



WYOMISSING AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Wyomissing Area School District
Wyomissing, 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 Wyomissing Area School District as of and for the year ended June 30, 2017, 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 of material misstatement.

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

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and pension and other postemployment benefits information on pages 67 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedule of revenues and expenses - food service fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenses - food service fund and the schedule of expenditures of federal awards are 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 January 11, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wyomissing Area School District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
January 11, 2018**



Wyomissing Area School District

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Lynette R. Waller, Assistant Superintendent

Members of the Board of School Directors *Wyomissing Area School District*

This section of the Wyomissing Area School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status declined slightly during the 2016-17 fiscal year. Total net position decreased by \$225,626 over the course of the year.
- Overall governmental general revenues were \$29,371,644, which represents \$254,759 less than net program expenses.
- The total cost of basic programs increased by eight and a half percent (8.49%) to \$35,196,348. The net cost funded by tax and non-program revenues increased by eight percent (8.84%) to \$29,599,935.
- The net position of business-type activities (food services) increased by \$29,133 over the course of the year. Operating Revenues had a \$25,380 (7.54%) decrease at \$311,428 and expenses increased \$45,262 (6.42%) to \$749,792. The increase in expenses is largely due to PSERS expense and repairs and maintenance of aging equipment. The decreased revenue is primarily due to lower student participation.
- Outlays for new capital assets increased this year. The total gross capital assets for governmental funds increased by \$2,526,301.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are ***District-wide financial statements*** that provide both *short-term* and *long-term* information about the District's overall financial status. The remaining statements are ***fund financial statements*** that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements. The *governmental funds statements* indicate how basic services such as regular and special education were financed in the *short term* as well as indicate future spending plans. *Proprietary fund* statements offer *short- and long-term* financial information about the activities the District operates *like a business*, such as food services. *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Wyomissing Area School District Annual Financial Report

