Wallingford-Swarthmore School District Wallingford, Pennsylvania Delaware County

Financial Statements
Year Ended June 30, 2018

bbd

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WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wallingford-Swarthmore School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change In Accounting Principle

As described in Note 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Wallingford-Swarthmore School District's 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability and pension plan contributions, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan PSERS contributions on pages 3 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The supplemental data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of the Wallingford-Swarthmore School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wallingford-Swarthmore School District's internal control over financial reporting and compliance.

BBD, LLP

Philadelphia, Pennsylvania
October 18, 2018

Management's discussion and analysis (***"MD&A"***) of the financial performance of the Wallingford-Swarthmore School District (the ***"District"***) provides an overview of the District's financial performance for fiscal year ended June 30, 2018. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of three elementary schools, one middle school and one high school consisting of approximately 3,682 students. The District which covers 6.9 square miles is located in Delaware County, west of Philadelphia, in southeastern Pennsylvania and is comprised of the boroughs of Swarthmore, Rutledge and Rose Valley and the Township of Nether Providence. During 2017-2018, there were 501 full and part-time employees in the District consisting of 305 teachers and professional staff, 24 administrators, including general administration, principals and supervisors, and 172 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff and classroom assistants.

DISTRICT MISSION STATEMENT

The District is committed to assuring the academic achievement and personal growth of all students within an environment that promotes: respect for self and others; active engagement in learning; leadership in the global community and the pursuit of excellence.

FINANCIAL HIGHLIGHTS

- Effective 2017-2018, the District was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position (Deficit), certain items related to the District’s proportionate liability from its participation in the Commonwealth’s Public School Employees’ Retirement System (***"PSERS"***) healthcare insurance premium assistance program, which was not required to be presented in the prior years. Consequently, the implementation of GASB Statement No. 75 resulted in an increase in the deficit in the District's unrestricted net position as of June 30, 2018. For consistency purposes, the June 30, 2017 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 75 had been applied, retroactively.

  Elements of GASB Statement No. 75 included within the Statement of Net Position include actuarially determined liabilities for other postemployment benefits single and cost sharing multiple-employer plans of $4,380,925 and $5,071,000, respectively, and deferred outflows of $673,228 (primarily changes in actuarial assumptions under the new standard and contributions subsequent to the measurement date – an effective reduction of the liability) and deferred inflows of $235,993 (difference between expected and actual experience and changes in assumptions, to be recognized as a future reduction in OPEB expense – an effective increase in the liability until fully recognized).

- On a government-wide basis, including all governmental activities and the business activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2017-2018 fiscal year of $69,988,347. During the 2017-2018 fiscal year, the District had an increase in total net position of $1,272,902. The net position of governmental activities increased by $1,206,994 and net position of business-type activities increased by $65,908.

- The General Fund reported an increase in fund balance of $49,763, bringing the cumulative balance to $9,389,704 at the conclusion of the 2017-2018 fiscal year.

- At June 30, 2018, the General Fund fund balance includes $104,254 which is considered nonspendable, $3,161,939 committed to self-insurance rate stabilization, retirement rate stabilization, debt service and to balance the 2018-2019 budget and unassigned amounts of $6,123,511 or 7.63% of the $80,284,690 2018-2019 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.

- During 2017-2018, the Capital Projects Fund reported an increase in fund balance of $1,049,432 due to transfers in from the General Fund in excess of current year capital expenditures. The remaining fund balance of $7,245,523 as of June 30, 2018 is restricted for future capital project expenditures.

- Total General Fund revenues and other financing sources were $945,632 or 1.22% more than budgeted amounts and total General Fund expenditures and other financing uses were $273,741 or 0.35% less than budgeted amounts resulting in a net positive variance of $1,219,373.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A 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 basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 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 in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the 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 short-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.

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 governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses an internal service fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

The Proprietary Fund financial statements provide separate financial information for the Food Service and Internal Service Funds.

The Proprietary Fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The Fiduciary Fund financial statements can be found on Pages 23 and 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 50 through 55 of this report

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2017-2018 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by $69,988,347. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	$ 25,698,770	$ 23,404,590	$591,447	$290,548	$ 26,290,217	$ 23,695,138
Noncurrent assets	98,839,202	102,405,248	61,166	57,680	98,900,368	102,462,928
Total assets	124,537,972	125,809,838	652,613	348,228	125,190,585	126,158,066
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	2,657,225	2,616,932	-	-	2,657,225	2,616,932
Deferred charges – OPEB	673,228	274,981	-	-	673,228	274,981
Deferred charges – pensions	20,400,071	22,725,261	-	-	20,400,071	22,725,261
Total deferred outflows	23,730,524	25,617,174	-	-	23,730,524	25,617,174
LIABILITIES						
Current liabilities	7,304,974	6,764,495	370,592	132,115	7,675,566	6,896,610
Noncurrent liabilities	208,660,147	212,997,363	-	-	208,660,147	212,997,363
Total liabilities	215,965,121	219,761,858	370,592	132,115	216,335,713	219,893,973
DEFERRED INFLOWS						
Deferred credits – OPEB	235,993	-	-	-	235,993	-
Deferred credits – pensions	2,337,750	3,142,516	-	-	2,337,750	3,142,516
Total deferred inflows	2,573,743	3,142,516	-	-	2,573,743	3,142,516
NET POSITION (DEFICIT)						
Net investment in capital assets	26,175,459	24,250,018	61,166	57,680	26,236,625	24,307,698
Restricted	7,245,523	6,196,091	-	-	7,245,523	6,196,091
Unrestricted (deficit)	(103,691,350)	(101,923,471)	220,855	158,433	(103,470,495)	(101,765,038)
Total net position (deficit)	$ (70,270,368)	$ (71,477,362)	$282,021	$216,113	$ (69,988,347)	$ (71,261,249)

The District's total assets as of June 30, 2018 were $125,190,585 of which $19,701,384 or 15.74% consisted of cash and investments and $98,900,368 or 79.00% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2018 were $216,335,713 of which $122,928,000 or 56.82% consisted of the actuarially determined net pension liability and $74,383,958 or 34.38% consisted of general obligation debt used to acquire and construct capital assets.

The District had a deficit in unrestricted net position of $103,470,495 at June 30, 2018. The District's unrestricted net position decreased by $1,705,457 during 2017-2018 primarily due to the change in the District's actuarially determined net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled $7,245,523 as of June 30, 2018. All of the District's restricted net position related to amounts restricted for capital expenditures.

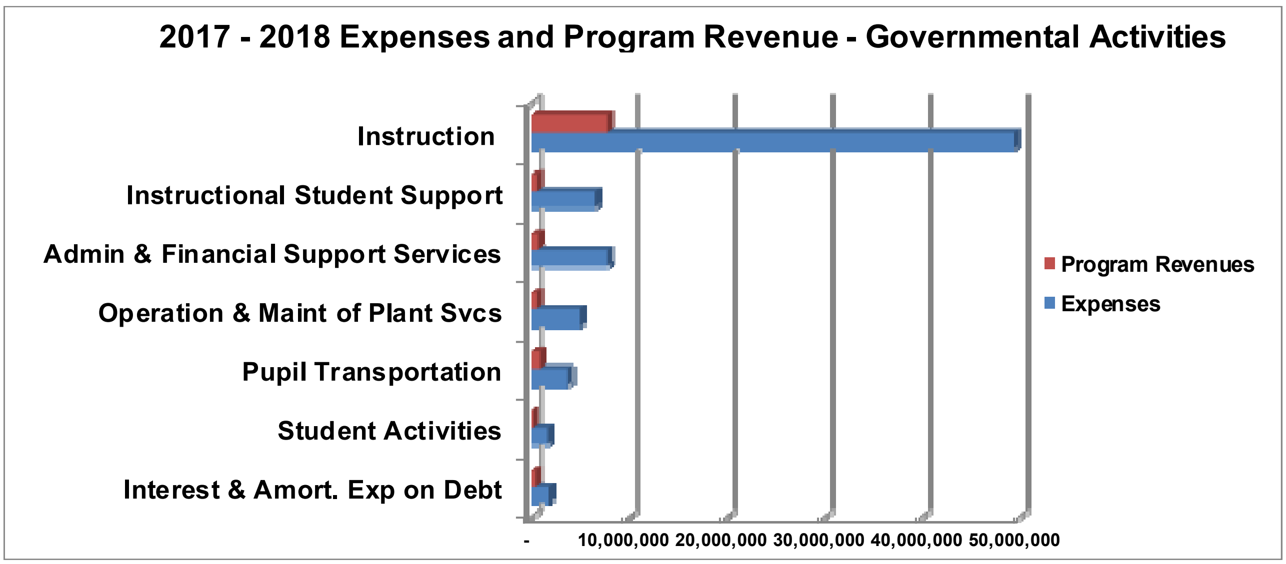
Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2018, the District's net investment in capital assets increased by $1,928,927 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were being acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2018 and 2017:

