	24,649,372	1,625,085		26,274,457
Furniture and equipment	<u>2,304,406</u>	<u>299,971</u>		<u>2,604,377</u>
Total accumulated depreciation	<u>28,545,608</u>	<u>2,199,450</u>		<u>30,745,058</u>
Governmental activities capital assets, net	<u>\$41,300,172</u>	<u>\$ 2,427,372</u>		<u>\$ 43,727,544</u>
<b><u>Business – type activity:</u></b>				
Furniture and equipment	\$ 174,299			\$ 174,299
Less accumulated depreciation	<u>70,073</u>	<u>\$ 11,479</u>	-	<u>81,552</u>
Business-type activity capital assets, net	<u>\$ 104,226</u>	<u>\$ (11,479)</u>	-	<u>\$ 92,747</u>

At June 30, 2018, the District was in the process of completing a guaranteed energy savings project. The District incurred approximately \$5.4 million related to this project, which is included in construction in progress. The District is committed to 100% of the total estimated cost of approximately \$5.8 million.

## 6. BONDS AND NOTES PAYABLE

During its June 30, 2016 fiscal year, the District issued \$18,990,000 of general obligation bonds (Series of 2015) to currently refund the Series A of 2010, Series B of 2010 and Series AA of 2010 bond issues. These bonds are due in varying annual installments plus interest at rates ranging from 2.00% to 5.00%, with final maturity scheduled for 2022. Principal due in 2019 is \$3,165,000.

Also during its June 30, 2016 fiscal year, the District issued \$9,880,000 of general obligation bonds (Series of 2016) to finance certain capital projects. These bonds are due in varying annual installments plus interest at rates ranging from 1.90% to 4.00%, with final maturity scheduled for 2025. Principal due in 2019 is \$5,000.

During its June 30, 2017 fiscal year, the District entered into an agreement to issue up to \$6,500,000 of a general obligation note (Note of 2017) to finance various capital improvements. This note is due in varying installments plus interest at a fixed rate of 3.35%, with final maturity scheduled for 2027. Monthly payments of interest only are due until March of 2026 when principal payments begin.

The following summarizes the changes in bonds and notes payable in 2018:

	BALANCE JULY 1, 2017	INCREASES	DECREASES	BALANCE JUNE 30, 2018
Bonds:				
Series of 2015	\$ 13,240,000		\$ (3,040,000)	\$10,200,000
Series of 2016	9,875,000		(10,000)	9,865,000
Note of 2017	<u>894,632</u>	<u>\$ 4,254,073</u>	<u>-</u>	<u>5,148,705</u>
Sub-total	24,009,632	4,254,073	(3,050,000)	25,213,705
Bond premiums	<u>1,385,340</u>		<u>(257,685)</u>	<u>1,127,655</u>
Total	<u>\$ 25,394,972</u>	<u>\$ 4,254,073</u>	<u>\$ (3,307,685)</u>	<u>\$ 26,341,360</u>

Total interest paid on these notes and bonds in 2018 was \$996,265. No interest was capitalized in 2018. No interest is reported as a direct expense in the statement of activities.

WESTERN WAYNE SCHOOL DISTRICT  
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The following summarizes the District's future debt service requirements as of June 30, 2018:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 3,170,000	\$ 918,001	\$ 4,088,001
2021	3,295,000	791,302	4,086,302
2021	3,440,000	626,852	4,066,852
2022	3,120,000	458,152	3,578,152
2023	3,180,000	329,152	3,509,152
2024-2026	<u>9,008,705</u>	<u>497,818</u>	<u>9,506,523</u>
TOTAL	<u>\$25,213,705</u>	<u>\$3,621,277</u>	<u>\$28,834,982</u>

## 7. COMPENSATED ABSENCES

The following summarizes the changes in compensated absences in 2018:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Balance, July 1, 2017	\$1,350,341	\$53,020
Increases	403,939	7,662
Decreases	<u>(336,910)</u>	<u>(5,082)</u>
Balance, June 30, 2018	1,417,370	55,600
Less current portion	<u>141,737</u>	<u>5,560</u>
Long-term compensated absences	<u>\$1,275,633</u>	<u>\$50,040</u>

The District normally pays its governmental activities' compensated absences from the General Fund and its business-type activity's compensated absences from the Food Service Fund.

