

DOVER AREA SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Dover Area School District
Dover, 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 Dover Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

As disclosed in Note 1, to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2017. The District expanded its note disclosures and required supplementary information related to its other post-employment benefits plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 4 through 11 and the required supplementary information as listed in the table of contents, 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 which 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 Dover Area School District’s basic financial statements. The Combining Balance Sheet - Capital Projects Funds, Combining State of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds and the accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplementary Information as listed in the table of contents 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 Supplementary Information as listed in the table of contents 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 9, 2018, on our consideration of Dover Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Dover Area School District's 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 Dover Area School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 9, 2018

DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018

Management's Discussion and Analysis of the Dover Area School District provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the School District's financial performance. Readers should also review the financial statements and notes in conjunction with the MD&A to enhance their understanding of the School District's financial performance.

Overview of the Financial Statements

The Annual Financial Report consists of various financial statements and the notes to those statements. The financial reports consist of District-wide and individual fund statements. The District-wide statements present an aggregate long-term view of the School District's finances. The fund financial statements focus on the short-term financing of the School District's services and what remains for future spending.

District-wide Statements

Statement of Net Position and Statement of Activities

The Statement of Net Position and Statement of Activities reflect all assets and liabilities using the accrual basis of accounting similar to the basis used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash was received or paid. These statements report the School District's net position and change in net position. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished.

In the Statement of Net Position and Statement of Activities, the School District is divided into two categories:

Governmental Activities - Most of the School District's programs are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - This service is provided on a charge for goods and services basis to recover the expenses of the goods or services provided. The Food Service Program is reported as a business activity.

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. Funds are used to separate financial transactions to better monitor specific activities.

Funds at Dover Area School District include:

- Major Governmental Funds
 - General Fund
 - Capital Projects Fund
- Proprietary Fund
 - Enterprise Fund - Food Services
- Agency Fund
 - Student Activity Funds

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

Financial Highlights

- Actual change in governmental activities net position decreased by \$7,337,786 while business-type activity had a minimal negative change in net position by \$45,852.
- General Fund unassigned fund balance at June 30, 2018, was \$4,089,313, which represents 6.56% of the 2017-2018 General Fund Approved Budget. General Fund non-spendable fund balance includes \$5,211,540 for medical insurance prepayments with Lincoln Benefit Trust and other prepayments. General Fund assigned fund balance of \$1,013,844 is for capital reserves. General Fund committed fund balance of \$9,126,844 includes \$5,254,125 for retirement contributions, \$500,000 for technology, \$907,802 medical costs, and \$2,464,917 for debt principal.
- Total governmental fund balances equaled \$60,267,748. The following shows the breakdown by fund:
 - General Fund Balance of \$19,441,541
 - Capital Projects Fund Balance of \$40,826,207.

Reporting the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Total assets	\$ 112,292,188	\$ 81,979,540	\$ 497,739	\$ 487,827	\$ 112,789,927	\$ 82,467,367
Total deferred outflows of resources	\$ 16,932,194	\$ 19,628,644	\$ 333,403	\$ 384,000	\$ 17,265,597	\$ 20,012,644
Total liabilities	\$ 170,557,272	\$ 136,384,288	\$ 1,899,067	\$ 1,909,900	\$ 172,456,339	\$ 138,294,188
Total deferred inflows of resources	\$ 1,511,000	\$ 730,000	\$ 30,000	\$ 14,000	\$ 1,541,000	\$ 744,000
Net investment in capital assets	\$ 3,584,834	\$ 14,927,395	\$ 83,912	\$ 93,797	\$ 3,668,746	\$ 15,021,192
Restricted	12,324,496	-	-	-	12,324,496	-
Unrestricted	(58,753,220)	(50,433,499)	(1,181,837)	(1,145,870)	(59,935,057)	(51,579,369)
Total net position	\$ (42,843,890)	\$ (35,506,104)	\$ (1,097,925)	\$ (1,052,073)	\$ (43,941,815)	\$ (36,558,177)

Governmental Activities

On June 30, 2018, the School District had total assets from governmental activities of \$112,292,188; which was an increase of \$30,312,648 or 36.98% during the fiscal year. Total governmental deferred outflows decreased by \$2,696,450 and deferred inflows increased by \$781,000, while governmental liabilities increased by \$34,172,984. Factors that significantly affected net position in the 2017-2018 fiscal year were:

- General Fund cash and investments decreased by \$2,268,911 from the prior year, while capital projects cash and investments (capital project and capital reserve) increased by \$30,575,332. General Fund cash decreased due to a \$2,101,700 transfer to the Capital Project Fund. Capital Project Fund cash and investments increased due to a \$29,205,000 general obligation bond issue to fund a portion of the new high school construction project, payout of \$3,615,027 in expenditures for the high school project, other various small projects throughout the District, and a \$2,101,700 transfer in from the General Fund.
- Outstanding debt increased by \$25,434,000 due to the \$29,205,000 general obligation bond issue in June 2018 and also as principal was repaid on older debt.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

Table 2 reflects the changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 293,882	\$ 300,158	\$ 627,335	\$ 639,990	\$ 921,217	\$ 940,148
Operating grants and contributions	13,293,094	13,616,091	1,031,620	1,048,507	14,324,714	14,664,598
General revenues						
Property taxes	28,573,120	28,459,947	-	-	28,573,120	28,459,947
Other taxes	5,974,500	5,856,643	-	-	5,974,500	5,856,643
Grants, subsidies and contributions not restricted	12,772,547	12,647,285	-	-	12,772,547	12,647,285
Investment earnings	614,417	362,298	5,687	1,226	620,104	363,524
Miscellaneous income	28,688	24,599	-	-	28,688	24,599
Total revenues	61,550,248	61,267,021	1,664,642	1,689,723	63,214,890	62,956,744
Expenses						
Instruction	42,108,150	42,030,448	-	-	42,108,150	42,030,448
Instructional student support	6,072,372	5,515,045	-	-	6,072,372	5,515,045
Administrative and financial services	4,929,005	4,634,606	-	-	4,929,005	4,634,606
Operation and maintenance of plant services	4,506,970	4,776,119	-	-	4,506,970	4,776,119
Pupil transportation	3,205,092	3,008,916	-	-	3,205,092	3,008,916
Student activities	1,182,637	1,183,433	-	-	1,182,637	1,183,433
Interest on long-term debt	1,269,913	1,231,256	-	-	1,269,913	1,231,256
Food service	-	-	1,621,913	1,614,758	1,621,913	1,614,758
Total expenses	63,274,139	62,379,823	1,621,913	1,614,758	64,896,052	63,994,581
Changes in net position	\$ (1,723,891)	\$ (1,112,802)	\$ 42,729	\$ 74,965	\$ (1,681,162)	\$ (1,037,837)

The District's 2018 governmental revenues, excluding business-type activity transfers, increased by .46% or \$283,227. Reasons for the increase are primarily attributed to the following changes:

- Real estate taxes collected increased by 0.40% or \$113,173 as a result of new construction in the District.
- Other tax revenues increased overall by 2.01% or \$117,857. This category includes earned income, delinquent per capita tax, real estate transfer taxes, public utility, and delinquent earned income taxes. The change arose from an increase in earned income tax collections of .66% or \$34,337. Moreover, real estate transfer tax collections increased by 5.29% or \$26,958; delinquent per capita tax revenue decreased by 45.56% or \$10,189 due to the elimination of the tax in the 2016-2017 fiscal year; and delinquent earned income tax collections increased by 65.55% or \$69,922.
- Operating grants and contributions decreased by 2.37%, or \$322,997, due mainly to the 2016-2017 back pay of approved PlanCon reimbursement resulting in a decrease in debt subsidy of \$1,766,293 and a combination of an increase in state transportation subsidy of \$239,647, an increase in state social security and retirement subsidy of \$993,517 and an increase in federal Title I, II, and IV subsidies of \$184,222.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

- Charges for services decreased by 2.09% or \$6,276. These services include revenue received from other school districts for mainstreaming children placed in private homes, rental of school facilities, and admission revenues. The decrease results from the number of students serviced.
- Grants, subsidies and contributions (non-restricted) increased by 1.00% or 125,262 due to an increase in state basic education subsidy of \$126,943.
- Investment earnings increased by 69.59% or \$252,119 due to the improving state of the economy and enhanced investment strategies.

Property taxes contributed 46.42% of total revenues for governmental activities during fiscal year 2017-2018. Other major contributors to revenue include unrestricted grants, subsidies and contributions at 20.75%; operating grants and contributions at 21.60%; and other taxes levied at 9.71%. Property taxes, as a percentage of total revenues, are mainly consistent with prior year.