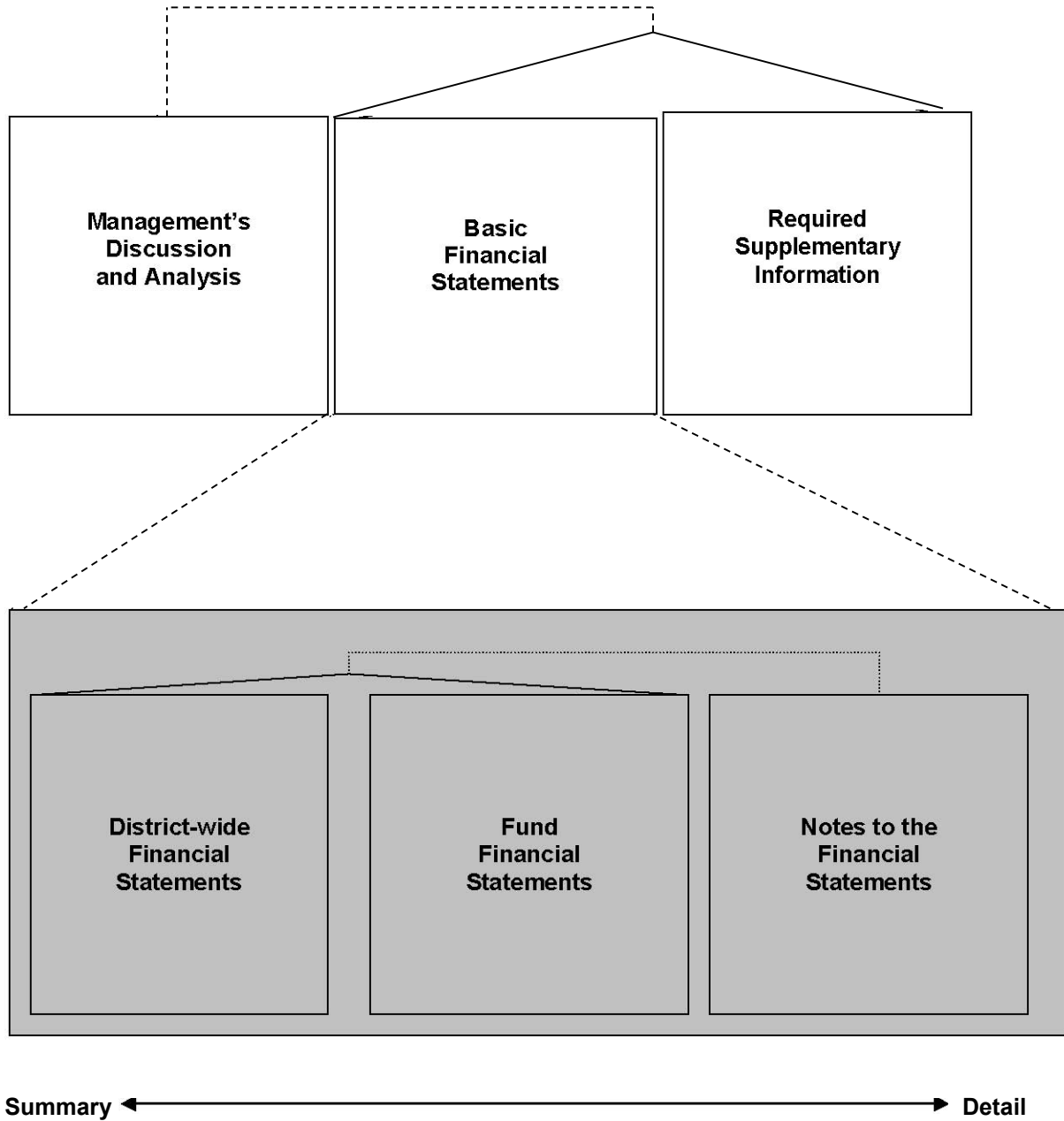


Figure A-2 summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

<u>Major Features of the District-wide and Fund Financial Statements</u>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects.	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included.	All assets and liabilities, both financial and capital, current and noncurrent.	All assets and liabilities, both current and noncurrent, funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, and net position. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows and outflows of resources – are one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, consideration needs to be given to additional non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities.

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid finance most of these activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as food services programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components that the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's *Enterprise Funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the food service fund.

Fiduciary Funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. The District currently has two fiduciary funds, the student activity fund and the scholarship fund.

Financial Analysis of the District as a Whole

There was significant changes to the Statement of Net Position as stated in the audited ending June 30, 2014. After restating the net position as of June 30, 2014 to represent the additional pension liability that was implemented when GASB no. 68 and no. 71 were issued in 2014-15, the District now has a negative net position. The District's net position decreased due to a negative change in net position of \$225,626 for the year ending June 30, 2017. This increased the overall negative net position to \$15.1 million.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current Assets	\$ 17,882,965	\$ 15,714,313	\$ 315,158	\$ 364,887	18,198,123	\$ 16,079,200
Capital Assets	43,968,003	44,354,926	8,488	35,703	43,976,491	44,390,629
Total Assets	\$ 61,850,968	\$ 60,069,239	\$ 323,646	\$ 400,590	\$ 62,174,614	\$ 60,469,829
Deferred Outflows of Resources	\$ 4,436,636	\$ 10,701,388	\$ 125,959	\$ 221,421	\$ 4,562,595	\$ 10,922,809
Long-term Liabilities	74,221,400	79,513,643	720,175	856,501	74,941,575	80,370,144
Other Liabilities	6,267,083	5,556,384	19,089	18,926	6,286,172	5,575,310
Total Liabilities	\$ 80,488,483	\$ 85,070,027	\$ 739,264	\$ 875,427	\$ 81,227,747	\$ 85,945,454
Deferred Inflows of Resources	\$ 409,251	\$ 565,489	\$ -	\$ 7,110	\$ 409,251	\$ 572,599
Net Position						
Net investment in capital assets	12,879,259	15,675,575	8,488	35,703	12,887,747	15,711,278
Restricted for Capital Projects	3,100,107	2,126,796	-	-	3,100,107	2,126,796
Restricted for Other Purposes	-	116,677	-	-	-	116,677
Unrestricted	(30,589,496)	(32,783,937)	(298,147)	(296,229)	(30,887,643)	(33,080,166)
Total Net Position	\$ (14,610,130)	\$ (14,864,889)	\$ (289,659)	\$ (260,526)	\$ (14,899,789)	\$ (15,125,415)

The District's total revenues increased by \$1,067,588 or 3.15% during the year. (See Figure A-4.) Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$26,874,050 or 76.85% of total revenues. Another 17.40% or \$6,084,542 came from state formula aid, such as basic education, special education and student transportation subsidies.