## **8. PENSION BENEFITS**

### **PLAN DESCRIPTION**

The Public School Employees Retirement System (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 PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, the "Code") is the authority by which PSERS benefits provisions and contribution requirements are established and may be amended. The Code requires contributions by active members, the employer (the District) and the Commonwealth. PSERS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained from the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov).

### **BENEFITS PROVIDED**

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age sixty-two with at least one year of credited service; (b) age sixty with thirty or more years of credited service; or (c) thirty-five 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: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age sixty-five with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service. Depending upon membership class, benefits are generally equal to 2% or 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011 vest after completion of five years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average (as defined in the Code) salary 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 death of an active member who has reached age sixty-two with at least one year of credited service (age sixty-five with at least three years of credited service for Class T-E and Class T-F members) or at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

#### **MEMBER CONTRIBUTIONS**

Active members who joined PSERS prior to July 22, 1983 contribute 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.50% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001 and before July 1, 2011 contribute at 7.50% (Automatic Class T-D). For all new hires and members who elected Class T-D membership, the higher contribution rate began with services rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. 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 contribution rate to fluctuate between 7.50% and 9.50% for Class T-E and 10.30% and 12.30% for Class T-F.

#### **EMPLOYER CONTRIBUTIONS**

The District's contractually required contribution rate for PSERS for the fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contribution to PSERS for the year ending June 30, 2018, June 30, 2017 and June 30, 2016 was \$5,492,875, \$4,820,735 and \$4,037,883, respectively, equal to the required contractual contribution.

### **ACTUARIAL ASSUMPTIONS**

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

- Actuarial cost method is entry age normal, level percent of pay
- Investment return of 7.25% including inflation at 2.75%
- Salary increases based on an effective average of 5.00%, which reflects an allowance for inflation of 2.75% and 2.25% for real wage growth and merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females with age set back three years for both males and females; for disabled annuitants, the RP-2014 Mortality Tables for Males and Females with age set back seven years for males and three years for females

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

PSERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

WESTERN WAYNE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS

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Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0 %	5.1 %
Fixed income	36.0 %	2.6 %
Commodities	8.0 %	3.0 %
Absolute return	10.0 %	3.4 %
Risk parity	10.0 %	3.8 %
Infrastructure/MLPs	8.0 %	4.8 %
Real estate	10.0 %	3.6 %
Alternative investments	15.0 %	6.2 %
Cash	3.0 %	0.6 %
Financing (LIBOR)	<u>(20.0)%</u>	1.1 %
	<u>100.0 %</u>	

**DISCOUNT RATE**

The discount rate used to measure the total PSERS 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, PSERS' 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 PSERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the District's proportionate share of the PSERS 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Proportionate share of the net pension liability	<u>\$74,593,000</u>	<u>\$60,600,000</u>	<u>\$48,785,000</u>

**FIDUCIARY NET POSITION**

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

**PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2018, the District reported a liability of \$60,600,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability as calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion of .1227%, which was a decrease of .0016% from its proportion calculated as of June 30, 2016.

WESTERN WAYNE SCHOOL DISTRICT  
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For the year ended June 30, 2018, the District recognized pension expense of \$5,978,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 1,404,000	
Changes in proportion	2,991,000	\$ 3,058,000
Changes in assumptions	1,646,000	
Difference between expected and actual experience	632,000	366,000
Difference between employer contributions and proportionate share of total contributions	246,000	
Contributions after the measurement date	<u>5,493,000</u>	<u>                    </u>
	<u>\$ 12,412,000</u>	<u>\$ 3,424,000</u>

The District will recognize the \$5,493,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS 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:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2019	\$ 512,000
2020	1,340,000
2021	1,961,000
2022	<u>(318,000)</u>
TOTAL	<u>\$ 3,495,000</u>

## 9. SPECIAL TERMINATION BENEFITS

The District's collective bargaining agreements provide an early retirement incentive for those employees who retire with a specified level of service to the District and with PSERS. The District pays eligible employees \$16,500 annually for a maximum of five years. The number of payments is reduced by one for each year worked after initial eligibility for this benefit. The liability is discounted using a rate of 4%. Six retirees are receiving this benefit as of June 30, 2018.