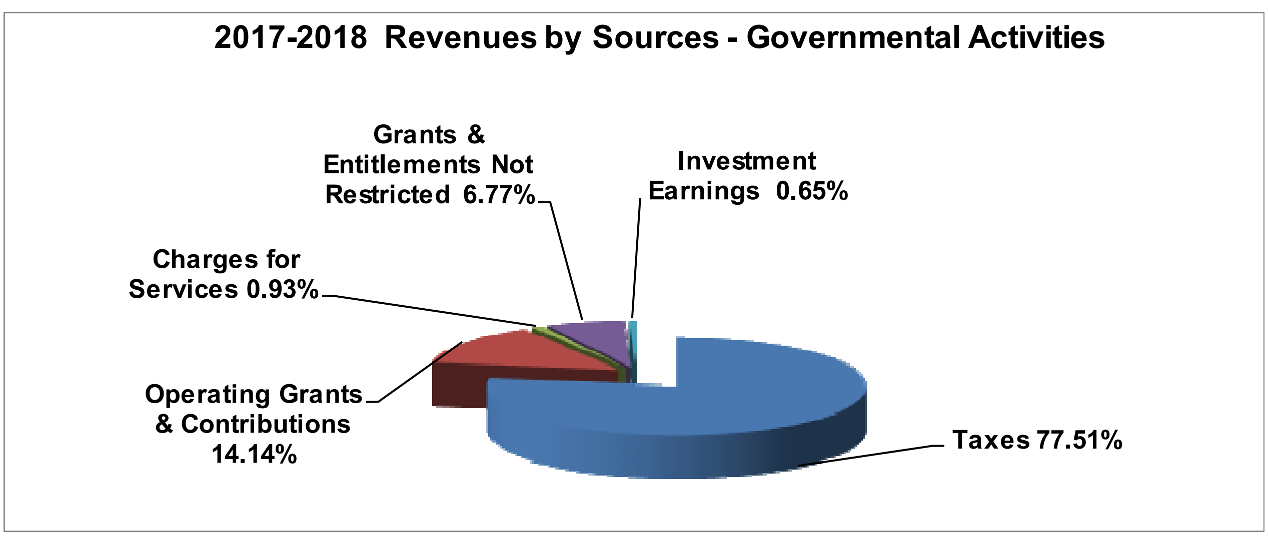
	Governmental Activities		Business-Type Activities		Totals	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
REVENUES						
Program revenues						
Charges for services	$ 720,420	$ 846,614	$ 893,666	$ 825,414	$ 1,614,086	$ 1,672,028
Operating grants and contributions	11,011,552	12,215,645	319,203	397,551	11,330,755	12,613,196
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	59,471,700	57,740,739	-	-	59,471,700	57,740,739
Other taxes levied for General purposes	845,871	949,612	-	-	845,871	949,612
Grants and entitlementsP not restricted to specific programs	5,271,614	5,218,004	-	-	5,271,614	5,218,004
Gain on sale of capital assets	-	1,016	-	-	-	1,016
Investment earnings	509,696	209,457	5,057	1,608	514,753	211,065
Total revenues	77,830,853	77,181,087	1,217,926	1,224,573	79,048,779	78,405,660
EXPENSES						
Instruction	49,486,726	48,629,679	-	-	49,486,726	48,629,679
Instructional student support services	6,615,999	6,608,746	-	-	6,615,999	6,608,746
Administrative and financial support services	7,938,506	7,888,569	-	-	7,938,506	7,888,569
Operation and maintenance of plant services	4,985,288	4,950,364	-	-	4,985,288	4,950,364
Pupil transportation	3,883,388	3,736,786	-	-	3,883,388	3,736,786
Student activities	1,786,941	1,673,784	-	-	1,786,941	1,673,784
Interest and amortization expense related to noncurrent liabilities	1,907,782	2,081,194	-	-	1,907,782	2,081,194
Food service	-	-	1,171,247	1,209,362	1,171,247	1,209,362
Total expenses	76,604,630	75,569,122	1,171,247	1,209,362	77,775,877	76,778,484
Change in net position (deficit) before transfers	1,226,223	1,611,965	46,679	15,211	1,272,902	1,627,176
Transfers	(19,229)	(34,167)	19,229	34,167	-	-
CHANGE IN NET POSITION (DEFICIT)	$ 1,206,994	$ 1,577,798	$ 65,908	$ 49,378	$ 1,272,902	$ 1,627,176

Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

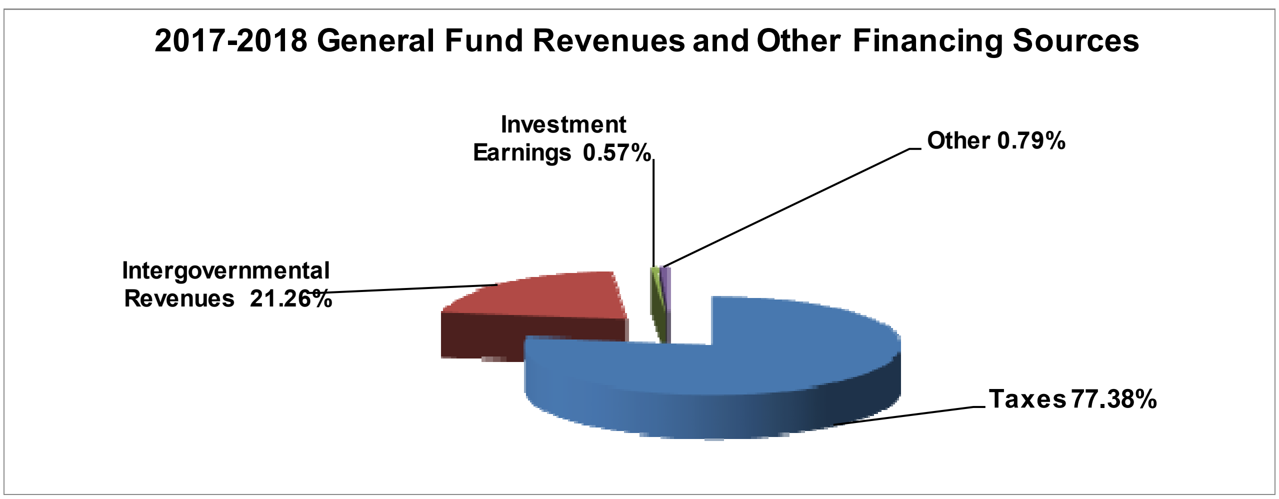
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2018, the District's governmental funds reported a combined fund balance of $16,635,227 which is an increase of $1,099,195 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2018 and 2017 and the total 2018 change in governmental fund balances.

	2018	2017	Change
General Fund	$ 9,389,704	$ 9,339,941	$ 49,763
Capital Projects Fund	7,245,523	6,196,091	1,049,432
	$16,635,227	$15,536,032	$1,099,195

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2017-2018 fiscal year, the General Fund fund balance was $9,389,704 representing an increase of $49,763 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017-2018 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 77.38% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	2018	2017	$ Change	% Change
Tax revenues	$60,620,000	$59,102,935	$ 1,517,065	2.57
Intergovernmental revenues	16,662,751	17,818,433	(1,155,682)	(6.48)
Investment earnings	448,645	197,303	251,342	127.39
Other	619,954	800,328	(180,374)	(22.54)
	$78,351,350	$77,918,999	$ 432,351	0.55

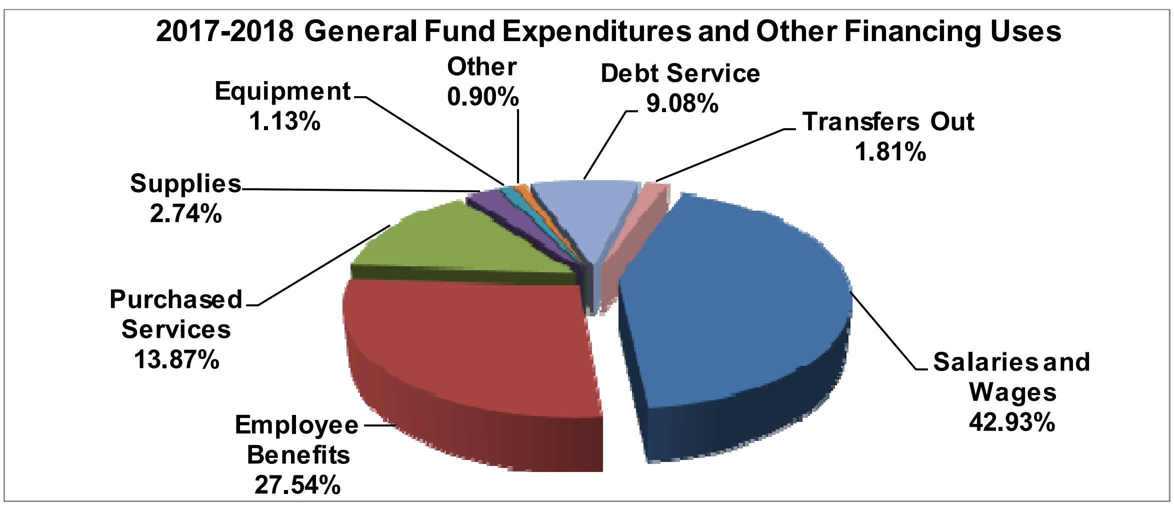
Net tax revenues increased by $1,517,065 or 2.57% due to several factors. A millage increase of 2.94% in 2017-2018 compared to 2016-2017 accounted for most of the change, which was offset by a decrease in interim and delinquent real estate tax collections. Interim taxes in 2016-2017 were buoyed by a new hotel and restaurants in the Swarthmore College area. The following table summarizes changes in the District's tax revenues for 2018 compared to 2017:

	2018	2017	$ Change	% Change
Real estate tax	$58,684,244	$56,324,818	$2,359,426	4.19
Interim real estate tax	80,002	573,169	(493,167)	(86.04)
PURTA tax	57,814	61,369	(3,555)	(5.79)
PILOT tax	2,262	-	2,262	100.00
Per capita tax	113,456	114,244	(788)	(0.69)
Transfer tax	674,600	773,999	(99,399)	(12.84)
Delinquent real estate tax	1,007,622	1,255,336	(247,714)	(19.73)
	$60,620,000	$59,102,935	$1,517,065	2.57

Intergovernmental revenues decreased due to the District receiving a one-time delayed reimbursement for previous construction/renovation projects through Plancon in 2016-2017 which was offset by an increase in the state retirement subsidy which increased commensurate with the employer annual contributions percentage.

Investment earnings increased consistent with increasing interest rates and funds available for investing during 2017-2018.

As the graph below illustrates, the largest portion of General Fund expenditures is for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	2018	2017	$ Change	% Change
Salaries and wages	$33,615,029	$33,306,114	$ 308,915	0.93
Employee benefits	21,561,141	20,268,024	1,293,117	6.38
Purchased services	10,867,506	10,335,279	532,227	5.15
Supplies	2,146,811	2,429,380	(282,569)	(11.63)
Equipment	884,785	66,096	818,689	1,238.64
Other	700,754	855,656	(154,902)	(18.10)
Debt service	7,106,332	6,992,528	113,804	1.63
Transfers out	1,419,229	3,474,167	(2,054,938)	(59.15)
	$78,301,587	$77,727,244	$ 574,343	0.73

Employee benefits increased primarily due to an increase in the required employer annual retirement contribution to 32.57% from 30.03%, which represents an 8.46% increase over the prior year. Increasing health insurance rates also contributed to the significant increase.

Purchased services increased $532,227 or 5.15% directly related to increased costs for special education services and charter schools in 2017-2018 compared to 2016-2017.

Equipment costs increased in 2017-2018 due to one-time District-wide security system upgrades.

Transfers out reflect transfers to the Capital Projects Fund for future capital projects. Transfers out in 2016-2017 include the transfer out of one-time proceeds received through delayed reimbursements through Plancon.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2017-2018, the Capital Projects Fund reported an increase in fund balance of $1,049,432 due to transfers from the General Fund in excess of current year expenditures. The fund balance as of June 30, 2018 of $7,245,523 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources were $945,632 more than budgeted amounts and actual expenditures and other financing uses were $273,741 less than budgeted amounts resulting in a net overall positive variance of $1,219,373. The 2017-2018 General Fund budget included the use of $1,169,610 of fund balance to balance the budget. Major budgetary highlights for 2017-2018 were as follows:

- Actual local revenues received were $719,061 more than budgeted amounts primarily due to better than anticipated real estate tax and transfer tax collections.

- Total actual expenditures were $1,669,981 or 2.13% less than budgeted amounts. The most notable budget variances within major expenditure functions are as follows:

    - Special programs expenditures were lower than the budget by $364,598 due primarily to the actual special education services required of the District being less than what was projected. Although these costs have been trending markedly higher over the past few years, they are incurred for a relatively small population of students and are subject to high variances.

    - Debt service expenditures were lower than the budget by $445,533 because the District continued to realize savings on refunded debt as well as lower than anticipated interest costs on variable rate debt.

- Transfers out were $1,401,729 more than budgeted amounts due to the unbudgeted transfer of excess revenues over expenditures to the Capital Projects Fund.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2017-2018, the net position of business-type activities and Food Service Fund increased by $65,908. As of June 30, 2018, the business-type activities and Food Service Fund had net position of $282,021.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to $98,900,368 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total net decrease in the District's investment in capital assets for the current fiscal year was $3,562,560 or 3.48%.

Current year capital additions were $1,067,218 and depreciation expense was $4,629,778.

Major capital additions for the current fiscal year included the following:

• Capital leases related to technology instructional programs	$310,996
• Security upgrades	$450,749

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of $74,383,958 consisting of $21,225,000 in bonds payable, $51,457,000 in notes payable, and net deferred credits from bond premiums and discounts of $1,701,958. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by $5,127,303 or 6.45% during the fiscal year.

During 2017-2018, the District issued general obligation notes, Series of 2017A and 2017B, in the amounts of $17,140,000 and $8,505,000, respectively. General obligation notes, Series of 2017A, currently refunded general obligation bonds, Series of 2014, in the amount of $16,980,000 and general obligation notes, Series of 2017B, advance refunded general obligation bonds, Series of 2011B, in the amount of $8,050,000. The District refunded general obligation bonds, Series of 2011B and 2014, to reduce future debt service payments by $850,000.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of $74,383,958 is within the current debt limitation of the District which was $168,515,738 as of June 30, 2018.

The District's general obligation debt rating is a Standard & Poor's AA/Stable underlying rating. Standard and Poor's notes that the AA/Stable rating reflects the District's stable financial performance, limited tax base and manageable debt position.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled $122,928,000 as of June 30, 2018. The District's net pension liability increased by $969,000 or 0.79% during the fiscal year.

The District reports a liability for its other post-employment benefits (***"OPEB"***) related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled $9,451,925 as of June 30, 2018. The District's OPEB liability increased by $340,392 or 3.74% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases and compensated absences, which totaled $1,896,264 as of June 30, 2018. These liabilities decreased by $519,305 or 21.50% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District adopted a balanced 2018-2019 budget totaling $80,284,690 which used $448,704 of General Fund balance as of June 30, 2018 and the real estate tax millage rate was increased by 2.40%.

- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant. The Commonwealth of Pennsylvania only accounted for approximately 19.83% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2017-2018. Local sources of revenue, primarily property taxes, now support approximately 79.22% of the costs of educational programs and services in the District.

- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the state level. The intent of this legislation was to provide a mechanism to relieve the burden of funding public education from property owners. This legislation put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:

  - In the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (2.40% for Wallingford-Swarthmore School District for 2018-2019), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.

  - Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.

  - Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.

- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System (***"PSERS"***). The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2019-2020 is projected at 34.79%. Currently, the employer contribution rate for 2018-2019 is 33.43%. The estimated increase for the 2018-2019 employer contribution rate is $556,676 additional retirement expense or $278,338 after the Commonwealth's share is included.