The total cost of all programs and services increased \$2,754,008 or 8.49% to \$35,196,348. The District's expenses are predominately related to instructing, caring for (instructional support services & operation/maintenance of school facilities) and transporting students, which represents 81.17% or \$28,567,578 of total expenses. The largest dollar increase in expenditures for 2016-17 was in instruction. See A-4.

Figure A-4

Changes in Net Position from Operating Result

	Governmental Activities		Business Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues						
Charges for services	\$ 80,700	\$ 76,245	\$ 336,808	\$ 311,428	\$ 417,508	\$ 387,673
Operating grants and contributions	4,340,785	4,664,661	455,650	464,832	4,796,435	5,129,493
Capital grants and contributions	31,992	79,247	-	-	31,992	79,247
General Revenues						
Property taxes and other taxes levied for general purposes	26,745,024	26,874,050	-	-	26,745,024	26,874,050
State Formula Aid	1,780,950	2,241,244	-	-	1,780,950	2,241,244
Other	130,266	256,350	959	2,665	131,225	259,015
Total Revenues	33,109,717	34,191,797	793,417	778,925	33,903,134	34,970,722
Expenses						
Instruction	18,492,843	20,595,943	-	-	18,492,843	20,595,943
Instructional student support	2,492,074	2,951,708	-	-	2,492,074	2,951,708
Administrative and financial support services	2,940,371	2,864,848	-	-	2,940,371	2,864,848
Operation of plant and maintenance services	3,621,064	4,084,347	-	-	3,621,064	4,084,347
Pupil Transportation	941,708	935,580	-	-	941,708	935,580
Other	3,249,750	3,014,130	704,530	749,792	3,954,280	3,763,922
Total Expenses	31,737,810	34,446,556	704,530	749,792	32,442,340	35,196,348
Incr(Decr) in Net Position	1,371,907	(254,759)	88,887	29,133	1,460,794	(225,626)
Beginning Net Position	(15,982,037)	(14,610,130)	(378,546)	(289,659)	(16,360,583)	(14,899,789)
Ending Net Position	\$ (14,610,130)	\$ (14,864,889)	\$ (289,659)	\$ (260,526)	\$ (14,899,789)	\$ (15,125,415)

Figure A-5 presents the cost of six (6) major District activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on District's taxpayers by each of these functions. The increase required to support the net cost of the District's basic programs was funded primarily by local real estate tax revenue, as well as other taxes levied for general purposes, such as earned income tax revenue. Additional funding in the form of state formula aid and interest income also contributed to funding the net cost of the District's governmental activities.

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2017	2016	2017
Instructional Services	\$ 18,492,843	\$ 20,595,943	\$ 15,298,655	\$ 17,132,761
Instructional Student Support	2,492,074	2,951,708	2,186,221	2,634,011
Administrative & Financial Support Services	2,940,371	2,864,848	2,713,945	2,612,777
Operation & Maintenance of Plant Services	3,621,064	4,084,347	3,478,315	3,919,827
Pupil Transportation	941,708	935,580	580,281	599,003
Other	3,249,750	3,014,130	3,026,916	2,728,024
TOTAL EXPENSES	\$31,737,810	\$34,446,556	\$27,284,333	\$ 29,626,403

Figure A-6 represents that total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of food services for the year ended June 30, 2017.

Figure A-6
Net Cost (Income) of Business-Type Activities

	Total Cost of Services		Net Cost (Income) of Services	
	2016	2017	2016	2017
Food Services	\$ 704,530	\$ 749,792	\$ 87,928	\$ 26,468
TOTAL	\$ 704,530	\$ 749,792	\$ 87,928	\$ 26,468

Financial Analysis of the District's Funds

At the end of fiscal 2016-17, governmental funds had total fund balances of \$13,105,443. During 2016-17 the net change in governmental fund balances decreased by \$774,118. This change was due in large part to the District's commitment to concentrate efforts on renovating areas within the District facilities that need to be upgraded without compromising instruction by taking from the general operating budget. The decrease of the capital projects fund balance by \$1,134,522 to \$2,339,603, was due to payments made to vendors for various projects at the Junior Senior High School. Total revenues exceeded total expenditures in the general fund, which produced an increase in fund balance by \$369,938 over last year. This is evidence of the District's strong fiscal condition.