Governmental program expenditures increased by 1.43% from \$62.38 million to approximately \$63.27 million. Major changes in expenditures can be primarily attributed to the following:

- Total annual wages increased overall by 5.44% or \$1,277,939. This is the net change from annual contract increases, increase in the number of support staff employees, and the decrease from retirement savings. Professional salaries alone increased by \$1,086,149 or 6.5% due to the most current contract ratification in April of 2017, which did not include a retroactive salary increase but did include salary increases for the remainder of the 2017 school year and again for the 2017-2018 school year.
- The PSERS employer contribution rate for employee retirement increased, changing from 30.03% in 2016-2017 to 32.57% in 2017-2018. Retirement expense increased by 15.21% or \$1,063,858 as wages increased. Retirement expense was 32.53% of total wages.
- Total group insurance expenses decreased by 23.59%; which was comprised of a medical insurance decrease of 24.65% or \$1,185,086, and a dental insurance decrease of .64% or \$1,346. The medical insurance decrease is the net change from plan changes, premium increases, enrollment changes, and retirements.
- Professional and Technical Services overall increased by 6.83% or \$342,645, mostly due to increasing costs of services provided by the Lincoln Intermediate Unit and operating the majority of life skills and autistic services within the District. Lincoln Intermediate Unit educational services include emotional support, students with impaired hearing and vision, pervasive development disorder, and services for children who are multi-handicapped.
- Repair costs for buildings and grounds increased by 27.38% or \$120,225 due to HVAC repairs needed at the Intermediate School, roofing issues, a boiler failure, and piping issues at both the Intermediate School and the High School.
- Supplies increased by 11.82% or \$226,171 due to rising prices and accounting code changes mandated by the Pennsylvania Department of Education.
- Vocational Education tuition costs decreased by \$330,553 or 23.99% due to decreased student enrollment at the York County School of Technology.

Instructional costs contributed to 76.14% of total program expenses for governmental activities in fiscal year 2017-2018.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

The Statement of Activities reflects the costs of program services and the charges for services, sales, grants, and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and net cost of services.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 42,108,150	\$ 42,030,448	\$ 31,933,284	\$ 31,441,279
Instructional student support	6,072,372	5,515,045	5,350,703	4,818,552
Administrative financial services	4,929,005	4,634,606	4,357,031	3,955,582
Operation and maintenance of plant services	4,506,970	4,776,119	4,130,156	4,330,212
Pupil transportation	3,205,092	3,008,916	1,761,368	1,826,910
Student activities	1,182,637	1,183,433	884,708	859,783
Interest on long-term debt	1,269,913	1,231,256	1,269,913	1,231,256
Total expenses	\$ 63,274,139	\$ 62,379,823	\$ 49,687,163	\$ 48,463,574

Only 21.47% of the 2017-2018 total cost of services for the governmental activities was funded by charges for services, and operating grants and contributions. The remaining costs were funded by tax revenues and the basic instructional subsidy.

Business-Type Activity

The only business-type activity at Dover Area School District is the Food Service Operation. The School District provides both breakfast and lunch programs for grades K through 12. This program had operating revenues of \$627,335 and non-operating revenue of \$1,037,307. Total expenses were \$1,621,913 for the fiscal year 2017-2018. School meal prices for lunch increased \$0.05; breakfast and milk prices did not increase for the fiscal year 2017-2018. The School District received 61.97% of its revenues from operating grants and contributions from the federal and state reimbursable breakfast and lunch programs. Revenue from state and federal grants decreased by \$16,887 due to decreased participation affecting the federal subsidy by \$29,284 and increased state retirement and social security subsidy of \$14,099. Total revenues decreased by 1.48% or \$25,081, while expenditures increased by .44% or \$7,155. Total net position decreased \$45,852 to provide an ending net position of \$(1,097,925) on June 30, 2018.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

General Fund Budgeting Highlights

For the 2017-2018 fiscal year, total General Fund local sourced revenue was under budget by \$214,941. The state funded revenue exceeded budget by 5.95% or \$1,364,292 and Federal revenue exceeded budget by 44.62% or \$323,507 due to uncertainty of state and federal funding during the budget process.

Total General Fund expenditures were under budget by \$971,186. The budgetary reserve of \$100,000 was not transferred during the year. Other significant expenditure-budget variances are discussed below.

- Special Education program expenditures exceeded the original budget by .84% or \$74,609. Most of this variance is a result of increase in the cost of contracting with the Lincoln Intermediate Unit and increased in-house operating costs for the learning support and autistic classes.
- Regular Education Program expenditures were under original budget by 6.86% or \$1,763,208 due to professional contract negotiations not being finalized until the latter part of the 2016-2018 fiscal year.
- Vocational Education Program expenditures were under original budget by 9.62% or \$337,651 due to program reductions, and declining student enrollment.
- Operation and Maintenance of Plant Services had a favorable variance from original budget of 3.64% or \$156,638. This favorable variance resulted from savings in commodity procurement, utilization of inventory, disposal services, lawn care services, and repairs and maintenance of facilities.
- Support Services for Instructional Staff expenditures were over original budget by \$224,138 or 7.18% due to 1:1 technology initiatives, staff professional development, and curriculum writing needs of the district to support district goals.
- Administrative and Business Support Services were under original budget by 13.27% or \$465,093 due to personnel changes in the office of superintendent, fiscal services, and building administration. The variance is also in part to a change in the implementation schedule of business suite software.
- Student Transportation Services were under original budget by 2.93% or \$96,455 due to the transition from Intermediate Unit (IU) transportation, to District contracted transportation.
- Debt Service was under budget by 5.51% or \$281,462 due to a favorable variable, interest-rate loan payments.
- Transfers Out were over budget by \$2,101,700 due to a non-budgeted transfer to capital projects from the back-payment of Plancon funds received from the state in the 2016-2017 fiscal year.
- Athletic Program costs were budgeted and reflected in Student Activities as required by GASB No. 54. Student Activities were under budget by .26% or \$2,650.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

Capital Assets

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 170,000	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ 170,000
Construction-in-progress	3,615,027	-	-	-	3,615,027	-
Building and building improvements	39,978,547	44,527,754	-	-	39,978,547	44,527,754
Furniture and equipment	336,535	623,336	83,912	93,797	420,447	717,133
Total capital assets	\$ 44,100,109	\$ 45,321,090	\$ 83,912	\$ 93,797	\$ 44,184,021	\$ 45,414,887

Total Governmental Capital Assets decreased by 2.69% or \$1,220,981 as this represents a full year of depreciation, equipment additions and disposals, and the addition of construction-in-progress for the new high school project.

Debt

At June 30, 2018, the Dover Area School District had \$65,440,000 in bonds outstanding. Table 5 summarizes and compares bonds outstanding for the 2018 and 2017 fiscal years.

Table 5
Bonds Outstanding

General Obligation Debt	2018	2017
Note Series of 2008	\$ 12,995,000	\$ 13,506,000
Bond Series of 2013 - Refunding of G.O. Bond Series of 2003	-	715,000
Bond Series A of 2015 - Refunding of G.O. Bond Series of 2010	8,470,000	9,020,000
Bond Series B of 2015 - Refunding of G.O. Bond Series of 2010	7,120,000	7,410,000
Bond Series of 2016 - Refunding of G.O. Bond Series A of 2011	7,650,000	9,355,000
Bond Series of 2018	29,205,000	-
Total Outstanding Debt	\$ 65,440,000	\$ 40,006,000

Total outstanding debt increased by \$25,434,000 due to the \$29,205,000 general obligation bond issue in June 2018, and also as principal was repaid on older debt.

**DOVER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018**

Economic Impact

The Dover Area School District has investments at Wells Fargo Bank, M&T Bank, BB&T Bank and the Pennsylvania School District Liquid Asset Fund. The Federal Deposit Insurance Corporation (FDIC) insures the bank account balances, and additional protection of investments is guaranteed through Act 72 of 1971. Act 72 requires banks to provide securities as collateral for all public balances on deposit. The Pennsylvania School District Liquid Asset Fund (PSDLAF) provides collateral segregated at a third-party institution or guaranteed by the Federal Home Loan Bank Letter-of-Credit. The PSDLAF collateral is monitored daily at 102.00% of market value at the close of business.

The Public School Employees' Retirement System certified rates of 16.93% for 2013-2014, 21.43% for 2014-2015, 25.84% for 2015-2016, 30.03% for 2016-2017, 32.57% for 2017-2018, and 33.43% for 2018-2019. Future projections are inclined to reach nearly 35.68% over the next three years. To prepare for future rate increases, the District has committed fund balance of approximately \$5.25 million as of June 30, 2018.

The Commonwealth of Pennsylvania provided an increase in the annual basic educational subsidy and special education. Continued reductions or fluctuations in state subsidies, PSERS increases, and the possibility of new unfunded mandates are matters of concern for the District.

Governmental Funds - Fund Balance

The focus of the District's governmental funds is to provide information on relatively short-term cash flows and future basic services. Such information is useful in assessing the Dover Area School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of June 30, 2018, the Dover Area School District reported total governmental funds ending fund balance approximating \$60.27 million. Fund balance classifications are as follows: Nonspendable - \$5,211,540; Restricted - \$40,826,207; Committed - \$9,126,844; Assigned - \$1,013,844; and Unassigned - \$4,089,313.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Dover Area School District's original budget anticipated revenues at \$60,241,655 and expenditures of \$62,414,701. The District's 2018 actual results were revenues in excess of budget by approximately \$1.47 million, and expenses under budget by \$971,186.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional information, please contact Jennifer Benko, Business Manager, at (717) 292-3671, Ext. 80202, email JBenko@doversd.org or by mail at the Dover Area School District, 101 Edgeway Road, Dover, PA 17315.

