

WISSAHICKON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

WISSAHICKON SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	15
Statement of Activities	16
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	17
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
<i>Proprietary Fund</i>	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25

WISSAHICKON SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2017

	Page
Notes to the Basic Financial Statements	26
Required Supplementary Information	
Budgetary Comparison Schedule	50
Note to the Budgetary Comparison Schedule	51
Schedule of the School District's Proportionate Share of the Net Pension Liability	52
Schedule of the School District's Contributions	53
Postemployment Benefits Other Than Pension Funding Progress	54
Independent Auditors' 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	55
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance	57
Supplementary Information - Major Federal Award Programs Audit	
Schedule of Expenditures of Federal Awards	60
Notes to the Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs	63
Schedule of Prior Audit Findings	64

FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wissahickon School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wissahickon 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wissahickon School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, budgetary comparison information on pages 50 and 51, schedule of the school district's proportionate share of the net pension liability on page 52, schedule of school district contributions on page 53, and postemployment benefits other than pension funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wissahickon School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the Wissahickon School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wissahickon School District's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
November 27, 2017

WISSAHICKON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

This section of the Wissahickon School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the Wissahickon School District's Governmental Funds reported a combined ending fund balance of \$36,532,050, an increase of \$8,771,503 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,239,690 or approximately 2.33% of total General Fund expenditures.
- The assessed valuation of the District increased from \$3,665,580,597 as of June 2015 to \$3,686,403,189 as of June 2016. The June 2016 assessed valuation was used for the tax revenue for the fiscal period ended June 30, 2017.
- The District-wide net position decreased by \$6,551,387. This decrease is primarily the result of the new Governmental Accounting Standards Board (GASB) reporting requirement regarding pensions. The district now must report its proportionate share of the PSERS liability. Wissahickon's proportionate share of PSERS liability at June 30, 2017 is \$183,707,000. Without this reporting change, the District's net position would have only decreased by \$1,108,052. Program revenues accounted for \$16,063,789 or 16.35% of total revenues, and general revenues accounted for \$82,214,158 or 83.65%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Wissahickon School District's basic financial statements. The Wissahickon School District's basic financial statements have three components:

1. District-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements

The *District-wide financial statements* are designed to provide readers with a broad overview of the Wissahickon School District's finances in a manner similar to a private-sector business. There are two District-wide statements presented in this report.

WISSAHICKON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

- The statement of net position presents information on all of the Wissahickon School District's assets and liabilities, 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 position of the Wissahickon School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as property tax base, student enrollment growth 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 soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the District-wide financial statements distinguish functions of the Wissahickon School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

In the District-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, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to cover the costs of certain services it provides. The District's only business-type activity is the food service program.

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

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wissahickon School District, liabilities exceeded assets by \$118,622,962 at the close of the most recent fiscal year due to the \$183,707,000 of pension related liability included within the long term liabilities required to be booked due to the GASB #67 and #68. The table below summarizes the net position of the District at June 30, 2017.

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Wissahickon School District Net Position (Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 54,327	\$ 44,922	\$ 139	\$ 67	\$ 54,466	\$ 44,989
Capital and other assets	51,948	41,458	52	43	52,000	41,501
TOTAL ASSETS	106,275	86,380	191	110	106,466	86,490
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow s of resources, pension activity	34,471	14,435	-	-	34,471	14,435
LIABILITIES						
Other liabilities	17,163	16,394	162	152	17,325	16,546
Long-term liabilities	207,735	162,502	-	-	207,735	162,502
TOTAL LIABILITIES	224,898	178,896	162	152	225,060	179,048
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow s of resources, pension activity	1,585	1,034	-	-	1,585	1,034
NET POSITION						
Net investment in capital assets	39,472	41,458	52	43	39,524	41,501
Unrestricted	(125,209)	(120,573)	(23)	(84)	(125,232)	(120,657)
TOTAL NET POSITION	\$ (85,737)	\$ (79,115)	\$ 29	\$ (41)	\$ (85,708)	\$ (79,156)

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The governmental activities had a negative net position value of \$85,736,962 for the fiscal year ended June 30, 2017. This negative net position value is primarily caused by the net pension liability offset by several factors, including debt repayment schedules, the asset appraisal level selected and fund balance practice and policy.

Changes in the net position of the District are highlighted in the following table (amounts in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Charges for services	\$ 398	\$ 502	\$ 885	\$ 834	\$ 1,283	\$ 1,336
Operating grants and contributions	14,219	13,039	562	517	14,781	13,556
General revenues, property taxes and other taxes levied for general purposes	75,931	72,821	-	-	75,931	72,821
Unrestricted grants, subsidies and contributions	5,882	5,735	-	-	5,882	5,735
Investment earnings	350	114	-	-	350	114
Gain on sale of fixed asset	23	40	-	-	23	40
Other	28	3	-	-	28	3
TOTAL REVENUES	96,831	92,254	1,447	1,351	98,278	93,605
EXPENSES						
Instruction	67,166	60,339	-	-	67,166	60,339
Support services	33,448	33,990	-	-	33,448	33,990
Operation of non-instructional services	2,037	2,148	-	-	2,037	2,148
Facilities acquisition, construction and improvement	8	-	-	-	8	-
Debt service	389	82	-	-	389	82
Bond issuance cost	405	-	-	-	405	-
Other	-	-	1,376	1,346	1,376	1,346
TOTAL EXPENSES	103,453	96,559	1,376	1,346	104,829	97,905
CHANGE IN NET POSITION	\$ (6,622)	\$ (4,305)	\$ 71	\$ 5	\$ (6,551)	\$ (4,300)

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

Most of the District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted into cash. The Governmental Funds statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental Funds information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds is reconciled in the basic financial statements on pages 18 through 20.

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Proprietary Fund

The Proprietary Fund uses the accrual basis of accounting, the same as on the government-wide statements; therefore, the statements will essentially match the business-type activities portion of the government-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship program and other items listed as private-purpose trust. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 21 and 22. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operation.

Fund Financial Statements

An analysis of the District's major funds begins on page 17 and provides detailed information about the most significant funds--not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, Governmental, Proprietary and Fiduciary, use different accounting approaches as further described in the notes to the financial statements beginning on page 26.