- During 2017, the District completed three complete debt refundings in an effort to take advantage of lower interest rates. At the end of 2017, new tax reform legislation was signed into law. This legilslation will limit a school district's ability to capitalize on a low interest bond market through refundings. The legislation reduces a school district's options for completing advance refunding on existing debt. As of the end of 2017, the District had no debt available for further refundings based on the current debt market.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Wallingford-Swarthmore School District, 200 South Providence Road, Wallingford, Pennsylvania 19086.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018 with summarized comparative totals for 2017

	Governmental Activities	Business-type Activities	Totals 2018	Totals 2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	$ 9,964,042	$ 507,342	$ 10,471,384	$ 9,048,238
Investments	9,230,000	-	9,230,000	8,940,000
Taxes receivable	920,811	-	920,811	1,063,476
Due from other governments	3,512,190	84,105	3,596,295	3,471,393
Other receivables	500,282	-	500,282	562,575
Prepaid expenses	1,571,445	-	1,571,445	609,456
Total current assets	25,698,770	591,447	26,290,217	23,695,138
NONCURRENT ASSETS				
Capital assets, net	98,839,202	61,166	98,900,368	102,462,928
Total assets	124,537,972	652,613	125,190,585	126,158,066
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	2,657,225	-	2,657,225	2,616,932
Deferred charges - OPEB	673,228	-	673,228	274,981
Deferred charges - pension	20,400,071	-	20,400,071	22,725,261
Total deferred outflows	23,730,524	-	23,730,524	25,617,174
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,502,191	319,699	1,821,890	1,248,755
Accrued salaries, payroll withholdings and benefits	5,403,322	-	5,403,322	5,230,464
Unearned revenue	123,397	50,893	174,290	120,474
Other liabilities	2,700	-	2,700	26,100
Accrued interest payable	273,364	-	273,364	270,817
Total current liabilities	7,304,974	370,592	7,675,566	6,896,610
NONCURRENT LIABILITIES				
Due within one year	6,506,735	-	6,506,735	6,179,810
Due in more than one year	202,153,412	-	202,153,412	206,817,553
Total noncurrent liabilities	208,660,147	-	208,660,147	212,997,363
Total liabilities	215,965,121	370,592	216,335,713	219,893,973
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	235,993	-	235,993	-
Deferred credits - pension	2,337,750	-	2,337,750	3,142,516
Total deferred inflows	2,573,743	-	2,573,743	3,142,516
NET POSITION (DEFICIT)				
Net investment in capital assets	26,175,459	61,166	26,236,625	24,307,698
Restricted	7,245,523	-	7,245,523	6,196,091
Unrestricted	(103,691,350)	220,855	(103,470,495)	(101,765,038)
Total net position (deficit)	$ (70,270,368)	$ 282,021	$ (69,988,347)	$ (71,261,249)

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018 with summarized comparative totals for 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals 2018	Totals 2017
GOVERNMENTAL ACTIVITIES								
Instruction	$ 49,486,726	$ 437,860	$ 7,525,185	$ -	$ (41,523,681)	$ -	$ (41,523,681)	$ (40,864,675)
Instructional student support	6,615,999	-	650,619	-	(5,965,380)	-	(5,965,380)	(5,928,646)
Administrative and financial support services	7,938,506	59,959	699,215	-	(7,179,332)	-	(7,179,332)	(7,120,246)
Operation and maintenance of plant services	4,985,288	160,371	491,395	-	(4,333,522)	-	(4,333,522)	(4,364,227)
Pupil transportation	3,883,388	-	972,321	-	(2,911,067)	-	(2,911,067)	(2,978,134)
Student activities	1,786,941	62,230	168,694	-	(1,556,017)	-	(1,556,017)	(1,289,871)
Interest and amortization expense related to noncurrent liabilities	1,907,782	-	504,123	-	(1,403,659)	-	(1,403,659)	38,936
Total governmental activities	76,604,630	720,420	11,011,552	-	(64,872,658)	-	(64,872,658)	(62,506,863)
BUSINESS-TYPE ACTIVITIES								
Food service	1,171,247	893,666	319,203	-	-	41,622	41,622	13,603
Total primary government	$ 77,775,877	$ 1,614,086	$ 11,330,755	$ -	(64,872,658)	41,622	(64,831,036)	(62,493,260)
GENERAL REVENUES								
Property taxes levied for general purposes					59,471,700	-	59,471,700	57,740,739
Other taxes levied for general purposes					845,871	-	845,871	949,612
Grants and entitlements not restricted to specific programs					5,271,614	-	5,271,614	5,218,004
Investment earnings					509,696	5,057	514,753	211,065
Gain on sale of capital assets					-	-	-	1,016
TRANSFERS					(19,229)	19,229	-	-
Total general revenues and transfers					66,079,652	24,286	66,103,938	64,120,436
CHANGE IN NET POSITION (DEFICIT)					1,206,994	65,908	1,272,902	1,627,176
NET POSITION (DEFICIT)								
Beginning of year, restated					(71,477,362)	216,113	(71,261,249)	(72,888,425)
End of year					$ (70,270,368)	$ 282,021	$ (69,988,347)	$ (71,261,249)

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018 with summarized comparative totals for 2017

	General Fund	Capital Projects Fund	Totals 2018	Totals 2017
ASSETS				
Cash	$ 4,134,723	$ 5,829,319	$ 9,964,042	8,847,191
Investments	9,230,000	-	9,230,000	8,940,000
Taxes receivable	920,811	-	920,811	1,063,476
Due from other funds	-	1,453,018	1,453,018	1,440,000
Due from other governments	3,512,190	-	3,512,190	3,381,892
Other receivables	498,111	2,171	500,282	562,575
Prepaid items	104,254	-	104,254	101,748
Total assets	$ 18,400,089	$ 7,284,508	$ 25,684,597	$ 24,336,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,463,206	$ 38,985	$ 1,502,191	$ 1,166,139
Due to other funds	1,453,018	-	1,453,018	1,440,000
Accrued salaries, payroll withholdings and benefits	5,403,322	-	5,403,322	5,230,464
Unearned revenue	123,397	-	123,397	70,975
Other liabilities	2,700	-	2,700	26,100
Total liabilities	8,445,643	38,985	8,484,628	7,933,678
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	564,742	-	564,742	867,172
FUND BALANCES				
Nonspendable				
Prepaid items	104,254	-	104,254	101,748
Restricted for				
Capital projects	-	7,245,523	7,245,523	6,196,091
Committed to				
Employer retirement rate stabilization	1,000,000	-	1,000,000	1,300,000
Self-insurance rate stabilization	1,000,000	-	1,000,000	650,000
Debt service	713,235	-	713,235	-
Balance 2017-2018 budget	-	-	-	1,169,610
Balance 2018-2019 budget	448,704	-	448,704	-
Unassigned	6,123,511	-	6,123,511	6,118,583
Total fund balances	9,389,704	7,245,523	16,635,227	15,536,032
Total liabilities, deferred inflows of resources and fund balances	$ 18,400,089	$ 7,284,508	$ 25,684,597	$ 24,336,882

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES	$ 16,635,227
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	98,839,202
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	564,742
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(208,660,147)
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	2,657,225
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	18,499,556
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	(273,364)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	1,467,191
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ (70,270,368)

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2018 with summarized comparative totals for 2017

	General Fund	Capital Projects Fund	Totals 2018	Totals 2017
REVENUES				
Local sources	$ 62,068,182	$ 61,052	$ 62,129,234	$ 60,496,488
State sources	15,539,765	-	15,539,765	16,629,892
Federal sources	743,403	-	743,403	803,757
Total revenues	78,351,350	61,052	78,412,402	77,930,137
EXPENDITURES				
Current				
Instruction	46,269,218	310,996	46,580,214	45,427,796
Support services	21,737,814	233,501	21,971,315	21,066,630
Operation of noninstructional services	1,768,994	-	1,768,994	1,513,754
Facilities acquisition, construction and improvement services	-	211,620	211,620	65,175
Debt service	7,106,332	200,000	7,306,332	7,192,528
Total expenditures	76,882,358	956,117	77,838,475	75,265,883
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,468,992	(895,065)	573,927	2,664,254
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	-	(247)
Sale of/compensation for capital assets	-	-	-	1,016
Issuance of debt - refunding	-	25,645,000	25,645,000	19,845,000
Payment of debt - refunding	-	(25,411,499)	(25,411,499)	(19,727,641)
Proceeds from extended term financing	-	310,996	310,996	695,694
Transfers in	-	1,400,000	1,400,000	3,440,000
Transfers out	(1,419,229)	-	(1,419,229)	(3,474,167)
Total other financing sources (uses)	(1,419,229)	1,944,497	525,268	779,655
NET CHANGE IN FUND BALANCES	49,763	1,049,432	1,099,195	3,443,909
FUND BALANCES				
Beginning of year	9,339,941	6,196,091	15,536,032	12,092,123
End of year	$ 9,389,704	$ 7,245,523	$ 16,635,227	$ 15,536,032

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 1,099,195
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay expenditures	$ 1,053,443	
Depreciation expense	(4,619,489)	(3,566,046)
Because some tax will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.		
Deferred inflows of resources June 30, 2017	(867,172)	
Deferred inflows of resources June 30, 2018	564,742	(302,430)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of bonds and notes payable	30,612,000	
Proceeds from notes payable	(25,645,000)	
Proceeds from extended term financing	(310,996)	
Repayment of extended term financing	634,887	
Payment of deferred amounts on refunding	381,499	
Amortization of discounts, premiums and deferred amounts on refunding	(180,903)	5,491,487
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.		
Change in net pension liability and related deferred inflows and outflows	(2,489,424)	
Current year change in accrued interest payable	(2,547)	
Current year change in compensated absences	195,414	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	(178,138)	(2,474,695)
The Internal Service Fund is used by management to charge the cost of health and prescription insurance premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported within the governmental activities.		959,483
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 1,206,994