DOVER AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,573,580	\$ 380,348	\$ 7,953,928
Investments	48,314,000	-	48,314,000
Internal balances	100,118	(100,118)	-
Receivables	6,377,420	124,290	6,501,710
Inventories	-	9,307	9,307
Prepaid expenses	5,211,540	-	5,211,540
Pay variable interest-rate swap			
Due within one year	213,400	-	213,400
Due in more than one year	402,021	-	402,021
Total pay variable interest-rate swap	615,421	-	615,421
Capital assets			
Land and construction-in-progress	3,785,027	-	3,785,027
Other capital assets, net of depreciation	40,315,082	83,912	40,398,994
Total capital assets	44,100,109	83,912	44,184,021
Total assets	\$ 112,292,188	\$ 497,739	\$ 112,789,927
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 16,250,000	\$ 319,000	\$ 16,569,000
Deferred amounts on OPEB liabilities	453,028	14,403	467,431
Deferred amounts on refunding debt	229,166	-	229,166
Total deferred outflows of resources	\$ 16,932,194	\$ 333,403	\$ 17,265,597
Liabilities			
Accounts payable and accrued expenses	\$ 6,742,346	\$ 7,920	\$ 6,750,266
Unearned revenue	-	35,297	35,297
Long-term liabilities			
Due within one year	4,080,693	-	4,080,693
Due in more than one year	66,376,820	19,950	66,396,770
Net pension liability	86,171,000	1,740,000	87,911,000
OPEB liabilities	7,186,413	95,900	7,282,313
Total long-term liabilities	163,814,926	1,855,850	165,670,776
Total liabilities	\$ 170,557,272	\$ 1,899,067	\$ 172,456,339
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 1,304,000	\$ 26,000	\$ 1,330,000
Deferred amounts on OPEB liabilities	207,000	4,000	211,000
Total deferred inflows of resources	\$ 1,511,000	\$ 30,000	\$ 1,541,000
Net Position			
Net investment in capital assets	\$ 3,584,834	\$ 83,912	\$ 3,668,746
Restricted	12,324,496	-	12,324,496
Unrestricted	(58,753,220)	(1,181,837)	(59,935,057)
Total net position	\$ (42,843,890)	\$ (1,097,925)	\$ (43,941,815)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities:						
Instruction	\$ 42,108,150	\$ 104,678	\$ 10,070,188	\$ (31,933,284)	\$ -	\$ (31,933,284)
Instructional student support	6,072,372	-	721,669	(5,350,703)	-	(5,350,703)
Administrative and financial services	4,929,005	-	571,974	(4,357,031)	-	(4,357,031)
Operation and maint. of plant services	4,506,970	16,415	360,399	(4,130,156)	-	(4,130,156)
Pupil transportation	3,205,092	21,847	1,421,877	(1,761,368)	-	(1,761,368)
Student activities	1,182,637	150,942	146,987	(884,708)	-	(884,708)
Interest on long-term debt	1,269,913	-	-	(1,269,913)	-	(1,269,913)
Total governmental activities	63,274,139	293,882	13,293,094	(49,687,163)	-	(49,687,163)
Business-Type Activities:						
Food Service	1,621,913	627,335	1,031,620	-	37,042	37,042
Total primary government	\$ 64,896,052	\$ 921,217	\$ 14,324,714	\$ (49,687,163)	\$ 37,042	\$ (49,650,121)
General Revenues:						
Property taxes, levied for general purposes, net				\$ 28,573,120	\$ -	\$ 28,573,120
Public utility, realty transfer, earned income and other taxes for general purposes, net				5,974,500	-	5,974,500
Grants, subsidies and contributions not restricted				12,772,547	-	12,772,547
Investment earnings				614,417	5,687	620,104
Miscellaneous income				28,688	-	28,688
Total general revenues				47,963,272	5,687	47,968,959
Changes in net position				(1,723,891)	42,729	(1,681,162)
Net position - July 1, 2017 (as previously reported)				(35,506,104)	(1,052,073)	(36,558,177)
Prior period adjustment (see Note 1)				(5,613,895)	(88,581)	(5,702,476)
Net Position - July 1, 2017 (restated)				(41,119,999)	(1,140,654)	(42,260,653)
Net Position - June 30, 2018				\$ (42,843,890)	\$ (1,097,925)	\$ (43,941,815)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Projects Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,541,478	\$ 1,032,102	\$ 7,573,580
Investments	8,434,000	39,880,000	48,314,000
Due from other funds	109,896	-	109,896
Due from other governments	4,611,232	-	4,611,232
Taxes receivable	1,718,010	-	1,718,010
Other receivables	48,153	-	48,153
Prepaid expenses	5,211,540	-	5,211,540
Total assets	\$ 26,674,309	\$ 40,912,102	\$ 67,586,411
Liabilities			
Due to other funds	\$ -	\$ 9,753	\$ 9,753
Accounts payable	491,341	76,142	567,483
Accrued salaries and benefits	3,673,608	-	3,673,608
Payroll deductions and withholdings	2,279,395	-	2,279,395
Total liabilities	6,444,344	85,895	6,530,239
Deferred Inflows of Resources			
Delinquent property taxes	788,424	-	788,424
Fund Balances			
Nonspendable	5,211,540	-	5,211,540
Restricted	-	40,826,207	40,826,207
Committed	9,126,844	-	9,126,844
Assigned	1,013,844	-	1,013,844
Unassigned	4,089,313	-	4,089,313
Total fund balances	19,441,541	40,826,207	60,267,748
Total liabilities, deferred inflows of resources and fund balances	\$ 26,674,309	\$ 40,912,102	\$ 67,586,411

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

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

Total fund balances - governmental funds	\$ 60,267,748
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The cost of assets is \$124,919,828, and the accumulated depreciation is \$80,819,719.	44,100,109
Interest-rate swap asset will be settled in periods through 2021 and is not a source of current revenue. It is recorded as swap settlements are made.	615,421
Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred inflows of resources in the funds.	788,424
The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.	229,166
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to the pension are as follows (see footnotes for detail):	
Deferred outflows	16,250,000
Deferred inflows	(1,304,000)
Deferred inflows and outflows of resources related to OPEB are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):	
Deferred outflows	453,028
Deferred inflows	(207,000)
Long-term liabilities; including bonds payable, lease-purchase obligations, net pension liability, compensated absences, and other post-employment benefits; are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable, net of related discounts and premiums	(69,024,242)
Accrued interest payable	(221,860)
Lease-purchase obligation	(221,910)
Net pension liability	(86,171,000)
OPEB liabilities	(7,186,413)
Compensated absences	(1,211,361)
	<u>(164,036,786)</u>
Total net position - governmental activities	\$ <u>(42,843,890)</u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	General Fund	Capital Projects Fund	Totals Governmental Funds
Revenues			
Local sources	\$ 36,353,210	\$ 95,728	\$ 36,448,938
State sources	24,312,796	-	24,312,796
Federal sources	1,048,507	-	1,048,507
Total revenues	61,714,513	95,728	61,810,241
Expenditures			
Current:			
Instructional	36,429,675	-	36,429,675
Support services	17,053,748	506,236	17,559,984
Operation of noninstructional services	1,027,102	-	1,027,102
Refunds of prior years' receipts	1,070	-	1,070
Total Current	54,511,595	506,236	55,017,831
Capital outlay	-	3,611,277	3,611,277
Debt service	4,830,220	-	4,830,220
Total expenditures	59,341,815	4,117,513	63,459,328
Excess (deficiency) of revenues over expenditures	2,372,698	(4,021,785)	(1,649,087)
Other Financing Sources (Uses)			
Interfund transfers in	-	2,101,700	2,101,700
Interfund transfers out	(2,101,700)	-	(2,101,700)
Issuance of general obligation bonds	-	29,205,000	29,205,000
Bond premium	-	3,352,697	3,352,697
Total other financing sources (uses)	(2,101,700)	34,659,397	32,557,697
Net changes in fund balances	270,998	30,637,612	30,908,610
Fund Balances - July 1, 2017	19,170,543	10,188,595	29,359,138
Fund Balances - July 30, 2018	\$ 19,441,541	\$ 40,826,207	\$ 60,267,748

See Notes to Financial Statements.