As of the end of the current fiscal year, the Wissahickon School District's Governmental Funds reported combined ending fund balances of \$36,532,050, which is an \$8,771,503 increase over last year's combined total of \$27,760,547.

The unassigned General Fund balance of \$2,239,690 is available for spending at the District's discretion. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 2.33% of total General Fund expenditures. The Wissahickon School District's General Fund balance increased \$628,951 during the current fiscal year. The fund balance increase was primarily related increased local real estate and real estate transfer tax revenues offset by the capital reserve transfer of \$2,140,714.

The Capital Reserve Fund balance of \$19,699,864 is reserved to indicate that it is not available for new spending because it has already been committed to capital projects. The increase in fund balance during the current year in the Capital Reserve Fund was \$1,373,932.

The net position of the Proprietary (Food Service) Fund at the end of the year amounted to \$29,075. The total decrease in negative net position for this fund was \$70,665, and total revenues increased 7.13% to \$1,447,146, while expenses increased by approximately 2.25% to \$1,376,481.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The budgetary comparison schedule for the General Fund is presented in the required supplementary information section of this report on page 50.

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Wissahickon School District's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$52,000,088 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery, furniture and equipment and roads. The major capital asset events during the 2016-17 fiscal year were natatorium and central plant project expenses, desktop, laptop and netbook computer purchases, security vestibule projects, carpet replacement and vinyl composition tile installation at the Wissahickon High School. Additional information on the Wissahickon School District's capital assets can be found in Note E on page 37 of this report.

Debt

At the end of the current fiscal year, the Wissahickon School District directly had \$19,685,000 total bonded debt outstanding, which is an increase of the zero outstanding balance as June 30, 2016. In July 2016, the District approved the issuance of General Obligation Bonds, Series of 2016, for the principal aggregate amount of \$9,995,000 and the original amount of General Obligation Bond Series of 2017 was issued in April 2017 for the principal aggregate amount of \$9,995,000 as described in Note G - Long-Term Debt on page 38 of this report.

Under current state statutes, the District's general obligation bonded debt issues (which excludes the lease appropriation debt issued to the State Public School Building Authority) are subject to a legal limitation based on 225% of the includable average revenues for the prior three years. At June 30, 2017, the District's General Obligation debt is approximately \$170 million below the legal limit.

CONTINUING REPORTING DISCLOSURE

➤ **Ten Largest Taxpayers**

Largest Taxpayers			<u>2017</u>
	<u>Owner</u>	<u>Property/Business</u>	<u>Assessed Value</u>
1	Arborcrest LLC	Commercial Real Estate	\$ 69,874,840
2	Adult Communities Total Services	Life Care	65,144,140
3	Ortho McNeil Pharmaceutical Inc.	Pharmaceutical Company	49,170,200
4	Keystone Property Group*	Commercial Real Estate	41,911,480
5	Foulkeways at Gwynedd*	Life Care	26,352,190
6	Whitpain Associates	Commercial Real Estate	19,944,650
7	727 Norristown Road LP	Commercial Real Estate	19,708,930
8	Hunt Club Apartment Associates LP	Commercial Real Estate	19,247,920
9	Townline Assoc	Commercial Real Estate	18,335,580
10	Plymouth Rock Associates	Commercial Real Estate	13,440,800
			\$ <u>343,130,730</u>

* The taxpayers have an assessment appeal pending

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

➤ **Pupil Enrollment**

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
School Year	(K-6) Elementary	(7-12) Secondary	Total	School Year	(K-6) Elementary	(7-12) Secondary	Total
2012-13	2,297	2,140	4,438	2018-19	2,521	2,101	4,622
2013-14	2,344	2,096	4,440	2019-20	2,517	2,169	4,685
2014-15	2,384	2,073	4,457	2020-21	2,540	2,185	4,725
2015-16	2,372	2,052	4,424	2021-22	2,536	2,235	4,771
2016-17	2,434	2,054	4,488	2022-23	2,569	2,228	4,797
2017-18	2,480	2,097	4,577	2023-24	2,541	2,291	4,831

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:

➤ **Pennsylvania Act 1: The Taxpayer Relief Act**

The purpose of Special Session Act 1 of 2006, the Taxpayer Relief Act, signed on June 27, 2006, is to ease the financial burden of home ownership by providing school districts the means to lower property taxes for homeowners via a shift to local income taxes and funding ultimately provided by gaming revenue.

Act 1 mandates that future school district real estate taxes may be increased up to a specified index without voter approval. Increases above the index, with limited exceptions, will require a voter referendum.

It is important to note that Act 1 does not provide additional money for education. It only shifts the source of some of the funding from property to income taxes and offers the potential of possible gaming money.

The Pennsylvania Department of Education certified 2.4% as the Act 1 index for Wissahickon School District for the 2018-2019 fiscal year. Wissahickon School District's index for the 2017-2018 fiscal year was 2.5%.

➤ **Projected Pension Costs**

Annually, the Public School Employees' Retirement Board meets and certifies the employer contribution rate for the upcoming fiscal year. Both the school district employer and the Commonwealth of Pennsylvania are responsible for paying a portion of the employer contribution rate. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the school district employer one-half the payment. The Employer's Contribution rate is projected to change as set forth below.

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Historical and Projected Employer Contribution Rates

<u>Fiscal Year</u>	<u>Rate Percentage</u>	<u>Increase (Decrease)</u>
2008 to 2009	4.76	-33.24%
2009 to 2010	4.78	0.42%
2010 to 2011	5.64	17.99%
2011 to 2012	8.65	53.37%
2012 to 2013	12.36	42.89%
2013 to 2014	16.93	36.97%
2014 to 2015	21.4	26.40%
2015 to 2016	25.84	20.75%
2016 to 2017	30.03	16.21%
2017 to 2018	32.57	8.45%
2018 to 2019 *	34.18	4.94%
2019 to 2020 *	35.62	4.21%
2020 to 2021 *	36.13	1.43%
2021 to 2022 *	36.56	1.19%

*Tentative projected rates per PSERS

On October 10, 2017, PSERS reported a positive 10.14% return for the one-year period ended June 30, 2017. However, funding issues remain for the fund, the Commonwealth and school employers as the employer contribution rate is projected to increase again in fiscal year 2018-2019. Those issues will remain largely unchanged even with positive future investment returns.