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2018 with summarized comparative totals for 2017

	Major Fund Food Service Fund	Internal Service Fund	Totals 2018	Totals 2017
ASSETS				
CURRENT ASSETS				
Cash	$ 507,342	$ -	$ 507,342	$ 201,047
Due from other governments	84,105	-	84,105	89,501
Prepaid expenses	-	1,467,191	1,467,191	507,708
Total current assets	591,447	1,467,191	2,058,638	798,256
NONCURRENT ASSETS				
Capital assets, net	61,166	-	61,166	57,680
Total assets	652,613	1,467,191	2,119,804	855,936
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	319,699	-	319,699	82,616
Unearned revenue	50,893	-	50,893	49,499
Total liabilities	370,592	-	370,592	132,115
NET POSITION				
Net investment in capital assets	61,166	-	61,166	57,680
Unrestricted	220,855	1,467,191	1,688,046	666,141
Total net position	$ 282,021	$ 1,467,191	$ 1,749,212	$ 723,821

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2018 with summarized comparative totals for 2017

	Major Fund Food Service Fund	Internal Service Fund	Totals 2018	Totals 2017
OPERATING REVENUES				
Charges for services	$ 893,666	$ 9,055,996	$ 9,949,662	$ 9,414,114
OPERATING EXPENSES				
Employee benefits	-	7,140,271	7,140,271	7,334,937
Purchased professional and technical services	-	997,487	997,487	694,304
Purchased property services	5,453	-	5,453	6,893
Other purchased services	706,646	-	706,646	732,596
Supplies	448,859	-	448,859	459,405
Depreciation	10,289	-	10,289	10,468
Total operating expenses	1,171,247	8,137,758	9,309,005	9,238,603
Operating income (loss)	(277,581)	918,238	640,657	175,511
NONOPERATING REVENUES				
Earnings on investments	5,057	41,245	46,302	12,134
State sources	22,320	-	22,320	23,501
Federal sources	296,883	-	296,883	374,050
Total nonoperating revenues	324,260	41,245	365,505	409,685
Change in net position before transfers	46,679	959,483	1,006,162	585,196
Transfers	19,229	-	19,229	34,167
CHANGE IN NET POSITION	65,908	959,483	1,025,391	619,363
NET POSITION				
Beginning of year	216,113	507,708	723,821	104,458
End of year	$ 282,021	$ 1,467,191	$ 1,749,212	$ 723,821

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2018 with summarized comparative totals for 2017

	Major Fund Food Service Fund	Internal Service Fund	Totals 2018	Totals 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	$ 895,060	$ -	$ 895,060	$ 826,375
Cash received for assessments made to other fund	-	9,055,996	9,055,996	8,588,700
Cash payments to suppliers for goods and services	(873,489)	-	(873,489)	(1,506,448)
Cash payments for insurance claims	-	(8,099,754)	(8,099,754)	(7,904,922)
Cash payments for other operating expenses	-	(997,487)	(997,487)	(694,304)
Net cash provided by (used for) operating activities	21,571	(41,245)	(19,674)	(690,599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	21,736	-	21,736	23,949
Federal sources	252,477	-	252,477	325,082
Net cash provided by noncapital financing activities	274,213	-	274,213	349,031
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(13,775)	-	(13,775)	(27,274)
Transfers in	19,229	-	19,229	34,167
Net cash provided by capital and related financing activities	5,454	-	5,454	6,893
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	5,057	41,245	46,302	12,134
Net increase (decrease) in cash	306,295	-	306,295	(322,541)
CASH				
Beginning of year	201,047	-	201,047	523,588
Ending of year	$ 507,342	$ -	$ 507,342	$ 201,047
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	$ (277,581)	$ 918,238	$ 640,657	$ 175,511
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation	10,289	-	10,289	10,468
Donated commodities used	50,386	-	50,386	51,514
(Increase) decrease in				
Prepaid expenses	-	(959,483)	(959,483)	(507,708)
Increase (decrease) in				
Accounts payable	237,083	-	237,083	(359,068)
Insurance claims payable	-	-	-	(62,277)
Unearned revenue	1,394	-	1,394	961
Net cash provided by (used for) operating activities	$ 21,571	$ (41,245)	$ (19,674)	$ (690,599)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	$ 50,386	$ -	$ 50,386	$ 51,514

See accompanying notes

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2018

	Private-Purpose Trust	Agency
ASSETS		
Cash	$137,107	$ 150,752
Other receivables	1,298	-
Total assets	138,405	150,752
LIABILITIES		
Due to student groups	-	$ 150,752
NET POSITION		
Net position held in trust for scholarships	$138,405	

See accompanying notes

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2018 with summarized comparative totals for 2017

	Private-Purpose Trust Fund	
	2018	**2017**
ADDITIONS		
Local contributions	$ 57,668	$ 16,452
DEDUCTIONS		
Scholarships awarded and fees paid	17,325	13,707
CHANGE IN NET POSITION	40,343	2,745
NET POSITION		
Beginning of year	98,062	95,317
End of year	$138,405	$ 98,062

See accompanying notes

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wallingford-Swarthmore School District (the ***"District"***) operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the Boroughs of Swarthmore, Rutledge and Rose Valley and the Township of Nether Providence. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the ***"School Board"***).

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District’s participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Proprietary Fund are charges for services. Operating expenses for the District's Proprietary Fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a Private-Purpose Trust Fund and Agency Fund. The Private-Purpose Trust Fund accounts for activities in various scholarship accounts, the sole purpose of which is to provide annual scholarships to particular students as described by donor stipulations. The Agency Fund accounts for funds held on behalf of the students in the district. The measurement focus and basis of accounting for the Private-Purpose Trust Fund is the same as for Proprietary Funds, while the Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Interfund Receivables and Payables

Funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	-	Discount period, 2% of gross levy
September 1 – October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
February 28	-	Lien date

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2017-2018 was 44.2407 mills ($44.24 for $1,000 of assessed valuation) for Rose Valley Borough and Nether Providence Township and 44.6597 mills ($44.66 for $1,000 of assessed valuation) for the Boroughs of Swarthmore and Rutledge (includes additional levy for the sponsorship of the Delaware County Community College). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	August 31
Installment Two	-	September 30
Installment Three	-	October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 10-40 years, and furniture and equipment – 5-20 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized for the year ended June 30, 2018.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources–committed, assigned or unassigned–in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, GASB Statement No. 80 *"Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14",* GASB Statement No. 81, *"Irrevocable Split-Interest Agreements",* GASB Statement No. 82, *"Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73";* GASB Statement No. 85, *"Omnibus 2017"* and GASB Statement No. 86*, "Certain Debt Extinguishment Issues".*

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (***"RSI"***) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 80 amended the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*.

GASB Statement No. 81 required that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 required that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 required that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 had no impact on the financial statements of the District for the year ended June 30, 2018.

GASB Statement No. 82 addressed issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 85 established accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 established standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. GASB Statement No. 86 also amended accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an insubstance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB Statement No. 86 established an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The implementation of GASB Statement No. 86 had no impact on the financial statements of the District for the year ended June 30, 2018.

<u>New Accounting Pronouncements</u>

GASB Statement No. 83, *"Certain Asset Retirement Obligations"* will be effective for the District for the year ended June 30, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (***"AROs"***). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

GASB Statement No. 84, *"Fiduciary Activities"* will be effective for the District for the year ended June 30, 2019. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *"Leases"* will be effective for the District for the year ended June 30, 2021. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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 GASB Statement No. 87, 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, thereby enhancing the relevance and consistency of information about leasing activities.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

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. At June 30, 2018, the carrying amount of the District's deposits was $10,759,243 and the bank balance was $11,389,479. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, $6,516 was covered by federal depository insurance, and the remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (***"PSDLAF"***). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2018, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

At June 30, 2018, the District had the following investments:

Certificates of deposit due within one year –	
Collateral held by pledging bank's agent in the District's name	$9,230,000

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2018.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 128,010	$ -	$ -	$ 128,010
Capital assets being depreciated				
Buildings and improvements	135,568,510	-	-	135,568,510
Furniture and equipment	14,495,381	1,053,443	-	15,548,824
Total capital assets being depreciated	150,063,891	1,053,443	-	151,117,334

Less accumulated depreciation for				
Buildings and improvements	(35,780,226)	(3,439,193)	-	(39,219,419)
Furniture and equipment	(12,006,427)	(1,180,296)	-	(13,186,723)
Total accumulated depreciation	(47,786,653)	(4,619,489)	-	(52,406,142)
Total capital assets being depreciated, net	102,277,238	(3,566,046)	-	98,711,192
Governmental activities, net	$102,405,248	$(3,566,046)	$ -	$ 98,839,202
Business-type activities				
Machinery and equipment	$ 517,465	$ 13,775	$ -	$ 531,240
Less accumulated depreciation	(459,785)	(10,289)	-	(470,074)
Business-type activities, net	$ 57,680	$ 3,486	$ -	$ 61,166