General Fund Budgetary Highlights

The District's final 2016-17 budget for the general fund anticipated that expenditures would exceed revenue by \$356,553. The actual results for the year reflected a net surplus of \$369,938. This surplus is comprised of higher than anticipated revenues as well as changes in staffing that decreased costs.

Figure A-7
Local Sources of Revenue for Fiscal Year 2017
(Based on General Fund financial presentation)

Total Local Revenues - \$28,252,910

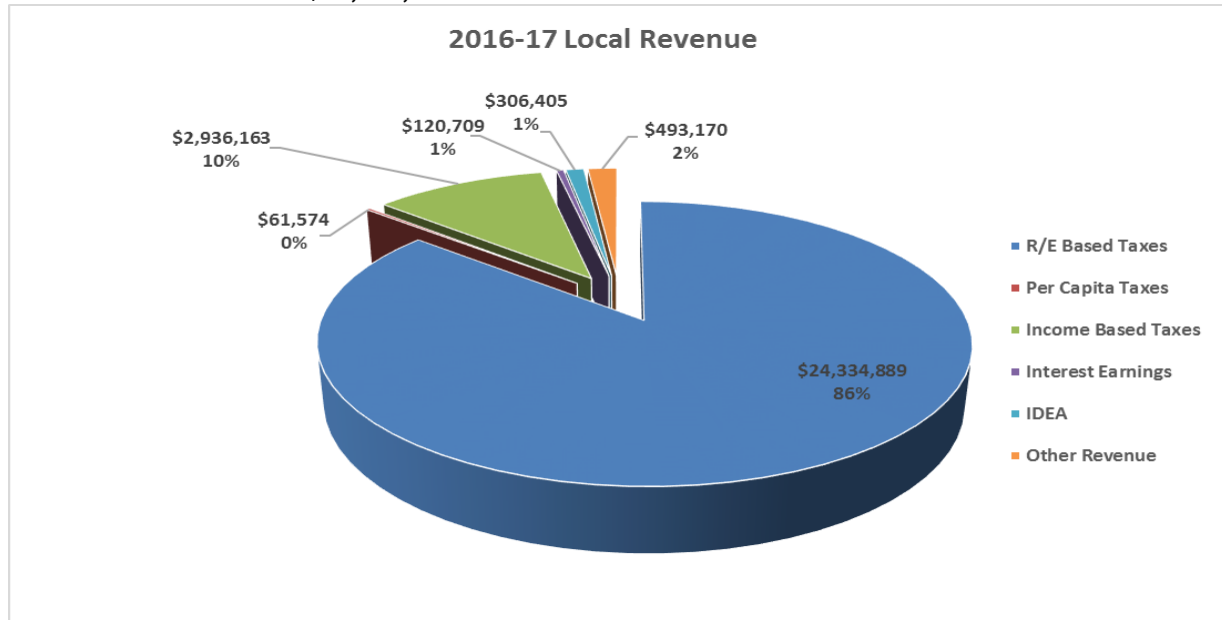


Figure A-8
Local Sources of Revenue for Fiscal Year 2016
(Based on General Fund financial presentation)