➤ **Facilities**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition / Renovation Date</u>	<u>Grades</u>	<u>Number of Classrooms</u>	<u>2016-2017 Enrollment</u>	<u>2017-2018 Enrollment</u>
<u>Elementary:</u>						
Blue Bell	1957	1989	K-5	27	411	419
Lower Gwynedd	1997	---	K-5	27	574	577
Stoney Creek	1964	1988	K-5	25	486	529
Shady Grove	1957	1972 1990	K-5	37	611	605
<u>Secondary:</u>						
Wissahickon Middle School	1975	1994 2007	6-8	68	1,071	1,083
Wissahickon High School	1962	1972 1974 2001 2017	9-12	70	1,341	1,362

The District continues to review its facility needs.

WISSAHICKON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

➤ **Employee Contract/Agreement Status**

The three-year contract between the School Board and the Wissahickon Education Alliance Support Staff expires on June 30, 2018. The current three-year contract between the Wissahickon School Board and the Wissahickon Education Alliance Professional Staff expires on June 30, 2019. The current one-year agreement between the District and the Wissahickon Administrators and Supervisors Association is set to expire on June 30, 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Wissahickon School District's finances for all those with an interest in the government'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, Wissahickon School District, 601 Knight Road, Ambler, Pennsylvania 19002.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 34,638,704	\$ 332	\$ 34,639,036
Investments	14,035,340	-	14,035,340
Taxes receivable, net	965,115	-	965,115
Internal balances	137,864	(137,864)	-
Due from other governments	4,486,887	77,220	4,564,107
Other receivables, net	57,583	7,283	64,866
Prepaid expenses	5,357	158,950	164,307
Inventories	-	33,463	33,463
Capital assets			
Land and land improvements	6,188,798	-	6,188,798
Buildings and building improvements	97,109,235	-	97,109,235
Furniture and equipment	12,042,175	722,391	12,764,566
Construction in progress	13,773,416	-	13,773,416
Accumulated depreciation	(77,165,564)	(670,363)	(77,835,927)
TOTAL ASSETS	106,274,910	191,412	106,466,322
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	34,471,000	-	34,471,000
LIABILITIES			
Accounts payable	3,425,157	84,274	3,509,431
Accrued salaries and benefits	12,919,323	-	12,919,323
Unearned revenue	16,709	78,063	94,772
Other current liabilities	730,032	-	730,032
Accrued interest	72,103	-	72,103
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	520,000	-	520,000
Compensated absences	198,344	-	198,344
Portion due or payable after one year			
Bonds payable	19,165,000	-	19,165,000
Bond premiums	215,504	-	215,504
Compensated absences	1,785,095	-	1,785,095
Net pension liability	183,707,000	-	183,707,000
Net OPEB obligation	2,143,605	-	2,143,605
TOTAL LIABILITIES	224,897,872	162,337	225,060,209
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	1,585,000	-	1,585,000
NET POSITION			
Net investment in capital assets	39,471,977	52,028	39,524,005
Unrestricted	(125,208,939)	(22,953)	(125,231,892)
TOTAL NET POSITION	\$ (85,736,962)	\$ 29,075	\$ (85,707,887)

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction	\$ 67,166,159	\$ 197,445	\$ 9,942,066
Support services	33,448,326	-	3,989,607
Operation of non-instructional services	2,036,509	90,779	185,975
Facilities acquisition, construction and improvement services	8,279	-	-
Debt service	388,750	109,292	101,479
Bond issuance cost	404,830	-	-
TOTAL GOVERNMENTAL ACTIVITIES	103,452,853	397,516	14,219,127
BUSINESS-TYPE ACTIVITIES			
Food service	1,376,481	884,886	562,260
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 104,829,334	\$ 1,282,402	\$ 14,781,387

GENERAL REVENUES

- Taxes
 - Property taxes, levied for general purposes
 - Public utility taxes
 - Earned income taxes
- Grants and contributions not restricted to specific programs
- Investment earnings
- Gain on sale of fixed assets
- Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (57,026,648)	\$ -	\$ (57,026,648)
(29,458,719)	-	(29,458,719)
(1,759,755)	-	(1,759,755)
(8,279)	-	(8,279)
(177,979)	-	(177,979)
(404,830)	-	(404,830)
<u>(88,836,210)</u>	<u>-</u>	<u>(88,836,210)</u>
<u>-</u>	<u>70,665</u>	<u>70,665</u>
<u>(88,836,210)</u>	<u>70,665</u>	<u>(88,765,545)</u>
67,086,934	-	67,086,934
79,592	-	79,592
8,763,956	-	8,763,956
5,882,135	-	5,882,135
350,441	-	350,441
23,161	-	23,161
27,939	-	27,939
<u>82,214,158</u>	<u>-</u>	<u>82,214,158</u>
(6,622,052)	70,665	(6,551,387)
<u>(79,114,910)</u>	<u>(41,590)</u>	<u>(79,156,500)</u>
<u>\$ (85,736,962)</u>	<u>\$ 29,075</u>	<u>\$ (85,707,887)</u>