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

Governmental activities	
Instruction	$3,046,744
Instructional student support	399,073
Administrative and financial support services	482,423
Operation and maintenance of plant services	339,038
Pupil transportation	235,821
Student activities	116,390
Total depreciation expense – governmental activities	$4,619,489
Business-type activities	
Food service	$ 10,289

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Projects Fund	$1,453,018	General Fund	$1,453,018

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2018 is as follows:

Transfers In	Amount	Transfers Out	Amount
Food Service Fund	$ 19,229	General Fund	$ 19,229
Capital Projects Fund	1,400,000	General Fund	1,400,000
	$1,419,229		$1,419,229

Transfers from General Fund to Capital Projects Fund represents transfers to subsidize costs associated with the acquisition of capital assets, while transfers from General Fund to Food Service Fund represent transfers to subsidize food service operations.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Governmental activities					
General obligation debt					
Bonds payable	$ 47,375,000	$ -	$26,150,000	$ 21,225,000	$1,145,000
Notes payable	30,274,000	25,645,000	4,462,000	51,457,000	4,573,000
Bond premiums	2,287,582	-	246,620	2,040,962	217,496
Bond discounts	(425,321)	-	(86,317)	(339,004)	(38,019)
Total general obligation debt	79,511,261	25,645,000	30,772,303	74,383,958	5,897,477
Other noncurrent liabilities					
Capital leases payable	1,260,901	310,996	634,887	937,010	609,258
Compensated absences	1,154,668	-	195,414	959,254	-
OPEB liability	3,810,533	636,016	65,624	4,380,925	-
Net OPEB liability – PSERS	5,301,000	-	230,000	5,071,000	-
Net pension liability – PSERS	121,959,000	969,000	-	122,928,000	-
Total other noncurrent liabilities	133,486,102	1,916,012	1,125,925	134,276,189	609,258
Total noncurrent liabilities	$212,997,363	$27,561,012	$31,898,228	$208,660,147	$6,506,735

Noncurrent liabilities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2018 consisted of the following:

Description	Interest Rate(s)	Original Issue Amount	Final Maturity	Principal Outstanding
General obligation bonds				
GOB Series of 2012A	2.30% - 2.65%	$ 10,000,000	05/15/2027	$10,000,000
GOB Series of 2012C	0.50% - 3.00%	$ 8,960,000	05/15/2022	2,930,000
GOB Series of 2013	0.50% - 4.00%	$ 9,995,000	05/01/2034	8,295,000
Total general obligation bonds				21,225,000
General obligation notes				
GON Series of 2004	Variable	$ 3,500,000	10/25/2019	567,000
GON Series of 2016	2.35%	$ 9,975,000	05/01/2028	9,965,000
GON Series of 2017	2.11%	$ 19,845,000	05/01/2025	17,235,000
GON Series of 2017A	2.10%	$ 17,140,000	05/01/2029	15,730,000
GON Series of 2017B	2.34%	$ 8,505,000	05/01/2031	7,960,000
Total general obligation notes				51,457,000
Total general obligation debt				$72,682,000

General obligation notes that bear interest at a variable rate are adjusted weekly based upon the Securities Industry and Financial Markets.

Annual debt service requirements to maturity on these obligations are as follows:

Year ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2019	$ 5,718,000	$ 1,700,696	$ 7,418,696
2020	5,839,000	1,582,809	7,421,809
2021	6,095,000	1,460,233	7,555,233
2022	6,225,000	1,331,184	7,556,184
2023	6,370,000	1,197,989	7,567,989
2024-2028	34,165,000	3,912,750	38,077,750
2029-2033	7,615,000	646,199	8,261,199
2034	655,000	26,200	681,200
	$72,682,000	$11,858,060	$84,540,060

Series A of 2017 General Obligation Notes

On November 29, 2017, the District issued $17,140,000 of general obligation notes, Series of 2017A, the proceeds from which were used to currently refund the remaining outstanding general obligation bonds, Series of 2014, in the aggregate amount of $16,980,000 and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by $247,720.

Series B of 2017 General Obligation Notes

On December 28, 2017, the District issued $8,505,000 of general obligation notes, Series of 2017B, the proceeds from which were used to advance refund the remaining outstanding general obligation bonds, Series of 2011B, in the aggregate amount of $8,050,000 and to pay for the costs of issuance. The District advance refunded the general obligation bonds to reduce future debt service payments by $609,306.

In-Substance Defeasance

The District has defeased its general obligation bonds, Series of 2011B, by creating a separate irrevocable trust fund. District cash or new debt proceeds have been used to purchase U.S. Government securities that were placed in the trust fund. The investments and earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2018, the amount of defeased outstanding debt was as follows:

Description	Call Date	Interest Rates	Principal Outstanding
General obligation bonds Series of 2011B	11/01/2019	2.50% - 3.00%	$7,590,000

Interest Rate Management Plan

The General Obligation Notes, Series of 2004, of the District has been issued to the Delaware Valley Regional Finance Authority (***"DVRFA"***). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units (***"participants"***) for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans.

In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreements relative to the General Obligation Notes, Series of 2004, at June 30, 2018 was an asset of $65,557. The value of the swap agreements relative to the District's General Obligation Notes, Series of 2004, is not reflected on the District's statement of net position (deficit).

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$609,258	$(4,684)	$604,574
2020	249,220	2,244	251,464
2021	78,532	2,730	81,262
	$937,010	$ 290	$937,300

(9) PENSION PLAN

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's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

PSERS is a governmental cost-sharing multi-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 employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

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

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

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

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for 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. Contributions to the pension plan from the District were $10,606,548 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $122,928,000 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 PSERS' total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.2489 percent, which was an increase of 0.0028 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $2,489,424. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 1,282,435	$ 742,800
Changes in assumptions	3,339,417	-
Net difference between projected and actual investment earnings	2,848,461	-
Changes in proportions	2,034,150	1,594,950
Difference between employer contributions and proportionate share of total contributions	289,060	-
Contributions subsequent to the measurement date	10,606,548	-
	$20,400,071	$2,337,750

$10,606,548 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$2,008,018
2019	3,586,644
2020	1,973,271
2021	(112,160)
	$7,455,773

Actuarial Assumptions

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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)	(20.0)%	1.1%
	100.0 %	

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

Discount Rate

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

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

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) that the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$151,313,000	$122,928,000	$98,962,000

Pension Plan Fiduciary Net Position

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

(10) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits (***"OPEB"***) include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2017:

Active participants	479
Vested former participants	-
Retired participants	105
Total	584

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, and by rolling forward the liabilities from the July 1, 2016 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is $4,380,925, all of which is unfunded. As of June 30, 2018, the OPEB liability of $4,380,925 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2018 was as follows:

Balances as of July 1, 2017	$3,810,533
Changes for the year:	
Service cost	275,684
Interest on total OPEB liability	100,862
Changes in assumptions	259,470
Benefit payments	(65,624)
Net changes	570,392
Balances as of June 30, 2018	$4,380,925

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $231,658. At June 30, 2018, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$233,523	$ -
Contributions subsequent to the measurement date	105,211	-
	$338,734	$ -

$105,211 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 25,947
2019	25,947
2020	25,947
2021	25,947
2022	25,947
Thereafter	103,788
	$233,523

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

The following presents the OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	**Trend Rate**	**1% Increase**
OPEB liability	$3,871,168	$4,380,925	$4,985,207

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 2.13%	**Current Discount Rate 3.13%**	**1% Increase 4.13%**
OPEB Liability	$4,719,547	$4,380,925	$4,061,996

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2018, was determined by rolling forward the OPEB Liability as of July 1, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 3.13% - Standard and Poor's 20-year municipal bond rate. The discount rate changed from 2.49% to 3.13%.
- Salary growth - effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2017 and 5.50% in 2018 through 2033.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $277,361 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $5,071,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.2489 percent, which was an increase of 0.0028 from its proportion measured as of June 30, 2016. As of June 30, 2018, the OPEB liability of $5,071,000 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2018, the District recognized negative OPEB expense of $53,520. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$235,978
Net difference between projected and actual investment earnings	5,362	-
Changes in proportions	51,771	-
Difference between employer contributions and their proportionate share of total contributions	-	15
Contributions subsequent to the measurement date	277,361	-
	$334,494	$235,993

$277,361 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	$ (29,364)
2019	(29,364)
2020	(29,365)
2021	(29,365)
2022	(30,701)
Thereafter	(30,701)
	$(178,860)

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 3.13% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.40%	0.60%
Fixed income	23.60%	1.50%
	100.00%	

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

Discount Rate

The discount rate used to measure the OPEB liability was 3.13%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual health insurance premium assistance. As of June 30, 2017, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$5,070,000	$5,071,000	$5,072,000

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

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	$5,765,000	$5,071,000	$4,495,000

OPEB Plan Fiduciary Net Position

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

(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the ***"DCVTS"***). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative School Board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint Board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2017-2018 was $336,843.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the ***"DCVTSA"***). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint Board comprised of representative School Board members of the participating school districts in the DCVTS. During 2017-2018, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the ***"DCCC"***). Only residents of the Boroughs of Swarthmore and Rutledge participate in this joint venture within the District. The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2017-2018 was $173,912.