Total Local Revenues - \$27,191,856

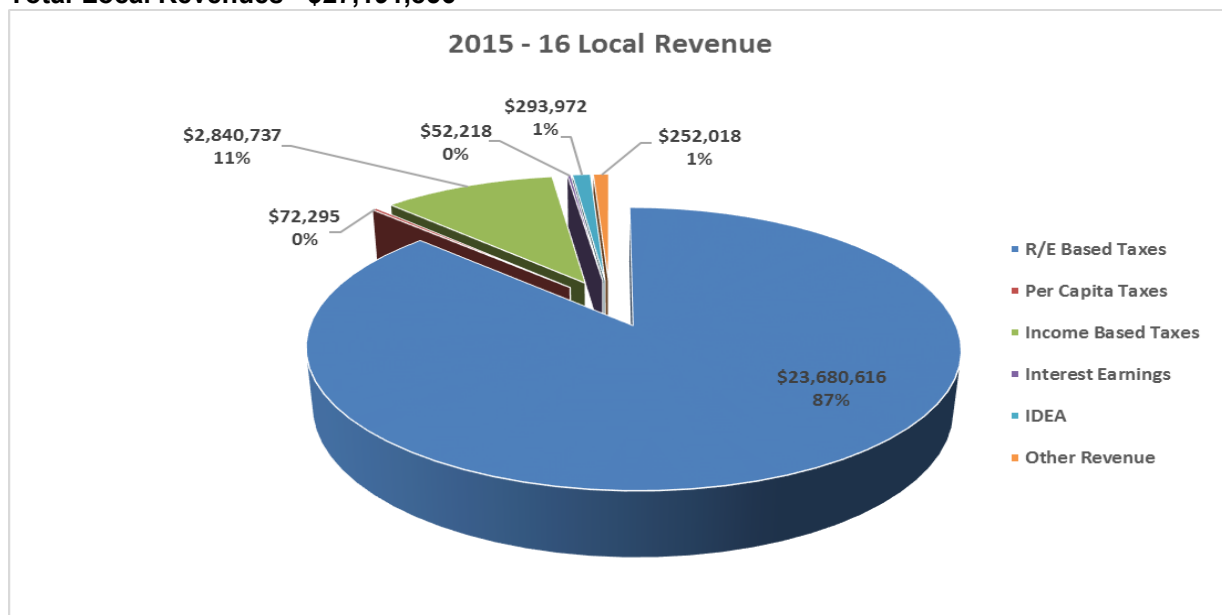


Figure A-9
Expenses for Fiscal Year 2017
(Based on General Fund Financial Presentation)

Total Expenditures - \$33,941,472

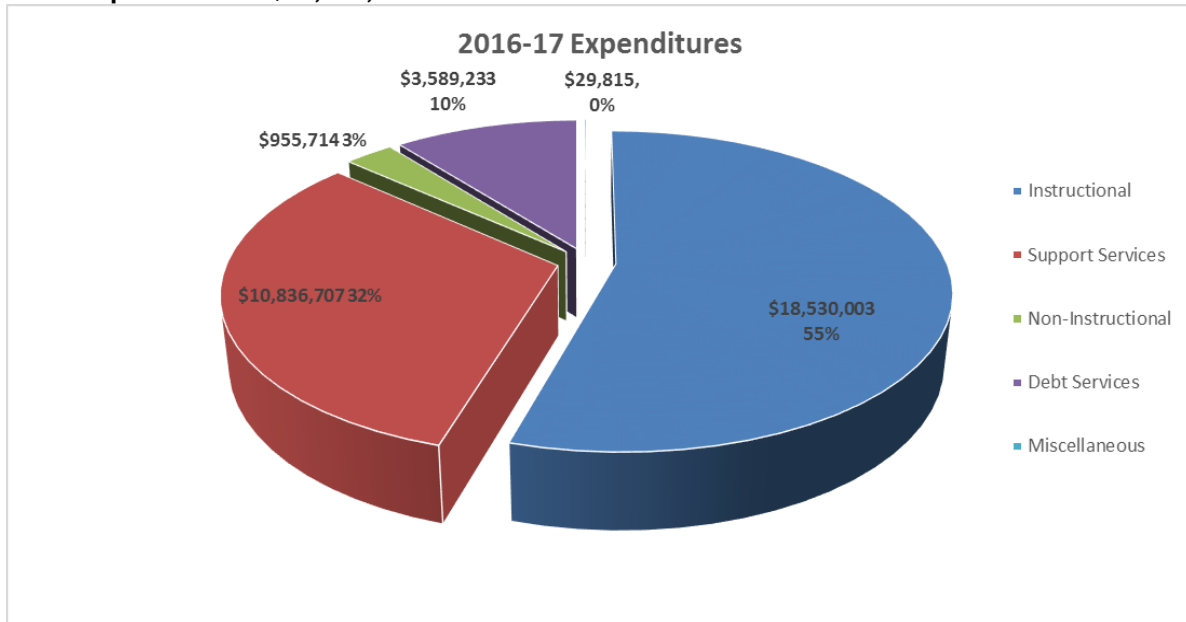
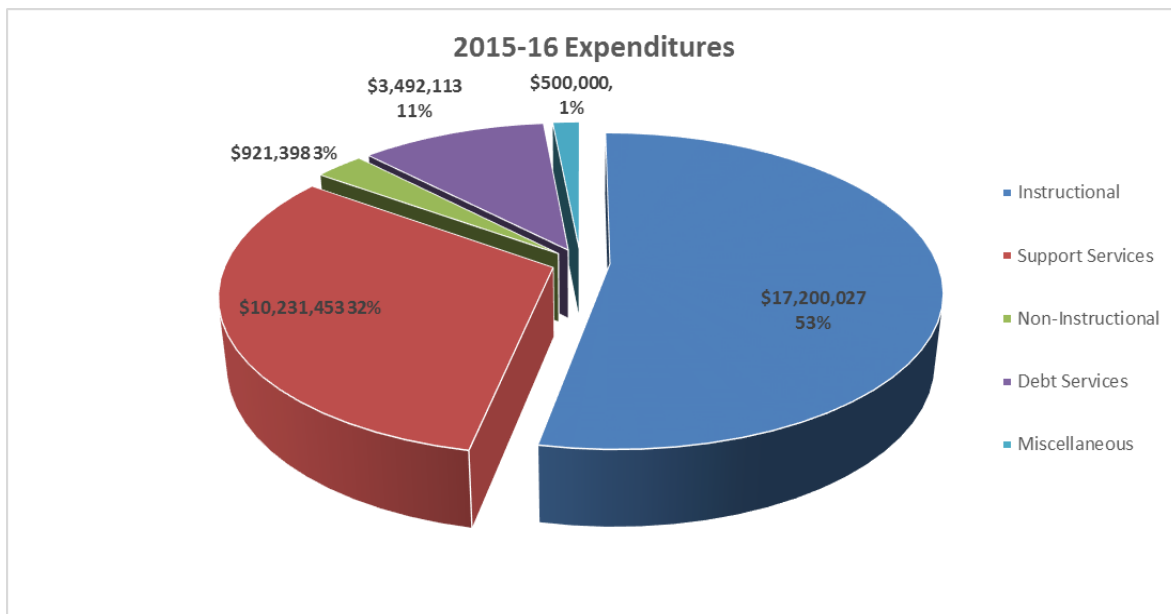