DOVER AREA 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, 2018**

Net changes in fund balances - governmental funds		\$30,908,610
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which the depreciation expense exceeds capital outlays in the period.</p>		
Capital outlays	3,934,421	
Less depreciation expense	<u>(5,155,402)</u>	(1,220,981)
<p>Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.</p>		
		(259,992)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest costs in the Statement of Activities over the amount due is shown here.</p>		
		(79,661)
<p>Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.</p>		
District pension and OPEB contributions (PSERS)		8,031,000
Cost of benefits earned net of employee contributions (PSERS)		(10,261,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		16,698
Change in other post-employment benefits (District's plan)		(226,721)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects 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>		
Repayment of long-term debt	3,771,000	
Repayment of lease-purchase obligation	356,725	
Issuance of general obligation bonds	(32,557,697)	
Issuance lease-purchase obligation	(70,840)	
Amortization of charges for bond refunding	(74,478)	
Amortization of bond premiums and discounts - net	140,594	
Change in pay-variable, interest-rate swap liability	(197,148)	<u>(28,631,844)</u>
Changes in net position of governmental activities		<u>\$ (1,723,891)</u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2018

	General Fund			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Local sources	\$ 36,568,151	\$ 36,568,151	\$ 36,353,210	\$ (214,941)
State sources	22,948,504	22,948,504	24,312,796	1,364,292
Federal sources	725,000	725,000	1,048,507	323,507
Total revenues	60,241,655	60,241,655	61,714,513	1,472,858
Expenditures				
Current				
Instructional	38,451,736	38,446,823	36,429,675	2,017,148
Support services	17,725,176	17,731,801	17,053,748	678,053
Operation of noninstructional services	1,026,107	1,024,395	1,027,102	(2,707)
Refunds of prior years' receipts	-	-	1,070	(1,070)
Total Current	57,203,019	57,203,019	54,511,595	2,691,424
Debt service	5,111,682	5,111,682	4,830,220	281,462
Total expenditures	62,314,701	62,314,701	59,341,815	2,972,886
Excess (deficiency) of revenues over expenditures	(2,073,046)	(2,073,046)	2,372,698	4,445,744
Other Financing Sources (Uses)				
Interfund transfers out	-	-	(2,101,700)	(2,101,700)
Budgetary reserve	(100,000)	(100,000)	-	100,000
Total other financing uses	(100,000)	(100,000)	(2,101,700)	(2,001,700)
Net changes in fund balance	\$ (2,173,046)	\$ (2,173,046)	270,998	\$ 2,444,044
Fund Balance - July 1, 2017			19,170,543	
Fund Balance - July 30, 2018			<u>\$ 19,441,541</u>	

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2018

Assets	
Cash and cash equivalents	\$ 380,348
Receivables	
State sources	6,253
Federal sources	100,682
Other	17,355
Inventories	9,307
Other capital assets, net of depreciation	83,912
Total assets	<u><u>\$ 597,857</u></u>
Deferred Outflows of Resources	
Deferred amounts on pension liability	\$ 319,000
Deferred amounts on OPEB liabilities	14,403
Total deferred outflows of resources	<u><u>\$ 333,403</u></u>
Liabilities	
Due to other funds	\$ 100,118
Accounts payable	29
Accrued salaries and benefits	7,762
Payroll deductions and withholdings	129
Unearned revenue	35,297
Long-term liabilities	
Net pension liability	1,740,000
OPEB liabilities	95,900
Compensated absences	19,950
Total long-term liabilities	<u>1,855,850</u>
Total liabilities	<u><u>\$ 1,999,185</u></u>
Deferred Inflows of Resources	
Deferred amounts on pension liability	\$ 26,000
Deferred amounts on OPEB liabilities	4,000
Total deferred outflows of resources	<u><u>\$ 30,000</u></u>
Net Position	
Net investment in capital assets	\$ 83,912
Unrestricted	(1,181,837)
Total net position	<u><u>\$ (1,097,925)</u></u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2018**

Operating Revenues	
Food service revenues	\$ 627,335
Operating Expenses	
Salaries	521,320
Employee benefits	410,000
Purchased professional and technical services	808
Purchased property services	3,385
Supplies	666,336
Depreciation	9,885
Other operating expenses	10,179
Total operating expenses	<u>1,621,913</u>
Operating loss	<u>(994,578)</u>
Nonoperating Revenues	
Investment earnings	5,687
State sources	156,372
Federal sources	875,248
Total nonoperating revenues	<u>1,037,307</u>
Changes in net position	42,729
Net Position - July 1, 2017 (as previously reported)	(1,052,073)
Prior Period Adjustment (see Note 1)	(88,581)
Net Position - July 1, 2017 (restated)	<u>(1,140,654)</u>
Net Position - June 30, 2018	<u>\$ (1,097,925)</u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE

Year Ended June 30, 2018

<hr/>	
Cash Flows From Operating Activities	
Cash received from users	\$ 627,438
Cash payments to employees for services	(807,413)
Cash payments to suppliers for goods and services	(654,449)
Cash payments for other operating expenses	(10,179)
Net cash used in operating activities	<u>(844,603)</u>
Cash Flows From Noncapital Financing Activities	
State sources	150,119
Federal sources	687,613
Net cash provided by noncapital financing activities	<u>837,732</u>
Cash Flows From Investing Activities	
Investment earnings	5,687
Net cash provided by investing activities	<u>5,687</u>
Net decrease in cash and cash equivalents	(1,184)
Cash and Cash Equivalents:	
July 1, 2017	<u>381,532</u>
June 30, 2018	<u><u>\$ 380,348</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (994,578)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	9,885
Value of donated commodities	86,953
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(8,066)
Inventories	(5,033)
Deferred outflows of resources	56,440
(Decrease) increase in:	
Accounts payable	(65,840)
Accrued salaries and benefits	7,163
Internal balances	99,053
Unearned revenue	8,169
Compensated absences	(27,225)
Net pension liability	(29,000)
OPEB liabilities	1,476
Deferred inflows of resources	16,000
Net cash used in operating activities	<u><u>\$ (844,603)</u></u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Agency Fund</u> <u>Student Activities</u>
Assets	
Cash and cash equivalents	\$ 94,635
Total assets	<u>\$ 94,635</u>
Liabilities	
Due to student groups	\$ 94,610
Due to other funds	25
Total liabilities	<u>\$ 94,635</u>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Dover Area School District (the District) operates a Public School system that encompasses three municipalities in York County. The District operates four elementary schools, one middle school, and one high school. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The governing body of the District is comprised of a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. Funding for the District is received from local, Commonwealth, and Federal sources and must comply with the requirements of the various funding-source agencies.

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

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

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units that are required to be included in this presentation.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The significant effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds and proprietary and fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when related liabilities are 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 revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources-measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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 payments are due.

When both restricted and unrestricted (including committed, assigned, and unassigned) resources are available for use, it is the School District's policy to generally use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed. However, the District does use unassigned monies at times to pay for expenditures that may have been board-committed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from local property, earned income, per capita and occupational taxes, and state and Federal distributions. Many of the more important activities of the District, including instruction, administration of the District and certain non-instructional services are accounted for in this fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service program.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food-service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food-service charges. Operating expenses for the District's proprietary fund include food-production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund type:

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

D. Budget and Budgetary Accounting

The School Board approves, prior to the beginning of each year, an annual budget on the modified-accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The General Fund is the only fund that has an annual budget that has been legally adopted by the School Board. The School Board does not legally adopt the Food Service Fund budget; however, the budget is approved by the Board. The Public School Code allows the School Board to authorize budget-transfer amendments during the last nine months of each fiscal year.

The School District may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. Amendments require School Board approval. All appropriations lapse at the end of each fiscal year.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three month or less, when purchased, to be cash equivalents.

Investments: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Inventories: On government-wide financial statements, inventories are presented at the lower of cost or market on the first-in, first-out (FIFO) method, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2018. The inventory consisted of government-donated commodities which were valued at estimated, fair-market value, and purchased commodities and supplies, both valued at cost using the FIFO method.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized in accordance with board policy at the discretion of management. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extents to which the assets are part of larger capital projects. Established procedures state that capital assets are defined as individual assets with costs greater than \$4,000 and estimated useful lives in excess of one year. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' useful lives are not capitalized.

Depreciation is provided for capital assets on the straight-line basis over the following estimated useful lives of the assets or groups of assets as determined by management:

	Estimated Lives (in years)	
	Governmental Activities	Business-Type Activities
Land improvements	20	N/A
Buildings and improvements	15 - 20	N/A
Machinery and equipment	5 - 20	5 - 25

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow which is recognized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes changes in assumptions, net difference between projected and actual investment earnings, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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 or business-type activity column in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bonds payable are reported inclusive of or net of applicable bond premiums or discounts, respectively.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is 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: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues employee benefits such as unpaid personal leave and sick pay. Calculations of these amounts are determined by the appropriate personal, sick and retirement lump-sum payments which would be available to employees if they would leave or retire from the District and the calculations are adjusted for expected turnover rates of employees.

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans the first is a single employer plan administered by the District. The plan provides retiree health, vision, dental care, and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

As of July 1, 2017, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementation of GASB 75 requires the District to recognize the liability and deferred inflows and outflows of resources resulting from a proportionate share of the net OPEB liability relating to the PSERS Plan and of the total OPEB liability relating to the District’s Single Employer Plan as of June 30, 2017. This has resulted in a total decrease in the District’s net position of \$5,702,476 as of July 1, 2017.

The balance of the District’s OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2018, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	\$ 3,633,413	\$ 21,900	\$ 3,655,313
PSERS Cost Sharing Plan	3,553,000	74,000	3,627,000
Total	<u>\$ 7,186,413</u>	<u>\$ 95,900</u>	<u>\$ 7,282,313</u>
Deferred Outflows of Resources			
District's Single Employer Plan	\$ 244,028	\$ 10,403	\$ 254,431
PSERS Cost Sharing Plan	209,000	4,000	213,000
Total	<u>\$ 453,028</u>	<u>\$ 14,403</u>	<u>\$ 467,431</u>
Deferred Inflows of Resources			
District's Single Employer Plan	\$ -	\$ -	\$ -
PSERS Costs Sharing Plan	207,000	4,000	211,000
Total	<u>\$ 207,000</u>	<u>\$ 4,000</u>	<u>\$ 211,000</u>

Additional disclosures related to other post-employment benefits of the District’s Single Employer Plan and PSERS Cost Sharing Plan are in Note 10 and 11, respectively.