The DCCC prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District's future annual lease payments to the DCCC are as follows:

Year ending June 30,	
2019	$ 37,040
2020	36,991
2021	36,933
2022	35,626
2023	34,366
2024-2028	158,711
2029-2033	152,663
2034-2035	22,205
	$514,535

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the ***"DCIU"***). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services; and state and federal liaison services.

(12) OPERATING LEASES

The District leases office and computer equipment and school buses under non-cancelable operating leases expiring at various dates through January 2021. Rent expense for the office and computer equipment and school buses including additional operating costs, was $440,688 for 2017-2018.

Future minimum lease payments under these leases are as follows:

Year ending June 30,	
2019	$ 441,608
2020	441,930
2021	133,579
2022	4,588
	$1,021,705

(13) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(14) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2017-2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District participates in a consortium with other participating school districts and educational agencies from Delaware County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. Since the District has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The District accounts for its participation in the consortium in the Internal Service Fund in the accompanying financial statements. The following table presents the components of the self-insurance claims surplus (liability) and the related changes claims surplus (liability) for the year ended June 30, 2018 and 2017:

	2018	2017
Insurance claims surplus (liability) – beginning of year	$ 507,708	$ (62,277)
Current year insurance claims and changes in estimates	(8,137,758)	(8,029,241)
Insurance claims paid	9,097,241	8,599,226
Insurance claims surplus (liability) – end of year	$ 1,467,191	$ 507,708

Because estimates are used in the process of computing self-insurance claims (liabilities), it is reasonably possible that there may be claims incurred but not yet recorded and related receivables for stop loss insurance. This would affect the District's net position in its Internal Service Fund. Adjustments resulting from these claim settlements are recorded in the year in which they become known.

(15) PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB Statement No. 75, the District made a prior period adjustment to record its OPEB obligation and deferred outflows of resources related to employer OPEB contributions. This prior period adjustment and its effect on net position at July 1, 2016 are summarized in the following table:

	Governmental Activities	Business-Type Activities	Totals
Net position (deficit) at June 30, 2016, as previously stated	$(66,062,247)	$166,735	$(65,895,512)
Prior period adjustment to			
To adjust single employer OPEB liability to reflect unfunded actuarial liability	(1,966,894)	-	(1,966,894)
To record PSERS net OPEB liability	(5,301,000)	-	(5,301,000)
To record deferred outflows of resources related to PSERS net OPEB liability	274,981	-	274,981
Net position (deficit) at June 30, 2016, as restated	$(73,055,160)	$166,735	$(72,888,425)

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 61,349,121	$ 61,349,121	$ 62,068,182	$ 719,061
State sources	15,351,412	15,351,411	15,539,765	188,354
Federal sources	699,697	699,697	743,403	43,706
Total revenues	77,400,230	77,400,229	78,351,350	951,121
EXPENDITURES				
Instruction				
Regular programs	33,415,918	33,216,839	32,783,932	432,907
Special programs	13,375,844	13,191,329	12,826,731	364,598
Vocational programs	367,714	367,714	336,843	30,871
Other instructional programs	136,340	144,159	144,159	-
Nonpublic school programs	-	3,641	3,641	-
Adult education programs	173,912	173,912	173,912	-
Total instruction	47,469,728	47,097,594	46,269,218	828,376
Support services				
Pupil support services	2,739,566	2,767,578	2,767,578	-
Instructional staff services	2,481,738	2,475,779	2,412,906	62,873
Administrative services	4,795,724	4,800,395	4,674,847	125,548
Pupil health	918,416	918,417	884,943	33,474
Business services	978,390	978,390	896,286	82,104
Operation and maintenance of plant services	4,507,659	4,985,585	4,985,585	-
Student transportation services	3,665,183	3,667,526	3,588,063	79,463
Support services - central	1,490,736	1,490,737	1,478,925	11,812
Other support services	49,479	49,479	48,681	798
Total support services	21,626,891	22,133,886	21,737,814	396,072
Operation of noninstructional services				
Student activities	1,503,856	1,768,994	1,768,994	-
Debt service	7,551,865	7,551,865	7,106,332	445,533
Total expenditures	78,152,340	78,552,339	76,882,358	1,669,981
Excess (deficiency) of revenues over (under) expenditures	(752,110)	(1,152,110)	1,468,992	2,621,102
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,500)	(17,500)	(1,419,229)	(1,401,729)
Budgetary reserve	(400,000)	-	-	-
Total other financing sources (uses)	(417,500)	(17,500)	(1,419,229)	(1,401,729)
NET CHANGE IN FUND BALANCE	$ (1,169,610)	$ (1,169,610)	49,763	$ 1,219,373
FUND BALANCE				
Beginning of year			9,339,941	
End of year			$ 9,389,704	

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

Year ended June 30

	2017	2016	2015	2014
District's proportion of the net pension liability	0.2489%	0.2461%	0.2522%	0.2475%
District's proportionate share of the net pension liability	$ 122,928,000	$ 121,959,000	$ 109,241,000	$ 87,962,000
District's covered-employee payroll	$ 33,133,436	$ 31,875,110	$ 32,444,136	$ 31,581,726
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371%	383%	337%	279%
Plan fiduciary net position as a percentage of the total net pension liability	52%	50%	54%	57%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	2017	2016	2015	2014
Contractually required contribution	$ 9,520,000	$ 7,830,000	$ 6,512,000	$ 4,930,000
Contributions in relation to the contractually required contribution	$ 9,674,020	$ 7,969,108	$ 6,649,224	$ 5,053,119
Contribution deficiency (excess)	(154,020)	(139,108)	(137,224)	(123,119)
District's covered-employee payroll	$ 33,133,436	$ 31,875,110	$ 32,444,136	$ 31,581,726
Contributions as a percentage of covered-employee payroll	29%	25%	20%	16%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	2018
TOTAL OPEB LIABILITY	
Service cost	$ 275,684
Interest on total OPEB liability	100,862
Changes of assumptions	259,470
Benefit payments	(65,624)
Net change in total OPEB liability	570,392
Total OPEB liability, beginning	3,810,533
Total OPEB liability, ending	$ 4,380,925
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	$ 30,295,952
Net OPEB liability as a % of covered payroll	14.46%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	2017
District's proportion of the net OPEB liability	0.2489%
District's proportionate share of the net OPEB liability	$ 5,071,000
District's covered-employee payroll	$ 33,133,436
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15%
Plan fiduciary net position as a percentage of the total net OPEB liability	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	2017
Contractually required contribution	$ 275,000
Contributions in relation to the contractually required contribution	274,981
Contribution deficiency (excess)	19
District's covered-employee payroll	$ 33,133,436
Contributions as a percentage of covered-employee payroll	1%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2018	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-170458	07/01/16 - 09/30/17	$ 109,959	$ 30,018	$ 20,831	$ 9,187	$ 9,187	$ -	$ -
Title I - Improving Basic Programs	I	84.010	013-180458	07/01/17 - 09/30/18	103,262	74,029	-	103,263	103,263	29,234	-
Total CFDA #84.010						104,047	20,831	112,450	112,450	29,234	-
Title II - Improving Teacher Quality	I	84.367	020-170458	07/01/16 - 09/30/17	61,938	26,405	2,219	24,186	24,186	-	-
Title II - Improving Teacher Quality	I	84.367	020-180458	07/01/17 - 09/30/18	55,042	19,758	-	23,677	23,677	3,919	-
Total CFDA #84.367						46,163	2,219	47,863	47,863	3,919	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-180458	08/10/17 - 09/30/18	10,000	3,571	-	4,286	4,286	715	-
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-170013	07/01/16 - 06/30/17	565,778	561,778	561,778	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-180013	07/01/17 - 06/30/18	577,719	4,000	-	577,719	577,719	573,719	-
Total CFDA #84.027						565,778	561,778	577,719	577,719	573,719	-
I.D.E.A. - Part B, Section 619	I	84.173	131-170013	07/01/16 - 06/30/17	2,214	2,214	2,214	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-180013	07/01/17 - 06/30/18	1,085	-	-	1,085	1,085	1,085	-
Total CFDA #84.173						2,214	2,214	1,085	1,085	1,085	-
Total U.S. Department of Education						721,773	587,042	743,403	743,403	608,672	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A	7,771	7,771	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/17 - 06/30/18	N/A	16,568	-	25,144	25,144	8,576	-
Total CFDA #10.553						24,339	7,771	25,144	25,144	8,576	-