WESTERN WAYNE SCHOOL DISTRICT  
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The following summarizes the changes in the special termination benefits liability in 2018:

Balance, July 1, 2017	\$438,340
Additions	9,945
Payments	<u>(124,840)</u>
Balance, June 30, 2018	323,445
Less unamortized discount	<u>13,439</u>
Present value of special termination benefits	310,006
Less current portion	<u>108,945</u>
Long-term special termination benefits	<u>\$ 201,061</u>

The District normally pays special termination benefits from the General Fund.

## 10. INTERNAL BALANCES / INTERFUND TRANSFERS

The Food Service Fund owed the General Fund \$511,189 at June 30, 2018 for reimbursement of salaries and benefits. This balance is expected to be paid in 2019. The following summarizes the interfund transfers in 2018:

	TRANSFERS <u>IN</u>	TRANSFERS <u>OUT</u>
General Fund:		
Capital Projects Fund		\$ (4,254,073)
Debt Service Fund		(3,917,320)
Capital Projects Fund,		
General Fund	\$ 4,254,073	
Debt Service Fund,		
General Fund	<u>3,917,320</u>	_____
Total	<u>\$ 8,171,393</u>	<u>\$ (8,171,393)</u>

The General Fund transferred funds to the Debt Service Fund to pay long-term debt as it came due. The General Fund transferred note proceeds for capital improvements to the Capital Projects Fund.

## 11. POSTEMPLOYMENT BENEFITS

### PLAN DESCRIPTION

The District provides postretirement healthcare benefits for teachers that retired prior to July 1, 2014 and most administrative employees. Eligible employees must retire with at least 25 years, but not more than 35 years, of public school service in Pennsylvania. The employee also shall have completed 5 years of service with the District. The Superintendent receives such benefits upon retirement regardless of years of service. The cost of such medical coverage for retirees and spouses is determined by the contract provisions at the time of retirement. The plan provides post-retirement medical, prescription drug, and dental benefits. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired teachers who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. Eligible members of the support personnel bargaining unit may also participate in the plan at their own expense.

The contribution requirements of plan members and the District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retirees do not contribute to the plan. The plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing benefits to plan member, or are legally protected from creditors.

A total of 321 participants are covered by the benefit terms, including 280 active participants and 41 inactive (retired) participants currently receiving benefits. There are no participants entitled to but not receiving benefits under the plan.





The District will recognize the \$581,529 reported as deferred outflows of resources resulting from plan contributions after the measurement date as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2019	\$ (11,756)
2020	(11,756)
2021	(11,756)
2022	(11,756)
2023	(11,756)
Thereafter	<u>(70,535)</u>
TOTAL	<u>\$ (129,315)</u>

#### **ACTUARIAL ASSUMPTIONS AND OTHER INPUTS**

The actuarial valuation on which the total OPEB liability is based is dated July 1, 2016. Updated procedures were used to roll forward the total OPEB liability to the measurement date as of July 1, 2017. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method was entry age normal, level basis of pay.
- Healthcare cost trend rate of 6.0% in 2017 and 5.5% in 2018 through 2023, with rates gradually decreasing from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Salary increases are composed of a 2.5% cost of living adjustment, 1.0% real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.0% to 2.75%.
- 100% of employees eligible for a district subsidy and 25% of employees not eligible for a district subsidy are assumed to elect coverage. 70% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial. Wives are assumed to be two years younger than husbands.
- Assumed retirement rates are based on PSERS plan experience and vary by age, gender and years of service. Withdrawal rates also vary by age, gender and years of service.

WESTERN WAYNE SCHOOL DISTRICT  
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- The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation (See Note 8). Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- The discount rate increased from 2.49% to 3.13%, based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017.
- Participant data is based on census information as of July 2017.