WISSAHICKON SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Reserve Fund	Bond Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 21,443,284	\$ 5,770,999	\$ 7,424,421.00	\$ 34,638,704
Investments	35,340	14,000,000	-	14,035,340
Taxes receivable, net	965,115	-	-	965,115
Due from other funds	137,864	-	-	137,864
Due from other governments	4,486,887	-	-	4,486,887
Other receivables	57,583	-	-	57,583
Prepaid items	5,357	-	-	5,357
TOTAL ASSETS	<u>\$ 27,131,430</u>	<u>\$ 19,770,999</u>	<u>\$ 7,424,421</u>	<u>\$ 54,326,850</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,988,428	\$ 71,135	\$ 1,365,594	\$ 3,425,157
Accrued salaries and benefits	12,919,323	-	-	12,919,323
Unearned revenue	16,709	-	-	16,709
Current portion of compensated absences	198,344	-	-	198,344
Other payables	730,032	-	-	730,032
TOTAL LIABILITIES	<u>15,852,836</u>	<u>71,135</u>	<u>1,365,594</u>	<u>17,289,565</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	505,235	-	-	505,235
FUND BALANCES				
Restricted, capital projects	-	-	6,058,827	6,058,827
Committed				
Compensated absences	1,983,439	-	-	1,983,439
Special education	750,000	-	-	750,000
Future maintenance and improvements	5,800,230	-	-	5,800,230
High school improvements	-	18,822,864	-	18,822,864
Middle school improvements	-	308,000	-	308,000
Blue Bell Elementary improvements	-	141,000	-	141,000
Lower Gwynedd Elementary improvements	-	46,000	-	46,000
Shady Grove Elementary improvements	-	60,000	-	60,000
Stony Creek Elementary improvements	-	78,000	-	78,000
Technology	-	194,000	-	194,000
Transportation	-	50,000	-	50,000
Unassigned	2,239,690	-	-	2,239,690
TOTAL FUND BALANCES	<u>10,773,359</u>	<u>19,699,864</u>	<u>6,058,827</u>	<u>36,532,050</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 27,131,430</u>	<u>\$ 19,770,999</u>	<u>\$ 7,424,421</u>	<u>\$ 54,326,850</u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 36,532,050
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and land improvements	6,188,798
Buildings and building improvements	97,109,235
Furniture and equipment	12,042,175
Construction in progress	13,773,416
Accumulated depreciation	(77,165,564)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.	
	32,886,000
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(72,103)
Bond payable	(19,685,000)
Bond premiums	(215,504)
Compensated absences	(1,785,095)
Net pension liability	(183,707,000)
Net OPEB obligation	(2,143,605)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
	<u>505,235</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(85,736,962)</u></u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 77,485,601	\$ 124,079	\$ 40,717	\$ 77,650,397
State sources	18,680,326	-	-	18,680,326
Federal sources	540,923	-	-	540,923
TOTAL REVENUES	<u>96,706,850</u>	<u>124,079</u>	<u>40,717</u>	<u>96,871,646</u>
EXPENDITURES				
Instruction	63,521,715	-	-	63,521,715
Support services	27,919,318	890,861	-	28,810,179
Operation of non-instructional services	1,926,785	-	-	1,926,785
Facilities acquisition, construction and improvement services	-	-	13,081,562	13,081,562
Debt service	630,438	-	-	630,438
Bond issuance cost	-	-	404,830	404,830
TOTAL EXPENDITURES	<u>93,998,256</u>	<u>890,861</u>	<u>13,486,392</u>	<u>108,375,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,708,594</u>	<u>(766,782)</u>	<u>(13,445,675)</u>	<u>(11,503,863)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,140,714	-	2,140,714
Transfers out	(2,140,714)	-	-	(2,140,714)
Proceeds from bonds issued	-	-	19,990,000	19,990,000
Premiums on bond issuances	-	-	224,295	224,295
Proceeds from sale of capital assets	61,071	-	-	61,071
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,079,643)</u>	<u>2,140,714</u>	<u>20,214,295</u>	<u>20,275,366</u>
NET CHANGE IN FUND BALANCES	628,951	1,373,932	6,768,620	8,771,503
FUND BALANCES AT BEGINNING OF YEAR	<u>10,144,408</u>	<u>18,325,932</u>	<u>(709,793)</u>	<u>27,760,547</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10,773,359</u>	<u>\$ 19,699,864</u>	<u>\$ 6,058,827</u>	<u>\$ 36,532,050</u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 8,771,503
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$14,967,785) exceed depreciation (\$4,439,967) in the current period.</p>	10,527,818
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.</p>	(37,910)
<p>Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Uncollected tax revenues decreased by this amount this year.</p>	(64,006)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	(19,900,504)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Accrued interest not reflected in Governmental Funds	(72,103)
Compensated absences not reflected in Governmental Funds	(704)
Pension plan expense	(5,514,000)
<p>The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.</p>	<u>(332,146)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (6,622,052)</u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Enterprise Fund <u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 332
Intergovernmental receivables	77,220
Other receivables, net	7,283
Inventories	33,463
Prepaid expenses	<u>158,950</u>
TOTAL CURRENT ASSETS	<u>277,248</u>
CAPITAL ASSETS	
Furniture and equipment	722,391
Accumulated depreciation	<u>(670,363)</u>
TOTAL CAPITAL ASSETS	<u>52,028</u>
TOTAL ASSETS	<u>329,276</u>
CURRENT LIABILITIES	
Accounts payable	84,274
Due to other funds	137,864
Unearned revenue	<u>78,063</u>
TOTAL CURRENT LIABILITIES	<u>300,201</u>
NET POSITION	
Net investment in capital assets	52,028
Unrestricted	<u>(22,953)</u>
TOTAL NET POSITION	<u><u>\$ 29,075</u></u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>884,886</u>
OPERATING EXPENSES	
Other purchased services	1,345,455
Repairs and maintenance	24,486
Supplies	152
Depreciation	<u>6,388</u>
TOTAL OPERATING EXPENSES	<u>1,376,481</u>
OPERATING LOSS	<u>(491,595)</u>
NONOPERATING REVENUES	
State sources	32,066
Federal sources	<u>530,194</u>
TOTAL NONOPERATING REVENUES	<u>562,260</u>
CHANGE IN NET POSITION	70,665
NET POSITION AT BEGINNING OF YEAR	<u>(41,590)</u>
NET POSITION AT END OF YEAR	<u>\$ <u>29,075</u></u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2017

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 896,801
Payments to suppliers	<u>(1,369,133)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(472,332)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	450,483
State sources	<u>31,744</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>482,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvement of capital assets	<u>(15,669)</u>
NET DECREASE IN CASH	(5,774)
CASH AT BEGINNING OF YEAR	<u>6,106</u>
CASH AT END OF YEAR	\$ <u><u>332</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (491,595)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	6,388
Donated foods used	76,437
Increase in	
Other receivables	(508)
Inventories	(5,895)
Prepaid expenses	(7,764)
Increase (decrease) in	
Accounts payable	(1,777)
Due to other funds	(60,041)
Unearned revenue	<u>12,423</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(472,332)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities, donated foods	\$ 76,437

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private- Purpose Trust Funds</u>	<u>Student Activities Fund</u>
ASSETS		
Cash and cash equivalents	\$ 74,853	\$ 121,351
Investments	<u>500,000</u>	<u>-</u>
TOTAL ASSETS	<u>574,853</u>	<u>\$ 121,351</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>\$ 121,351</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 574,853</u>	

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 56,737
Investment earnings	<u>2,535</u>
TOTAL ADDITIONS	59,272
DEDUCTIONS	
Scholarships awarded	<u>60,081</u>
CHANGE IN NET POSITION	(809)
NET POSITION AT BEGINNING OF YEAR	<u>575,662</u>
NET POSITION AT END OF YEAR	<u><u>\$ 574,853</u></u>

See accompanying notes to the basic financial statements.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wissahickon School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District was organized in 1966. The School District is located in Montgomery County and includes Ambler Borough, Lower Gwynedd Township and Whitpain Township.