Continued on next page

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2018	Passed Through to Subrecipients
Passed-Through the Pennsylvania Department of Education (cont'd)											
Special Milk Program	I	10.556	N/A	07/01/16 - 06/30/17	N/A	1,226	1,226	-	-	-	-
Special Milk Program	I	10.556	N/A	07/01/17 - 06/30/18	N/A	2,327	-	3,708	3,708	1,381	-
Total CFDA #10.556						3,553	1,226	3,708	3,708	1,381	-
State Matching Share	S	N/A	N/A	07/01/16 - 06/30/17	N/A	6,348	6,348	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/17 - 06/30/18	N/A	15,388	-	22,320	22,320	6,932	-
Total State Matching Share						21,736	6,348	22,320	22,320	6,932	-
Child and Adult Care Food Program	I	10.558	N/A	07/01/16 - 06/30/17	N/A	9,809	9,809	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	64,347	64,347	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	150,429	-	217,645	217,645	67,216	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/17 - 06/30/18	N/A	50,386	-	50,386	50,386	-	-
Total CFDA #10.555						265,162	64,347	268,031	268,031	67,216	-
Total U.S. Department of Agriculture						324,599	89,501	319,203	319,203	84,105	-
Total Federal Awards and Certain State Grants						$ 1,046,372	$ 676,543	$ 1,062,606	$ 1,062,606	$ 692,777	$ -
Total Federal Awards						$ 1,024,636	$ 670,195	$ 1,040,286	$ 1,040,286	$ 685,845	$ -
Total State Awards						21,736	6,348	22,320	22,320	6,932	-
Total Federal Awards and Certain State Grants						$ 1,046,372	$ 676,543	$ 1,062,606	$ 1,062,606	$ 692,777	$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						$ 567,992	$ 563,992	$ 578,804	$ 578,804	$ 574,804	$ -
Child Nutrition Cluster (CFDA's #10.553, #10.555 and #10.556)						$ 293,054	$ 73,344	$ 296,883	$ 296,883	$ 77,173	$ -

Source Codes

D - Direct Funding
I - Indirect Funding
S - State Share

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2017-2018 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was $0.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2018.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

There were no audit findings for the year ended June 30, 2017.

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

Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wallingford-Swarthmore School District, Wallingford, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wallingford-Swarthmore School District's basic financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wallingford-Swarthmore School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wallingford-Swarthmore School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

Philadelphia, Pennsylvania
October 18, 2018

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

Board of School Directors
Wallingford-Swarthmore School District
Wallingford, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Wallingford-Swarthmore School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wallingford-Swarthmore School District's major federal programs for the year ended June 30, 2018. Wallingford-Swarthmore School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wallingford-Swarthmore School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (***"Uniform Guidance"***). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wallingford-Swarthmore School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wallingford-Swarthmore School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Wallingford-Swarthmore School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Wallingford-Swarthmore School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wallingford-Swarthmore School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wallingford-Swarthmore School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

Philadelphia, Pennsylvania
October 18, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Wallingford-Swarthmore School District were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Wallingford-Swarthmore School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

3. No instances of noncompliance material to the financial statements of the Wallingford-Swarthmore School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for the Wallingford-Swarthmore School District expresses an unmodified opinion on all major federal programs.

6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The programs tested as major programs were:

   Special Education Cluster:

   I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
   I.D.E.A. – Part B, Section 619 – CFDA Number 84.173

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The Wallingford-Swarthmore School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUPPLEMENTAL DATA

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

REAL ESTATE TAX LEVIES AND COLLECTIONS – UNAUDITED

Last ten fiscal years ending June 30

School Year	Assessed Value	Base Millage	Gross Tax Levy	Act 1 Property Tax Reduction Allocation	Gross Adjusted Tax Levy	Current Collections Amount	Current Year Collections As a Percentage of Adjusted Tax Levy	Delinquent Tax Collections	Total Collections Amount (1)	Total Collections As a Percent
2008-2009	$1,370,636,809	35.570	$49,009,202	$1,838,276	$47,170,926	$46,147,615	97.83%	$1,023,087	$47,170,702	99.99%
2009-2010	$1,377,166,116	36.566	$50,697,054	$1,837,983	$48,859,071	$47,023,107	96.24%	$1,835,734	$48,858,841,	99.99%
2010-2011	$1,382,206,666	37.626	$52,366,933	$1,838,078	$50,528,855	$48,644,416	96.27%	$1,884,202	$50,528,618	99.99%
2011-2012	$1,387,750,702	38.153	$52,992,852	$1,838,078	$51,154,774	$49,265,110	96.31%	$1,889,424	$51,154,534	99.99%
2012-2013	$1,383,176,787	38.915	$53,996,083	$1,837,890	$52,158,193	$50,212,023	96.27%	$1,945,925	$52,157,948	99.99%
2013-2014	$1,386,055,199	39.693	$55,186,485	$1,838,174	$53,348,311	$51,483,294	96.50%	$1,864,767	$53,348,061	99.99%
2014-2015	$1,388,564,237	40.527	$56,437,046	$1,838,192	$54,598,854	$53,674,404	98.31%	$ 920,300	$54,594,704	99.99%
2015-2016	$1,391,635,862	41.564	$57,841,953	$1,838,055	$56,003,898	$55,168,454	98.51%	$ 814,998	$55,983,452	99.96%
2016-2017	$1,391,178,461	42.977	$59,788,946	$1,838,269	$57,950,677	$57,247,950	98.79%	$ 512,538	$57,760,488	99.67%
2017-2018	$1,403,766,944	44.241	$62,103,632	$1,838,072	$60,265,560	$59,492,713	98.72%	$ 250,642	$59,743,355	99.13%

(1) Includes delinquent real estate collection

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

TAX RATES – UNAUDITED

Last ten fiscal years ending June 30

School Year	Base Millage	Real Estate Transfer	Wage & Income Tax	Local Services Tax
2008-2009	35.570	0.5%	-	-
2009-2010	36.566	0.5%	-	-
2010-2011	37.626	0.5%	-	-
2011-2012	38.153	0.5%	-	-
2012-2013	38.915	0.5%	-	-
2013-2014	39.693	0.5%	-	-
2014-2015	40.527	0.5%	-	-
2015-2016	41.564	0.5%	-	-
2016-2017	42.977	0.5%	-	-
2017-2018	44.241	0.5%	-	-

PRINCIPAL TAXPAYERS – UNAUDITED

Year ending June 30, 2018

Taxpayer	Assessed Valuation
Senior Living N P LLC	$15,000,000
Echo Media, LLC	5,563,150
Swarthmore College	5,086,575
HCRA Properties, LLC	4,215,900
Swarthmore College	3,021,000
Springhaven Country Club	2,644,200
Individual	1,986,970
Dartmouth Associates	1,810,000
Greylock Apts Associates	1,800,000
Henderson Hampton Associates, LLC	1,755,000
	$42,882,795

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

PROPERTY ASSESSMENT DATA – UNAUDITED

Last ten fiscal years ending June 30

Calendar Year	Assessed Value	Market Value	Ratio
2008-2009	$1,370,636,809	$2,134,948,301	64.20%
2009-2010	$1,377,166,116	$2,040,246,098	67.50%
2010-2011	$1,382,206,666	$1,919,731,481	72.00%
2011-2012	$1,387,750,702	$1,875,338,786	74.00%
2012-2013	$1,383,176,787	$2,041,226,904	67.80%
2013-2014	$1,386,055,199	$2,044,329,202	67.80%
2014-2015	$1,388,564,237	$2,048,029,848	67.80%
2015-2016	$1,391,635,862	$2,143,119,227	64.94%
2016-2017	$1,391,178,461	$2,281,532,676	60.98%
2017-2018	$1,403,766,944	$2,100,064,803	66.84%

WALLINGFORD-SWARTHMORE SCHOOL DISTRICT

ENROLLMENT DATA – UNAUDITED

Last ten fiscal years ending June 30

School Year	Elementary	Secondary	Total
2008-2009	1,437	2,088	3,525
2009-2010	1,695	1,792	3,487
2010-2011	1,707	1,728	3,435
2011-2012	1,692	1,757	3,449
2012-2013	1,510	2,034	3,544
2013-2014	1,791	1,725	3,516
2014-2015	1,811	1,679	3,490
2015-2016	1,548	2,007	3,555
2016-2017	1,852	1,777	3,629
2017-2018	1,630	2,032	3,682