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.

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases, when repayment is expected, the advances are accounted for through the various “due from” and “due to” accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources - Pensions: The District the difference between expected and actual experience and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining services lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the changes in assumptions, changes in proportions and the difference between employer contributions and proportionate share of total contributions as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. GASB Statement No. 54 provides additional guidance on the classification within the Net Position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements. As of June 30, 2018, the District had no encumbrances.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Fund Balance:

The School District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Director of Administration or the Budget and Finance Committee.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an assigned and unassigned General Fund balance of not less than 5 percent and not more than 8 percent of the budgeted expenditures for that year.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance, and then the unassigned balance.

F. Other

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

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 9, 2018, the date the financial statements were available to be issued.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2018, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 2,858,000	\$ 2,858,000	Various Bank CDs

Financial Institutions - Various Banks CDs - The District invests in Certificates of Deposit at a number of banks through a PSDLAF program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of \$250,000. The certificates are invested at the various banks and are held in the name of the District.

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2018, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund			
PSDMAX	AAAm	0.219	\$ 8,048,564
PSDLAF Full Flex Pool	NA	Various	41,706,000
PSDLAF Collateralized CD Pool	NA	Various	3,750,000
			<u>\$ 53,504,564</u>

Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed term series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the certificate of deposit and the third-party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third-party custodian with respect to all such collateralized certificates of deposit. Permitted Investments (other than certificates of deposit) such as U.S. Treasury or Agency securities in which monies in which a Fixed Term Series are invested are registered in the name or names of the Settlor or Settlers for which the Fixed Term Series was created, and the security is held in custody by a third party custodian pursuant to a custody agreement between the Investment Adviser and the third party custodian. At present, US Bank National Association, Minneapolis, Minnesota serves as the third-party custodian with respect to all such securities.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets (Continued)

The District reports these nonparticipating contracts, as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

The PSDLAF Collateralized CD Pool is fixed term series investments collateralized in accordance with Act 72 and invests in certificates of deposit in the name of PSDLAF. The District reports these nonparticipating contracts, as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31. The fund will invest in FDIC insured institutions only on a fully collateralized basis in accordance with Section 440.1 of the Public School Code or in amounts that will result in full insurance in accordance with the regulations of the FDIC as interpreted by the FDIC from time to time. Currently under these regulations Settlor's deposits in each insured institution are insured up to \$250,000 in the aggregate, regardless of whether the deposits are made through the Fund or directly by a Settlor. All investments are intended to be deposited for the full term of the particular fixed term series.

The 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. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District’s investments, and the District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District’s investments are entirely held with PSDLAF.

Note 3. Taxes Receivable and Deferred Inflows of Resources

Summaries of taxes receivable and related accounts of the General Fund at June 30, 2018, are as follows:

	Amount
Taxes Receivable - Net	\$ 1,718,010
Taxes to be collected within 60 days	\$ 929,586
Deferred inflows of resources - delinquent property taxes	788,424
	\$ 1,718,010

Note 4. Property Taxes

Based upon assessed valuations provided by York County, the municipal tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2017-2018, is as follows:

July 1, 2017	Tax-Levy Date
Through September 15, 2017	2% Discount
Through November 15, 2017	Face-Payment Period
November 15, 2017	10%-Penalty Period
January 1, 2018	Lien-Filing Date

The District’s tax rate for all purposes in 2017-2018, was 21.934 mills (\$21.934 per \$1,000 assessed valuation). Refunds on payments of prior-year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania Accounting System.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2018, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 109,896	\$ -
Capital Projects	-	9,753
Proprietary Fund		
Food Service	-	100,118
Fiduciary Fund		
Student Activities	-	25
	\$ 109,896	\$ 109,896

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures were incurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2018, are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds		
General	\$ -	\$ 2,101,700
Capital Projects	2,101,700	-
	\$ 2,101,700	\$ 2,101,700

Transfers and payments within the District are substantially for purposes or subsidizing operating functions or funding routine capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administrations of various projects or programs.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Capital Assets

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

	July 1, 2017	Increases	Decreases	June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 170,000	\$ -	\$ -	\$ 170,000
Construction-in-progress	-	3,615,027	-	3,615,027
Total Capital assets not being depreciated	170,000	3,615,027	-	3,785,027
Capital assets being depreciated				
Buildings and building improvements	113,558,950	41,227	-	113,600,177
Furniture and equipment	8,462,575	278,167	(1,206,118)	7,534,624
Total capital assets being depreciated	122,021,525	319,394	(1,206,118)	121,134,801
Less accumulated depreciation				
Buildings and building improvements	69,031,196	4,590,434	-	73,621,630
Furniture and equipment	7,839,239	564,968	(1,206,118)	7,198,089
Total accumulated depreciation	76,870,435	5,155,402	(1,206,118)	80,819,719
Total capital assets being depreciated, net	45,151,090	(4,836,008)	-	40,315,082
Total Governmental Activities, Capital Assets - Net	\$ 45,321,090	\$ (1,220,981)	\$ -	\$ 44,100,109
Business-Type Activities:				
Capital assets being depreciated				
Equipment	\$ 305,248	\$ -	\$ -	\$ 305,248
Less accumulated depreciation for equipment	211,451	9,885	-	221,336
Total Business-Type Activities, Capital Assets - Net	\$ 93,797	\$ (9,885)	\$ -	\$ 83,912

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

	Amount
Governmental Activities:	
Instruction	\$ 3,922,915
Instructional student support	463,500
Administrative and financial support	404,062
Operation and maintenance of plant services	254,598
Pupil transportation	6,491
Student activities	103,836
Total Governmental Activities	<u>5,155,402</u>
Business-Type Activities:	
Food Service	9,885
Total Primary Government	<u>\$ 5,165,287</u>

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2018, and transactions during the year then ended follows:

	July 1, 2017	Increases	Decreases	June 30, 2018	Due within one year
Governmental Activities					
Bonds and notes payable:					
Series of 2008	\$ 13,506,000	\$ -	\$ 511,000	\$ 12,995,000	\$ 508,000
Series of 2013	715,000	-	715,000	-	-
Series of 2015A	9,020,000	-	550,000	8,470,000	555,000
Series of 2015B	7,410,000	-	290,000	7,120,000	330,000
Series of 2016	9,355,000	-	1,705,000	7,650,000	2,480,000
Series of 2018	-	29,205,000	-	29,205,000	5,000
Net premium (discount) on bonds	372,139	3,352,697	140,594	3,584,242	-
Total bonds and notes payable	40,378,139	32,557,697	3,911,594	69,024,242	3,878,000
Compensated absences	1,228,059	21,026	37,724	1,211,361	33,020
Lease-purchase obligation	507,795	70,840	356,725	221,910	169,673
Total governmental activities long-term liabilities	\$ 42,113,993	\$ 32,649,563	\$ 4,306,043	\$ 70,457,513	\$ 4,080,693
Business-type activities:					
Compensated absences	\$ 47,175	\$ -	\$ 27,225	\$ 19,950	\$ -
Total business-type activities long-term liabilities	\$ 47,175	\$ -	\$ 27,225	\$ 19,950	\$ -

General Obligation Notes - Series of 2008 - On December 30, 2008, the District issued General Obligation Notes - 2008 Series A-1 and A-2 in the total principal amount of \$15,000,000. The proceeds of the notes were used to finance capital additions and renovations to elementary school buildings, and to pay for the costs of issuance. Interest is payable monthly with a maximum interest rate of 15.00%. At settlement, the District exercised a fixed-rate conversion feature for \$7,500,000 of these variable rate notes to a fixed rate of 3.245%. Principal payments are paid annually through 2025 and range between \$5,000 and \$3,016,000. At June 30, 2018, the fixed and variable portions of this debt were \$6,750,000 and \$6,756,000, respectively. The notes bear interest at a variable rate which is determined weekly by the remarketing agent.

General Obligation Bonds - Series of 2013 - On February 26, 2013, the District issued General Obligation Bonds - Series of 2013 in the principal amount of \$5,480,000. The proceeds of the bonds were being used to refund the General Obligation Bonds - Series of 2003, and to pay for the costs of issuance. The bonds bore annual interest rates ranging from 0.35% to 3.00%, payable annually. The bonds matured serially in amounts ranging from \$215,000 to \$2,165,000 through 2018. During 2018, the bonds were paid in full.

General Obligation Note - Series A of 2015 - On July 29, 2015, the District issued General Obligation Note - Series A of 2015 in the principal amount of \$9,750,000. The proceeds of the note are being used to refund the General Obligation Note - Series of 2010, and to pay for the costs of issuance. The economic gain on the partial refunding of the 2010 bonds was \$282,394. The note bears a fixed interest rate of 2.75% per annum for the term. The note matures serially in amounts ranging from \$200,000 to \$2,205,000 through 2027.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bond - Series B of 2015 - On August 28, 2015, the District issued General Obligation Bond - Series B of 2015 in the principal amount of \$8,080,000. The proceeds of the bond are being used to refund the General Obligation Bonds - Series of 2010, and to pay for the costs of issuance. The economic gain on the partial refunding of the 2010 bonds was \$300,718. The bond bears a fixed interest rate of 2.75% per annum for the term. The bond matures serially in amounts ranging from \$255,000 to \$2,325,000 through 2027.