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

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$3,392,289</u>	<u>\$3,581,784</u>	<u>\$3,799,290</u>

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

	1% Decrease <u>2.13%</u>	Current Discount Rate <u>3.13%</u>	1% Increase <u>4.13%</u>
Total OPEB liability	<u>\$3,730,037</u>	<u>\$3,581,784</u>	<u>\$3,441,433</u>

### TOTAL OPEB LIABILITY

The District's total OPEB liability of \$3,581,784 was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2016. The following table presents the changes in the District's total OPEB liability for the fiscal year ending June 30, 2018:

Balance, July 1, 2016	<u>\$4,556,505</u>
Service cost	117,878
Interest on total OPEB liability	106,876
Changes of benefit terms	(352,872)
Difference between expected and actual experience	(131,697)
Changes of assumptions	(9,374)
Benefit payments	<u>(705,532)</u>
Net changes	<u>(974,721)</u>
Balance, June 30, 2017	<u>\$3,581,784</u>

## 12. CONTINGENCIES

The District participates in both state and 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 expenditure that may be disallowed pursuant to the terms of these grant programs. The District is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

### **13. TAX ABATEMENTS**

The District enters into property tax abatements with local property owners under the Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act of 1998 (the "Act"). The Act authorizes political subdivisions to apply to the Pennsylvania Department of Community and Economic Development (DCED) for designation of an area within the respective political subdivision as a Keystone Opportunity Expansion Zone granting exemptions, deductions, abatements or credits from all taxes identified in the Act. The District abated property taxes totaling \$7,311 during the year ended June 30, 2018 under this program.

### **14. NEW ACCOUNTING PRONOUNCEMENTS**

In November 2016, the GASB issued its Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. GASB Statement No. 83 will be effective for the District's fiscal year ending June 30, 2019.

In January 2017, the GASB issued its Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how they should be reported. GASB Statement No. 84 will be effective for the District's fiscal year ending June 30, 2020.

In June 2017, the GASB issued its Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for the District's fiscal year ending June 30, 2021

In April 2018, the GASB issued its Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement is intended to improve the information that is disclosed in the notes to the financial statements related to debt. GASB Statement No. 88 will be effective for the District's fiscal year ending June 30, 2019.

In June 2018, the GASB issued its Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. GASB Statement No. 89 will be effective for the District's fiscal year ending June 30, 2021.

WESTERN WAYNE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

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In August 2018, the GASB issued its Statement No. 90, *Majority Equity Interests*. This statement is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component unites. GASB Statement No. 90 will be effective for the District's fiscal year ending June 30, 2020.

The District has not yet determined the effects of the adoption of the aforementioned GASB Statements on its financial statements.

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**WESTERN WAYNE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

**SCHEDULE OF PROPORTIONATE SHARE OF PSERS NET PENSION LIABILITY (NPL)**

Fiscal Year Ended	District's Proportion	District's Proportionate Share	District's Covered-Employee Payroll	District's Proportionate Share of NPL as a % of Covered-Employee	PSERS Fiduciary Net Position as a % of Total Pension Liability
6/30/15	.1276%	\$50,505,000	\$16,276,807	310.29%	57.24%
6/30/16	.1130%	\$48,946,000	\$14,535,313	336.74%	54.36%
6/30/17	.1243%	\$61,599,000	\$16,101,755	382.56%	50.14%
6/30/18	.1227%	\$60,600,000	\$16,332,510	371.04%	51.84%

**PSERS SCHEDULE OF CONTRIBUTIONS**

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS in the FYE	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
6/30/15	\$2,959,502	\$2,959,502	\$0	\$16,276,807	18.18%
6/30/16	\$3,939,865	\$3,939,865	\$0	\$14,535,313	27.11%
6/30/17	\$4,820,735	\$4,820,735	\$0	\$16,101,755	29.94%
6/30/18	\$5,492,875	\$5,492,875	\$0	\$16,332,510	33.63%

**WESTERN WAYNE SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS  
CHANGES IN THE TOTAL OPEB LIABILITY  
(UNAUDITED)

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	JUNE 30, 2018
<b>Changes in the total OPEB liability:</b>	
Service cost	\$ 117,878
Interest	106,876
Changes of benefit terms	(352,872)
Differences between expected and actual experience	(131,697)
Changes of assumptions	(9,374)
Benefit payments	(705,532)
Other changes	<u>-</u>
Net change in pension liability	(974,721)
Total OPEB liability, beginning	<u>4,556,505</u>
Total OPEB liability, ending (a)	<u>\$ 3,581,784</u>
Covered-employee payroll	\$ 15,369,478
Total OPEB liability as a percentage of covered-employee payroll	23.30%

**Note to schedule:** The District's OPEB plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

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