The School District is a political subdivision of the Commonwealth of Pennsylvania (the "Commonwealth") created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district, between the ages of 6 and 21 years, who may attend.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the School District and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the School District with the assistance of the Assistant Superintendent, the Business Administrator and the Director of Personnel, as well as the Building Principals.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Wissahickon School District. The School District is not a component unit of another reporting entity nor does it have any component units.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected generally within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Reserve Fund - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Bond Fund - The Bond Fund is used to account for financial resources to be used for various school projects within the School District in accordance with the applicable general obligation bond agreement.

Proprietary Fund

Food Service Fund - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Cash Equivalents

The School 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.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

The School District's investment policy provides further limits on investments in U.S. Government agency and instrumentality obligations by requiring they have a liquid market with a readily determinable market value and remaining maturity of not more than 397 days at the time of purchase. For deposits in savings accounts or time deposits or share accounts of institutions not covered by FDIC insurance, the policy also requires that collateral be pledged in the name of the School District. The market value of such collateral shall be at least 102% of such deposits in excess of FDIC insurance and valued at least monthly by an independent pricing service.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are presented as internal balances.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. The donated foods are valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

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

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$4,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
School buildings	40-50
Building improvements	10-30
Land improvements	15-20
Furniture and equipment	5-15

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, Governmental Funds 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable within one year.

GASB Statement No. 45

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits* or OPEB.

GASB Statement No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB Statement No. 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

The general provisions of GASB Statement No. 45 have been implemented by the School District.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred outflow related to pension activity is reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, net difference between projected and actual investment earnings, changes in assumptions and actual contributions subsequent to the measurement date.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

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

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board of School Directors has not delegated the authority to assign fund balance.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Excess of Expenditures over Appropriations in Individual Funds

For the year ended June 30, 2017, the General Fund has an excess of expenditures over appropriations of \$52,339. These excess expenditures were funded by additional revenue sources.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a deposit policy for custodial credit risk. As of June 30, 2017, the School District's total bank balance was \$35,988,332. Of the bank balances, \$597,175 was covered by federal depository insurance, and \$6,353,812 was uninsured with collateral held by the pledging bank's trust department that is not in the School District's name. The remaining cash deposits totaling \$29,037,345 are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT) and are uninsured.

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2017, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Amortized Cost</u>
State investment pools	Less than one year	\$ <u>14,535,340</u>

The School District's investments are in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2017, is \$14,535,340. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis. As of June 30, 2017, the School District's investment in the state investment pool was rated AAAm by Standard & Poor's.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$35,340 invested in a PLGIT/Plus Class account which incurs a penalty if funds are withdrawn within 30 days of deposit. The School District had \$14,500,000 invested in PSDLAF collateralized pools which must be held to maturity.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE B - CASH AND INVESTMENTS (Continued)

Fair Value Measurement - The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District did not have any recurring fair value measurements as of June 30, 2017.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a 1% earned income tax, the effective rate is 0.5%. Property taxes are based on assessed valuations of real property within the School District. Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to August 31 - 2% of gross levy
 Face period September 1 to October 31
 Penalty period October 31 to collection - 10% of gross levy
 Lien date January 15

The School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ <u>137,864</u>

The amount between the General Fund and Food Service Fund is for reimbursable expenditures paid from the General Fund on behalf of the Food Service Fund.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 887,166	\$ -	\$ -	\$ 887,166
Construction in progress	700,133	13,073,283	-	13,773,416 *
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,587,299	13,073,283	-	14,660,582
Capital assets being depreciated				
Land improvements	5,209,864	91,768	-	5,301,632
Buildings and building improvements	96,512,787	596,448	-	97,109,235
Furniture and equipment	11,686,986	1,206,286	(851,097)	12,042,175
TOTAL CAPITAL ASSETS BEING DEPRECIATED	113,409,637	1,894,502	(851,097)	114,453,042
Accumulated depreciation				
Land improvements	(4,098,140)	(149,506)	-	(4,247,646)
Buildings and building improvements	(60,401,156)	(3,189,546)	-	(63,590,702)
Furniture and equipment	(9,039,488)	(1,100,915)	813,187	(9,327,216)
TOTAL ACCUMULATED DEPRECIATION	(73,538,784)	(4,439,967)	813,187	(77,165,564)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	39,870,853	(2,545,465)	(37,910)	37,287,478
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	41,458,152	10,527,818	(37,910)	51,948,060
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	706,722	15,669	-	722,391
Accumulated depreciation	(663,975)	(6,388)	-	(670,363)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	42,747	9,281	-	52,028
CAPITAL ASSETS, net	\$ 41,500,899	\$ 10,537,099	\$ (37,910)	\$ 52,000,088

Depreciation expense was charged to governmental functions as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 609,924
Support services	3,826,190
Operation of non-instructional services	3,853
	<u>\$ 4,439,967</u>

* The central plant and natatorium project was placed into service as of November 2017.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE F - AUTHORITY LEASE OBLIGATION

In March 2015, the State Public School Building Authority (the "Authority") issued school lease revenue bonds in the aggregate amount of \$8,815,000 to refinance the Series of 2010 Bonds, for the acquisition, design and construction of renovations, additions and improvements to the North Montco Technical Career Center (NMTCC) premises and facilities. The bonds are secured under a trust indenture between the Authority and Wells Fargo Bank and are payable solely from lease rentals payable by the NMTCC's member school districts, which include the School District, under an assignment of the lease. Thus, the School District is obligated for a portion of the above amount. The School District made rental payments of \$138,516 during the fiscal year ended June 30, 2017.