General Obligation Bond - Series of 2016 - On November 15, 2016, the District issued General Obligation Bond - Series of 2016 in the principal amount of \$9,355,000. The proceeds of the bond are being used to refund the General Obligation Bonds - Series A of 2011, and to pay for the costs of issuance. The economic gain on the refunding of the 2011A bonds was \$257,388. The bond bears a fixed interest rate ranging from 1.07% to 4.00%, payable semi-annually. The bond matures serially in amounts ranging from \$1,705,000 to \$2,635,000 through 2021.

General Obligation Bond - Series of 2018 - On June 26, 2018, the District issued General Obligation Bond - Series of 2018 in the principal amount of \$29,205,000. The proceeds of the bond are being used for acquisition, design, construction and furnishing of alterations, additions, renovations, and improvements to the High School and Intermediate School building of the District; financing various other capital projects; and to pay for the costs of issuance. The bond bears a fixed interest rate ranging from 1.70% to 5.00%, payable semi-annually. The bond matures serially in amounts ranging from \$5,000 to \$3,070,000 through 2039.

The District is in compliance with all debt covenants of the outstanding issues. Those covenants include the following: The District shall include the annual debt service in its budget for the fiscal year; shall appropriate those amounts from its general revenues; and shall punctually cause the payment of the principal and interest of all obligations.

The future, debt-service requirements of the fixed and variable general obligation long-term debt issues are as follows, assuming current rates:

Years	Principal	Interest	Total
2018-2019	\$ 3,878,000	\$ 2,067,826	\$ 5,945,826
2019-2020	3,988,000	2,301,660	6,289,660
2020-2021	4,132,000	2,174,811	6,306,811
2021-2022	3,601,000	2,058,160	5,659,160
2022-2023	3,751,000	1,965,009	5,716,009
2023-2028	19,035,000	8,251,071	27,286,071
2028-2033	11,700,000	5,613,950	17,313,950
2033-2038	14,170,000	2,479,250	16,649,250
2038-2039	1,185,000	59,250	1,244,250
	<u>\$ 65,440,000</u>	<u>\$ 26,970,987</u>	<u>\$ 92,410,987</u>

All debt-service payments for general obligation notes and bonds are funded by the General Fund. As required by the Pennsylvania Department of Education Financial Accounting and Reporting Manual, debt-issuance costs are reported on the Statement of Revenues, Expenditures and Changes in Fund Balances as Support Services expenditures.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

The District has no outstanding, in-substance, defeased debt.

Swap Payments

As of June 30, 2018, interest-rate swap payments scheduled to be received are as follows.

<u>Years</u>	<u>Amount</u>
2018-2019	\$ 213,400
2019-2020	213,400
2020-2021	213,400
	<u>\$ 640,200</u>

The fair value of the interest-rate swap of \$615,421 is presented in the Statement of Net Position.

Compensated Absences

Sickness - Under the terms of the District's employment policies, employees are granted sick days per school year, and any unused sick days are permitted to be carried over to future years. Upon retirement from the District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by a pre-determined amount per the employment contract. The total liability for sick leave at June 30, 2018, has been reflected in the Statement of Net Position.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Lease Purchase Obligation

The District leases computers which are located throughout the District. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. The leases were previously classified as operating leases and disclosed as such. During the current year, these leases were reclassified. All lease-purchase obligations are funded by the General Fund.

The assets acquired through capital leases are as follows:

	Amount
Assets:	
Computers	\$ 315,330
Less: accumulated depreciation	(189,774)
Total computers - net book value	<u>\$ 125,556</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligations as of June 30, 2018:

Years	Amount
2018-2019	\$ 173,889
2019-2020	35,355
2020-2021	18,213
Total minimum lease payments	<u>227,457</u>
Less: amount representing interest	(5,547)
Total present value of net minimum lease payments	<u>\$ 221,910</u>

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim-servicing pool for member school districts and the intermediate unit. The Trust purchased stop-loss insurance through the Pennsylvania Trust with coverage starting at \$300,000 per covered person. A portion of the members' total contributions are transferred to the Pennsylvania Maxi-Pool Fund each month. Claims over \$300,000 and up to \$500,000 are paid from this fund on a shared risk basis. Stop loss insurance is purchased by the Pennsylvania Trust through an insurance carrier for \$500,000 and above per individual. At June 30, 2018, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$5,196,141 with Lincoln Benefit Trust, which is recorded in the General Fund as an asset. The District has nonspendable fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2018:

	Amount
Net position available for benefits	\$ 96,069,429
Accumulated plan benefits	\$ 7,299,600

The accumulated plan benefits represent benefit claims payable and estimated claims incurred, but not reported to the Plan Administrator at June 30, 2018. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount, and the difference may be material to the District's financial position.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

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

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2018, was 32.57% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 32.57% rate is composed of a contribution rate of 31.74% for pension benefits and .83% for healthcare-insurance premium assistance (OPEB benefits).

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan, relating to pension benefits, for the year ended June 30, 2018, was \$7,988,516, and is equal to the required contribution for the year. For the year ended June 30, 2018, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$4,783,334.

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

At June 30, 2018, the District reported a liability of \$87,911,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was .1780 percent, which was a decrease of .0022 from its proportion measured as of June 30, 2016.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$10,324,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 917,000	\$ 531,000
Changes in assumptions	2,388,000	-
Net difference between projected and actual investment earnings	2,037,000	-
Changes in proportion	3,031,000	799,000
Difference between employer contributions and proportionate share of total contributions	208,000	-
Contributions subsequent to the measurement date	7,988,000	-
	<u>\$ 16,569,000</u>	<u>\$ 1,330,000</u>

\$7,988,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2019	\$ 2,381,000
2020	3,214,000
2021	2,104,000
2022	(454,000)
2023	6,000
	<u>\$ 7,251,000</u>

Actuarial Assumptions

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

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

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	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 Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

DOVER AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 108,211,000	\$ 87,911,000	\$ 70,773,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2018, the District has payables to the PSERS pension plan of \$2,803,427. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2018.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits – District’s Single Employer Plan

Plan Description, Benefit Terms and Funding Policy

The District provides retiree health, vision, and dental-care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized in the chart below:

<i>GROUP</i>	<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
I. ADMINISTRATORS	Retire through PSERS	<p>Coverage: Medical, Prescription Drug, Dental, and Vision</p> <p>Premium Sharing: If the member reaches 30 total years of PSERS service and 5 years of service with the District, the member will be allowed to continue medical, prescription drug, and dental coverage for his/herself by paying the same amount as stated for an active administrator in the current contract at the time of retirement for up to 7 years. This premium share by the member is currently 9%. The member must pay the full premium for vision coverage. If the member is under 65 and has exhausted the years of paid benefits, the member may continue coverage by paying the full premium as determined for the purpose of COBRA. Spouses may continue benefits by paying the full premium.</p> <p>If the member does not reach 30 years of PSERS and 5 years with the District, the member may continue benefits by paying the full premium as determined for the purpose of COBRA. Spouses may also continue benefits by paying the full premium.</p> <p>Dependents: Spouses included.</p> <p>Grandfathered Retirees: One retiree receives medical, prescription drug, and dental coverage and pays 50% for these benefits. Another retiree receives the same benefits and pays 20% of the premium.</p>	Member and spouse may continue benefits until the earlier of member Medicare age and member death. Spousal benefits cease at Medicare age if the spouse reaches Medicare age before the member.
II. ALL OTHER EMPLOYEES	Same as I.	Act 110/43	Same as I.
<p>Notes: Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.</p> <p>PSERS Retirement:</p> <p>1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.</p> <p>2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.</p> <p>3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.</p>			

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits – District’s Single Employer Plan (Continued)

Employees Covered by Benefit Terms

For the year ended June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitle to but not yet receiving benefit payments	-
Active employees	386
	<u>405</u>

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

At June 30, 2018, the District reported a liability of \$3,655,313 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	<u>\$ 3,332,098</u>
Changes for the year	
Service cost	271,658
Interest	87,631
Changes in assumptions	119,779
Estimated benefit payments	(155,853)
Net Changes	<u>323,215</u>
Total OPEB Liability, ending	<u>\$ 3,655,313</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$367,845. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 111,223	\$ -
Benefit payments subsequent to the measurement date	143,208	-
	<u>\$ 254,431</u>	<u>\$ -</u>

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits – District’s Single Employer Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$143,208 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Year ending June 30:	Total
2019	\$ 8,556
2020	8,556
2021	8,556
2022	8,556
2023	8,556
Thereafter	68,443
	<u>\$ 111,223</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Discount Rate - 3.13%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.
- Health Care Cost Trend Rate - 6.0% in 2017, and 5.5% in 2018-2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees’ Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Mortality rates are separate and assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits – District’s Single Employer Plan (Continued)

Sensitivity of the District’s Total OPEB liability to Changes in the Discount Rate

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ 3,952,851	\$ 3,655,313	\$ 3,375,383

The discount rate used to measure the Total OPEB liability increased from 2.49% as of July 1, 2016 to 3.13% as of July 1, 2017.

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (6.0% decreasing to 3.9%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 3,168,944	\$ 3,655,313	\$ 4,242,158

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan

System Administration

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). 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. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The control and management of the System, including the investment of its assets is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$208,899 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$3,627,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was .1780 percent, which was a decrease of .0022 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$150,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 169,000
Changes in proportions	-	41,000
Net difference between projected and actual investment earnings	4,000	-
Difference between employer contributions and proportionate share of total contributions	-	1,000
Contributions subsequent to the measurement date	209,000	-
	<u>\$ 213,000</u>	<u>\$ 211,000</u>

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

\$209,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Amount
2019	\$ (34,000)
2020	(34,000)
2021	(34,000)
2022	(34,000)
2023	(36,000)
Thereafter	(35,000)
	<u>\$ (207,000)</u>

Actuarial Assumptions

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

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

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

The following assumptions were used to determine the contribution rate:

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

Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	<u>100.0%</u>	

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

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Discount Rate

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

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability increased from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017.

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

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 4,122,000	\$ 3,627,000	\$ 3,215,000

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits – PSERS Cost Sharing Plan (Continued)

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

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 8%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,626,000	\$ 3,627,000	\$ 3,627,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2018, the District has payables to the OPEB plan of \$73,310.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Derivative Financial Instruments

Objective of the Interest-Rate Swaps

As a means to manage interest-rate exposure, the District entered into a pay-variable, receive-fixed interest-rate swap in connection with its Series of 2003 General Obligation Bonds. The swap contract remained in effect through various bond refinancing through and including the 2006, 2011A, 2013 and 2016 Bonds. The intentions of the swap were to effectively change the District's fixed-interest rates on the bonds to lower, synthetic-variable rates.

Terms, Fair Value and Credit Risk

The terms, fair values, and credit risks of the outstanding swap as of June 30, 2018, were as follows. The notional amounts of the swaps aligned with percentages of the principal amounts of the original associated debt. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amounts	Effective Date	Fixed Rate Received	Variable Rate Paid	Fair Values	Swap Termination Date
GO Bonds Series of 2013 & 2016	<u>\$ 7,320,000</u>	4/15/2004	N/A	N/A	<u>\$ 615,421</u>	4/1/2021

During the year ended June 30, 2012, the District and the Swap Counterparty entered into a swap-modification agreement that results in annual payments being made to the District through 2021. This payment will be made without regard to future changes in interest rates. The Swap Fair Values have been determined based on the present values of the future payments to be made to the District.

For the year ended June 30, 2018, the derivative instruments are considered to be investment derivatives, with their fair values recorded as noncurrent liabilities on the Statement of Net Position, and the changes in their fair values recognized against investment income in the Statement of Activities. During the year ended June 30, 2018, \$197,148 was recorded as income in the Statement of Activities to reflect the changes in fair values of the derivatives from July 1, 2017.

Fair Values

The 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 instrument. 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 fair values of the derivative financial instruments were estimated using the discounted-cash flow method. This method calculates the future net settlement payments required by the interest-rate swaps. These payments are then discounted for the dates of each future net settlement on the interest-rate swaps. Presently, the District classifies these derivative financial instruments in Level 3.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Derivative Financial Instruments (Continued)

Credit Risk

As of June 30, 2018, the District is exposed to credit risk in the amount of the derivatives' fair values. The swap agreements contain a collateral agreement with the counterparty. The swaps are insured transactions by Financial Security Assurance, Inc.

The District has executed the swap transactions with a single counterparty. That counterparty is rated AA- by Standard & Poor's Rating Service.

Basis & Tax Risk

The swap is not exposed to basis risk as any change the relationship between variable rates would not alter the fixed amount that the District is scheduled to be paid under this financial contract. Similarly, the contract is not subject to tax risk.

Termination Risk

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as rating downgrades, failure to pay, and bankruptcy. The District or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts. If the swaps are terminated, the fixed-rate bonds would no longer carry synthetic interest rates.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Fund Balance Designations

The District has designated certain portions of the General and Capital Projects Fund balances as follows:

	General Fund	Capital Projects Fund	Capital Reserve Fund
Nonspendable, reported in:			
General Fund-Prepays	\$ 5,211,540	\$ -	\$ -
Restricted for, reported in:			
Capital Projects	-	28,501,711	12,324,496
Committed to, reported in:			
Retirement	5,254,125	-	-
Technology	500,000	-	-
Medical costs	907,802	-	-
Debt principal	2,464,917	-	-
Assigned, reported in:			
Capital Reserves	1,013,844	-	-
Unassigned, reported in:			
General Fund	4,089,313	-	-
	<u>\$ 19,441,541</u>	<u>\$ 28,501,711</u>	<u>\$ 12,324,496</u>

Note 14. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2018, the District did not incur any significant losses that were not covered by insurance.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

General Obligation Notes - 2008 Series Interest Rate Management Plan

On December 30, 2008, the District issued General Obligation Notes to the Delaware Valley Regional Financing Authority (Del Val) in the amount of \$15,000,000 for the purpose of additions and renovations to elementary school buildings and the payment of the costs of issuance of the 2008 notes. Del Val, as a financing authority, issues local government revenue bonds to provide loans for local government units.

Del Val enters into interest-rate swaps in order to reduce the costs of the participants in the Loan Program and to enhance the ability of those in the Loan Program to manage their interest-rate risk. These swaps carry the basic risks generally consistent with those described in Note 11, including basis risk, termination risk, credit risk, and market-access risk. As a participant in the Loan Program, the District could be adversely affected by the implications of Del Val's compliance with the terms of these swap agreements through additional costs which are not estimable at this time.

Operating Leases

The District maintains copying machines under non-cancelable, long-term, operating leases. Future minimum rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2018, are presented in the succeeding table. Total rental expense realized under these leases was \$213,447 for the year ended June 30, 2018, which was funded through the General Fund.

<u>Years</u>	<u>Amount</u>
2018-2019	\$ 191,317
2019-2020	191,317
2020-2021	31,886
	<u>\$ 414,521</u>

Construction Commitments

The District is in the initial stages of its commitment to construct and furnish its new high school at an estimated cost of \$64,887,433 as of June 30, 2018. The District expended approximately \$3,615,027 during the 2017-2018 year, which is shown in expenditures in the governmental funds. The District has a remaining commitment of approximately \$61,136,522 on the construction contracts and agreements as of June 30, 2018.

Grant Programs

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivables at June 30, 2018, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Joint Ventures

York County School of Technology

The District is one of fourteen member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint-operating committee consisting of board members from the "fourteen member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2018, the District paid \$1,043,186 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years, and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District's obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the fourteen member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. As of June 30, 2018, the District's pro-rata share represented 5.77% of total assessed value, which resulted in a lease rental payment to YCST in the amount of \$197,064, which payment is included in the instructional expenditures of the District's General Fund.

The annual requirements of the District based on the 5.77% assessed value rate to amortize the Lease Revenue Bonds 2017, Series A and B recorded on the books of the York County School of Technology Authority are as follows:

Year Ending September 30	Principal	Interest	Total
2019	\$ 121,747	\$ 67,313	\$ 189,060
2020	124,344	64,520	188,864
2021	129,536	59,553	189,089
2022	135,884	53,087	188,971
2023	142,519	46,302	188,821
2024-2028	532,571	137,385	669,956
2029-2032	356,586	27,276	383,862
Total	1,543,187	\$ 455,436	\$ 1,998,623
Less: due within one year	121,747		
Total long-term outstanding	<u>\$ 1,421,440</u>		

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Joint Ventures (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2018, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2017, audited financial statements, available for inspection at the School District's Business Office:

	Amount
Total assets	\$ 17,706,422
Total liabilities	51,114,608
Net position	
Net investment in capital assets	2,653,036
Unrestricted	(36,061,222)
Total net position	<u>\$ (33,408,186)</u>
Total revenues (including \$18,145,836 from member districts)	\$ 27,984,930
Total expenses	<u>29,200,355</u>
Change in net position	<u>\$ (1,215,425)</u>

York/LIU Joint Authority

The District is one of thirteen York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. Under the School Code, an intermediate unit is permitted "to lease land and buildings and to own office and warehouse facilities." This provision of the School Code prohibits an intermediate unit from owning buildings which are used for classrooms. Therefore, although an intermediate unit may lease classroom space, an intermediate unit may not own property which is used for classrooms.

In order to obtain the facilities which the LIU needs in York County, the LIU entered into a lease with Central York School District for the Old Central York High School on August 15, 2005. An option of the lease agreement stipulated that the LIU may purchase the property for \$2,500,000 before the two-year lease expired on August 31, 2007. As noted above, according to School Code, the LIU may lease the property, but not purchase it. As a result, on March 3, 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority.

The Authority will lease the above mentioned property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2017 with a balance of \$3,003,773 as of June 30, 2018.

DOVER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Events

On June 17, 2018, the Board of Directors authorized the District to enter into a four-year lease agreement, beginning in fiscal year 2018-2019, with Apple, Inc., totaling \$1,088,086, or \$272,021 annually, to enhance the District's 1:1 iPad initiative.