The final lease year is 2031. Total scheduled rentals payable in future years are \$1,950,279 based on the School District's pro rata share during the year ended June 30, 2017. The School District's share of the Authority bonded principal debt outstanding at June 30, 2017, was \$1,642,062.

The School District's share of the Authority debt payable, based on the Series of 2015 Bonds in accordance with their stated maturities, is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Authority Rentals Payable</u>
2018	2.00%	\$ 99,029	\$ 138,291
2019	3.00%	103,071	139,796
2020	3.00%	105,092	138,695
2021	2.00%	108,124	139,069
2022	2.00%	110,145	138,907
2023 to 2027	2.00% to 2.40%	590,133	697,865
2028 to 2031	2.550% to 3.00%	<u>526,468</u>	<u>557,656</u>
		<u>\$ 1,642,062</u>	<u>\$ 1,950,279</u>

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The School District issued general obligation bonds to provide funds for the construction of major capital facilities. The original amount of General Obligation Bond Series of 2016 issued in July 2016 was \$9,995,000. The original amount of General Obligation Bond Series of 2017 issued in April 2017 was \$9,995,000

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE G - LONG-TERM DEBT (Continued)

The School District has \$19,685,000 of bonds payable at June 30, 2017. During the year, the School District made principal payments of \$305,000 and interest payments of \$186,922 related to the bond issues outstanding.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal Amount</u>	<u>Interest</u>
2018	\$ 520,000	\$ 543,931
2019	560,000	504,384
2020	575,000	493,154
2021	590,000	476,979
2022	610,000	458,729
2023 to 2027	3,245,000	2,086,394
2028 to 2032	3,710,000	1,698,722
2033 to 2037	4,580,000	1,156,250
2038 to 2042	<u>5,295,000</u>	<u>440,655</u>
	<u>\$ 19,685,000</u>	<u>\$ 7,859,198</u>

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Series of 2016	\$ 9,995,000	11/15/2041	0.06% - 3.00%
Series of 2017	9,995,000	11/15/2041	0.09% - 4.00%

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE H - CHANGES IN LONG-TERM LIABILITIES (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GENERAL OBLIGATION BONDS					
Series of 2016	\$ -	\$ 9,995,000	\$ (305,000)	\$ 9,690,000	\$ 265,000
Series of 2017	-	9,995,000	-	9,995,000	255,000
TOTAL GENERAL OBLIGATION BONDS	-	19,990,000	(305,000)	19,685,000	520,000
COMPENSATED ABSENCES	1,982,657	782	-	1,983,439	198,344
NET PENSION LIABILITY	158,708,000	24,999,000	-	183,707,000	-
NET OPEB OBLIGATION	1,811,459	332,146	-	2,143,605	-
TOTAL LONG-TERM LIABILITIES	\$ 162,502,116	\$ 45,321,928	\$ (305,000)	\$ 207,519,044	\$ 718,344

NOTE I - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available.

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue.

At June 30, 2017, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$505,235 and unearned revenue consisted of other donations and grants of \$16,709.

Food Service Fund

Unearned revenue of \$78,063 in the Food Service Fund represents the carryover of unused donated foods of \$12,493 and prepaid balances on student meal accounts of \$65,570.

NOTE J - PENSION PLAN

Summary of Significant Accounting Policies

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

NOTE J - PENSION PLAN (Continued)

General Information About the Pension Plan

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 the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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 one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three 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 on 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.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$14,123,000 for the year ended June 30, 2017.

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

At June 30, 2017, the School District reported a liability of \$183,707,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.3707%, which was increase of 0.0043% from its proportion measured as of June 30, 2015.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

For the year ended June 30, 2017, the School District recognized pension expense of \$19,637,000. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,530,000
Changes in assumptions	6,631,000	-
Net difference between projected and actual investment earnings	10,239,000	-
Changes in proportions	3,478,000	-
Difference between employer contributions and proportionate share of total contributions	-	55,000
Contributions subsequent to the measurement date	<u>14,123,000</u>	<u>-</u>
	<u>\$ 34,471,000</u>	<u>\$ 1,585,000</u>

\$14,123,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 4,039,000
2019	4,039,000
2020	6,461,000
2021	<u>4,224,000</u>
	<u>\$ 18,763,000</u>

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

Changes in Actuarial Assumptions - The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.0% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.0%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The long-term expected rate of return on 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 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 plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Pension 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.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<u>100.0%</u>	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>224,723,000</u>	\$ <u>183,707,000</u>	\$ <u>149,242,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE K - POSTEMPLOYMENT BENEFITS

Plan Description

The School District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through the School District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the School District and the unions representing the School District's employees. The Retiree Health Plan does not issue a publicly available financial report, and the School District is implementing GASB Statement No. 45 prospectively.

Funding Policy

Contribution requirements are also negotiated between the School District and union representatives. The required contribution is based on pay-as-you-go financing. The School District currently provides medical and prescription drug coverage to the Superintendent at 100% of premium until age 65. The School District provides medical and prescription drug coverage to the former Superintendent at 100% premium until November 30, 2018. The School District also provides medical and prescription drug coverage for all current administrators for a period of up to five years upon superannuated retirement and after completing seven (7) years of service in the School District.

Under Act 110/43, any employee who is eligible (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) is allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation are as follows:

Annual required contribution (ARC)	\$ 686,980
Interest on net OPEB obligation	81,516
Adjustment to ARC	(111,208)
ANNUAL OPEB EXPENSE	<u>657,288</u>
Contributions made (estimated)	(325,142)
ESTIMATED INCREASE IN NET OPEB OBLIGATION	<u>332,146</u>
Net OPEB obligation at beginning of year	<u>1,811,459</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 2,143,605</u></u>

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE K - POSTEMPLOYMENT BENEFITS (Continued)

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 581,386	51%	\$ 1,570,056
2016	576,757	58%	1,811,459
2017	657,288	49%	2,143,605

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$4,952,421 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,952,421. The covered payroll (annual payroll of active employees covered by the plan) was \$45,094,693, and the ratio of the UAAL to the covered payroll was 10.98%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents information about the actuarial value of plan assets and actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially, decreasing .5% per year to an ultimate rate of 5.5% in 2018 to 2020. Rates then gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on a level dollar, 30-year open period.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE L - JOINT VENTURE

The School District is one of five member school districts of the North Montco Technical Career Center (NMTCC). NMTCC is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of NMTCC operations is the responsibility of the joint board. The School District is not responsible for deficits nor is the School District entitled to operating surplus. The School District's share of annual operating and capital costs for NMTCC fluctuates based on the percentage of enrollment and is reflected as instructional expenditures of the General Fund. Since there is no clear residual equity, no assets related to NMTCC have been reflected in the School District's financial statements. Summary financial information as of June 30, 2016 (the most recent information available), is as follows:

NORTH MONTCO TECHNICAL CAREER CENTER	
Governmental Fund Types	
Assets	\$ 3,983,062
Liabilities	<u>2,005,605</u>
FUND BALANCE	<u>\$ 1,977,457</u>

Separate financial statements of the North Montco Technical Career Center have been prepared and are available at NMTCC's administrative offices.

NOTE M - COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

The School District has included a reserve of \$730,032, for real estate tax assessment appeals in other payables of the General Fund.

NOTE N - RISK MANAGEMENT

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance with certain events and items specifically excluded. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE O - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The School District is self-insured for workers' compensation under the laws of the Commonwealth of Pennsylvania. The School District is approved for self-insured workers' compensation annually from July 1 to June 30 by the Bureau of Workers' Compensation, Pennsylvania Department of Labor and Industry. The School District belongs to the School Districts Insurance Consortium, which is an association of 81 public school districts that pool their funds under the Intergovernmental Cooperation Act, Act 180 of 1972, as amended, in order to reduce workers' compensation insurance costs. The Commonwealth holds the School District fully responsible for all workers' compensation claims which arise during the period it is self-insured. The Consortium accepts responsibility for all claims in excess of the School District's self-insured retention. The Consortium further protects the School District by acquiring excess insurance for claims of \$500,000 or more and provides coverage of \$1,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

WISSAHICKON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 76,400,350	\$ 76,400,350	\$ 77,485,601	\$ 1,085,251
State sources	18,098,585	18,098,585	18,680,325	581,740
Federal sources	547,694	547,694	540,922	(6,772)
TOTAL REVENUES	<u>95,046,629</u>	<u>95,046,629</u>	<u>96,706,848</u>	<u>1,660,219</u>
EXPENDITURES				
Instruction	62,833,468	62,833,468	63,521,732	(688,264)
Support services	27,861,779	27,861,779	27,919,295	(57,516)
Operation of non-instructional services	1,993,411	1,993,411	1,926,789	66,622
Debt service	1,257,257	1,257,257	630,438	626,819
TOTAL EXPENDITURES	<u>93,945,915</u>	<u>93,945,915</u>	<u>93,998,254</u>	<u>(52,339)</u>
EXCESS REVENUES OVER EXPENDITURES	<u>1,100,714</u>	<u>1,100,714</u>	<u>2,708,594</u>	<u>1,607,880</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,140,714)	(1,140,714)	(2,140,714)	(1,000,000)
Proceeds from sale of capital assets	40,000	40,000	61,071	21,071
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,100,714)</u>	<u>(1,100,714)</u>	<u>(2,079,643)</u>	<u>(978,929)</u>
NET CHANGE IN FUND BALANCE	-	-	628,951	628,951
FUND BALANCE AT BEGINNING OF YEAR	<u>10,144,408</u>	<u>10,144,408</u>	<u>10,144,408</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,144,408</u>	<u>\$ 10,144,408</u>	<u>\$ 10,773,359</u>	<u>\$ 628,951</u>

See accompanying note to the budgetary comparison schedule.

WISSAHICKON SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, the School District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The budget of the School District is the approved spending plan of the School District for the year, and the Board is prohibited from obligating funds in excess of these amounts. The Board of School Directors may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues, or from temporary loans. Legal budgetary control is maintained by the School District Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School District Board. Budget information in the combined operating statements is presented at or below the legal level of budgetary control.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
7. There were no supplemental budgetary appropriations or amendments proposed or approved during the year.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	<u>0.3707%</u>	<u>0.3664%</u>	<u>0.3599%</u>
School District's proportionate share of the net pension liability	<u>\$ 183,707,000</u>	<u>\$ 158,708,000</u>	<u>\$ 142,451,000</u>
School District's covered-employee payroll	<u>\$ 48,012,691</u>	<u>\$ 47,139,301</u>	<u>\$ 45,923,760</u>
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>382.62%</u>	<u>336.68%</u>	<u>310.19%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>49.86%</u>	<u>45.64%</u>	<u>57.24%</u>

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,123,000	\$ 11,754,000	\$ 9,422,000
Contributions in relation to the contractually required contribution	<u>14,123,000</u>	<u>11,754,000</u>	<u>9,422,000</u>
	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
School District's covered-employee payroll	\$ <u>49,044,752</u>	\$ <u>48,012,691</u>	\$ <u>47,139,301</u>
Contributions as a percentage of covered-employee payroll	<u>28.80%</u>	<u>24.48%</u>	<u>19.99%</u>

WISSAHICKON SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2012	\$ -	\$ 4,792,001	\$ 4,792,001	0%	\$ 43,535,328	11.01%
2014	-	4,462,947	4,462,947	0%	45,733,795	9.76%
2016	-	4,952,421	4,952,421	0%	45,094,693	10.98%

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wissahickon School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wissahickon School District's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wissahickon School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wissahickon School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wissahickon 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wissahickon 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.

Maillie LLP

Oaks, Pennsylvania
November 27, 2017

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
Federal Awards in Accordance With the Uniform Guidance***

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Wissahickon School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Wissahickon School District's major federal programs for the year ended June 30, 2017. The Wissahickon School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Wissahickon 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wissahickon School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Wissahickon School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

To the Board of School Directors
Wissahickon School District
Ambler, Pennsylvania

Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wissahickon School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wissahickon School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purpose of this Report

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.