REQUIRED SUPPLEMENTARY INFORMATION

DOVER AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30,**

	2018	2017	2016	2015
District's proportion of the net pension liability	0.1780%	0.1802%	0.1723%	0.1699%
District's proportionate share of the net pension liability	<u>\$ 87,911,000</u>	<u>\$ 89,301,000</u>	<u>\$ 74,632,000</u>	<u>\$ 67,248,000</u>
District's covered payroll	<u>\$ 23,697,342</u>	<u>\$ 23,342,365</u>	<u>\$ 22,164,951</u>	<u>\$ 21,681,870</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	370.97%	382.57%	336.71%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

DOVER AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF
DISTRICT'S PENSION CONTRIBUTIONS
Year Ended June 30,**

	2018	2017	2016	2015
Contractually required contribution	\$ 7,988,516	\$ 6,942,501	\$ 5,878,163	\$ 4,461,057
Contributions in relation to the contractually required contribution	(7,988,516)	(6,942,501)	(5,878,163)	(4,461,057)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 25,342,955</u>	<u>\$ 23,663,907</u>	<u>\$ 23,349,296</u>	<u>\$ 22,161,245</u>
Contributions as a percentage of covered payroll	31.52%	29.34%	25.17%	20.13%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

DOVER AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN**

Year Ended June 30, 2018

Total OPEB liability		
Service cost	\$	271,658
Interest		87,631
Changes in assumptions		119,779
Benefit payments		(155,853)
		<hr/>
Net change in total OPEB liability		323,215
Total OPEB Liability - beginning		3,332,098
Total OPEB Liability - ending	\$	<u>3,655,313</u>
District's covered payroll	\$	21,955,378
Total OPEB liability as a percentage of covered payroll		16.65%

Notes to Schedule:

Changes of Assumptions: The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

DOVER AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PSERS COST SHARING PLAN
Year Ended June 30, 2018**

District's proportion of the net OPEB liability	0.1780%
District's proportionate share of the net OPEB liability	<u>\$ 3,627,000</u>
District's covered payroll	<u>\$ 23,697,342</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

DOVER AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST SHARING PLAN
Year Ended June 30, 2018**

Contractually required contribution	\$	208,899
Contributions in relation to the contractually required contribution		(208,899)
Contribution deficiency (excess)	\$	<u><u>-</u></u>
District's covered payroll	\$	25,342,955
Contributions as a percentage of covered payroll		0.82%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

DOVER AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

June 30, 2018

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 491	\$ 1,031,611	\$ 1,032,102
Investments	32,126,000	7,754,000	39,880,000
Due from other funds	-	3,615,027	3,615,027
Total assets	\$ 32,126,491	\$ 12,400,638	\$ 44,527,129
Liabilities			
Due to other funds	\$ 3,624,780	\$ -	\$ 3,624,780
Accounts payable	-	76,142	76,142
Total liabilities	3,624,780	76,142	3,700,922
Fund Balances			
Restricted	28,501,711	12,324,496	40,826,207
Total fund balances	28,501,711	12,324,496	40,826,207
Total liabilities and fund balances	\$ 32,126,491	\$ 12,400,638	\$ 44,527,129

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2018**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Revenues			
Local sources	\$ -	\$ 95,728	\$ 95,728
Total revenues	<u>-</u>	<u>95,728</u>	<u>95,728</u>
Expenditures			
Current:			
Support services	445,209	61,027	506,236
Total Current	<u>445,209</u>	<u>61,027</u>	<u>506,236</u>
Capital outlay	3,610,777	500	3,611,277
Total expenditures	<u>4,055,986</u>	<u>61,527</u>	<u>4,117,513</u>
Excess (deficiency) of revenues over expenditures	<u>(4,055,986)</u>	<u>34,201</u>	<u>(4,021,785)</u>
Other Financing Sources (Uses)			
Interfund transfers in	-	2,101,700	2,101,700
Issuance of general obligation bonds	29,205,000	-	29,205,000
Bond premium	3,352,697	-	3,352,697
Total other financing sources	<u>32,557,697</u>	<u>2,101,700</u>	<u>34,659,397</u>
Net changes in fund balances	<u>28,501,711</u>	<u>2,135,901</u>	<u>30,637,612</u>
Fund Balances - July 1, 2017	-	10,188,595	10,188,595
Fund Balances - July 30, 2018	<u>\$ 28,501,711</u>	<u>\$ 12,324,496</u>	<u>\$ 40,826,207</u>

See Notes to Financial Statements.

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

Board of School Directors
Dover Area School District
Dover, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Dover Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Dover Area School District's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 9, 2018

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

Board of School Directors
Dover Area School District
Dover, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe 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 Dover Area School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Dover Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dover Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Dover Area School District's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 9, 2018

**DOVER AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? Yes None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? Yes No

**DOVER AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Identification of the major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Programs/Cluster</u>
	Special Education Cluster (IDEA)
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Dollar threshold used to distinguish between
type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial-statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial-statement audit required to be reported.

Section III – Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

DOVER AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2018	Provided to Subrecipients
U.S. Department of Education										
Passed through PA Department of Education										
Title I - Grants to Local Educational Agencies	84.010	013-17-0120	16-17	\$508,945	\$ 199,186	\$ 165,238	\$ 33,948	\$ 33,948	\$ -	\$ -
Title I - Grants to Local Educational Agencies	84.010	013-18-0120	17-18	\$586,333	509,635	-	586,333	586,333	76,698	-
					<u>708,821</u>	<u>165,238</u>	<u>620,281</u>	<u>620,281</u>	<u>76,698</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	020-17-0120	16-17	\$ 91,764	54,806	26,184	28,622	28,622	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-18-0120	17-18	\$124,865	75,026	-	124,865	124,865	49,839	-
					<u>129,832</u>	<u>26,184</u>	<u>153,487</u>	<u>153,487</u>	<u>49,839</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Program	84.424	144-18-0120	17-18	\$ 13,209	4,403	-	13,209	13,209	8,806	-
					<u>4,403</u>	<u>-</u>	<u>13,209</u>	<u>13,209</u>	<u>8,806</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education					<u>843,056</u>	<u>191,422</u>	<u>786,977</u>	<u>786,977</u>	<u>135,343</u>	<u>-</u>
Passed through Lincoln Intermediate Unit										
Special Education Cluster										
Special Education Grants to State	84.027	062-17-0012	17-18	\$628,753	628,753	-	628,753	628,753	-	-
Special Education Preschool Grants	84.173	131-17-0012	17-18	\$ 7,185	7,185	-	7,185	7,185	-	-
Total Special Education Cluster passed through the Lincoln Intermediate Unit					<u>635,938</u>	<u>-</u>	<u>635,938</u>	<u>635,938</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education					<u>1,478,994</u>	<u>191,422</u>	<u>1,422,915</u>	<u>1,422,915</u>	<u>135,343</u>	<u>-</u>
U.S. Department of Health and Human Services										
Passed through PA Department of Public Welfare										
Medical Assistance Program; Title XIX	93.778	044-007413	16-17	\$ 14,009	10,256	10,256	-	-	-	-
Medical Assistance Program; Title XIX	93.778	044-007413	17-18	\$ 15,330	2,815	-	15,330	15,330	12,515	-
Total U.S. Dept. of Health and Human Services					<u>13,071</u>	<u>10,256</u>	<u>15,330</u>	<u>15,330</u>	<u>12,515</u>	<u>-</u>

(Continued)

DOVER AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2018

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2018	Provided to Subrecipients
U.S. Department of Agriculture										
Passed through PA Department of Education										
National School Lunch Program *	10.555	N/A	17-18	N/A	577,511	-	659,766	659,766	82,255	-
					<u>577,511</u>	<u>-</u>	<u>659,766</u>	<u>659,766</u>	<u>82,255</u>	<u>-</u>
School Breakfast Program *	10.553	N/A	17-18	N/A	110,102	-	128,529	128,529	18,427	-
					<u>110,102</u>	<u>-</u>	<u>128,529</u>	<u>128,529</u>	<u>18,427</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education					<u>687,613</u>	<u>-</u>	<u>788,295</u>	<u>788,295</u>	<u>100,682</u>	<u>-</u>
Passed through PA Department of Agriculture										
National School Lunch Program - Food Donations *	10.555	N/A	17-18	N/A	86,953	-	86,953	86,953	-	-
					<u>86,953</u>	<u>-</u>	<u>86,953</u>	<u>86,953</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture					<u>774,566</u>	<u>-</u>	<u>875,248</u>	<u>875,248</u>	<u>100,682</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$2,266,631</u>	<u>\$ 201,678</u>	<u>\$2,313,493</u>	<u>\$2,313,493</u>	<u>\$ 248,540</u>	<u>\$ -</u>

* Programs in the Child Nutrition Cluster
National School Lunch Program \$659,766
School Breakfast Program 128,529
National School Lunch Program - Food Donations 86,953
\$875,248

See Notes to Schedule of Expenditures of Federal Awards.

DOVER AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Dover Area School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dover Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Dover Area School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2018, was \$246,200.

DOVER AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2018

There were no prior year's audit findings