Maillie LLP

Oaks, Pennsylvania
November 27, 2017

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Pass-Through Number	Grant Period
U.S. DEPARTMENT OF EDUCATION			
Passed through the Montgomery County Intermediate Unit			
Title III	84.365		July 1, 2014 to September 30, 2015
Title III - Immigrant Funds	84.365		July 1, 2015 to September 30, 2016
Title III - Limited English Proficiency	84.365		July 1, 2015 to September 30, 2016
Title III - Immigrant Funds	84.365		July 1, 2016 to September 30, 2017
Title III - Limited English Proficiency	84.365		July 1, 2016 to September 30, 2017
TOTAL TITLE III			
IDEA	84.027		July 1, 2015 to September 30, 2016
IDEA	84.027		July 1, 2016 to September 30, 2017
IDEA - Section 619	84.173		July 1, 2015 to September 30, 2016
IDEA - Section 619	84.173		July 1, 2016 to September 30, 2017
TOTAL SPECIAL EDUCATION CLUSTER			
Passed through the Pennsylvania Department of Education			
Title I - Low Income	84.010	013-160492	July 1, 2015 to September 30, 2016
Title I - Low Income	84.010	013-170492	July 1, 2016 to September 30, 2017
TOTAL TITLE I			
Title II - A	84.367	021-170492	July 1, 2016 to September 30, 2017
TOTAL FORWARD			

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ 37,639	\$ 6,178	\$ 6,178	\$ -	\$ -	\$ -	\$ -
3,437	3,167	3,167	-	-	-	-
30,198	7,550	7,550	-	-	-	-
3,451	-	-	154	154	154	-
32,386	<u>24,289</u>	<u>-</u>	<u>24,289</u>	<u>24,289</u>	<u>-</u>	<u>-</u>
	<u>41,184</u>	<u>16,895</u>	<u>24,443</u>	<u>24,443</u>	<u>154</u>	<u>-</u>
894,685	650,457	650,457	-	-	-	-
850,899	630,254	-	850,899	850,899	220,645	-
2,980	2,980	2,980	-	-	-	-
3,151	<u>3,151</u>	<u>-</u>	<u>3,151</u>	<u>3,151</u>	<u>-</u>	<u>-</u>
	<u>1,286,842</u>	<u>653,437</u>	<u>854,050</u>	<u>854,050</u>	<u>220,645</u>	<u>-</u>
334,178	45,094	39,120	5,974	5,974	-	-
370,507	<u>350,791</u>	<u>-</u>	<u>370,507</u>	<u>370,507</u>	<u>19,716</u>	<u>-</u>
	<u>395,885</u>	<u>39,120</u>	<u>376,481</u>	<u>376,481</u>	<u>19,716</u>	<u>-</u>
91,349	<u>91,935</u>	<u>-</u>	<u>91,349</u>	<u>91,349</u>	<u>(586)</u>	<u>-</u>
	<u>\$ 1,815,846</u>	<u>\$ 709,452</u>	<u>\$ 1,346,323</u>	<u>\$ 1,346,323</u>	<u>\$ 239,929</u>	<u>\$ -</u>

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Pass-Through Number	Grant Period
U.S. DEPARTMENT OF EDUCATION			
TOTAL FORWARDED			
U.S. DEPARTMENT OF WELFARE			
Passed through the Pennsylvania Department of Education			
Medical Assistance Program	93.778	044-118514	July 1, 2015 to September 30, 2016
Medical Assistance Program	93.778	044-118514	July 1, 2016 to September 30, 2017
TOTAL MEDICAID CLUSTER			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Education			
School Breakfast Program	10.553	N/A	July 1, 2015 to September 30, 2016
School Breakfast Program	10.553	N/A	July 1, 2016 to September 30, 2017
National School Lunch Program	10.555	N/A	July 1, 2015 to September 30, 2016
National School Lunch Program	10.555	N/A	July 1, 2016 to September 30, 2017
Passed through the Pennsylvania Department of Agriculture			
U.S. Donated Commodities	10.555	N/A	July 1, 2016 to June 30, 2017
TOTAL CHILD NUTRITION CLUSTER			
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AWARDS			

Footnotes:

- (A) U.S.D.A. donated foods received.
- (B) Beginning inventory at July 1, 2016.
- (C) Total value of foods used.
- (D) Ending inventory at June 30, 2017.

See accompanying notes to the schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>1,815,846</u>	\$ <u>709,452</u>	\$ <u>1,346,323</u>	\$ <u>1,346,323</u>	\$ <u>239,929</u>	\$ <u>-</u>
\$ 4,752	2,074	2,074	-	-	-	-
3,906	<u>2,033</u>	<u>-</u>	<u>3,906</u>	<u>3,906</u>	<u>1,873</u>	<u>-</u>
	<u>4,107</u>	<u>2,074</u>	<u>3,906</u>	<u>3,906</u>	<u>1,873</u>	<u>-</u>
N/A	7,998	7,998	-	-	-	-
N/A	43,267	-	52,980	52,980	9,713	-
N/A	60,756	60,756	-	-	-	-
N/A	338,461	-	400,777	400,777	62,316	-
N/A	<u>82,531 (A)</u>	<u>(6,399) (B)</u>	<u>76,437 (C)</u>	<u>76,437</u>	<u>(12,493)</u>	<u>-</u>
	<u>533,013</u>	<u>62,355</u>	<u>530,194</u>	<u>530,194</u>	<u>59,536</u>	<u>-</u>
	<u>533,013</u>	<u>62,355</u>	<u>530,194</u>	<u>530,194</u>	<u>59,536</u>	<u>-</u>
\$	<u><u>2,352,966</u></u>	<u><u>773,881</u></u>	<u><u>1,880,423</u></u>	<u><u>1,880,423</u></u>	<u><u>301,338</u></u>	<u><u>-</u></u>

WISSAHICKON SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the School District. The School District's reporting entity is defined in Note A to the School District's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A.

NOTE C - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Wissahickon School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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 Wissahickon School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Grant Guidance.
5. The auditors' report on compliance for the major federal award programs for the Wissahickon School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster	84.027/84.173

The threshold used for distinguishing Types A and B programs was \$750,000.

8. Wissahickon School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

WISSAHICKON SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

None.