Figure A-10
Expenses for Fiscal Year 2016
(Based on General Fund Financial Presentation)

Total Expenditures - \$32,344,991



Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had investments of \$44,390,629 in a broad range of capital assets, including land, school buildings, athletic fields, fixtures and equipment. (See Figure A-11.) This amount represents a net increase of \$414,138 which is an increase of 0.94% for the year.

Figure A-11

Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Totals		Percentage Change
	2016	2017	2016	2017	2016	2017	2016-17
Land	\$ 232,196	\$ 232,196	\$ -	\$ -	\$ 232,196	\$ 232,196	0.00%
Site Improvements	1,802,731	1,672,517	-	-	1,802,731	1,672,517	-7.22%
Building & Building Improvements	38,987,152	39,466,095	-	-	38,987,152	39,466,095	1.23%
Fixtures & Equipment	2,663,484	2,758,346	8,488	35,703	2,671,972	2,794,049	4.57%
Construction in Progress	282,440	225,772	-	-	282,440	225,772	-20.06%
Ending Net Assets	\$ 43,968,003	\$ 44,354,926	\$ 8,488	\$ 35,703	\$ 43,976,491	\$ 44,390,629	0.94%

More detailed information about capital assets can be found in Note 7 to the financial statements. Total depreciation expense for the year totaled \$2,139,378 for the governmental activities, compared to the prior year depreciation expense total of \$1,862,729.

Long-Term Debt

At year end, the District had \$29,221,097 in general obligation bonds and other long-term debt outstanding. This is a decrease of 8.11% from last year as shown in Figure A-12. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Figure A-12

Outstanding Long-Term Debt

	Totals		Percentage Change
	2016	2017	2016-17
General Obligation Bonds/Notes	\$ 31,040,000	\$ 28,365,000	-8.62%
Capital Leases	328,901	436,581	32.74%
Compensated Absences	432,834	419,516	-3.08%
Total	31,801,735	29,221,097	-8.11%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District does not expect significant growth in the near future given the residential nature of the District and the lack of developable land within the District. Act 1 of 2006 and its amendments enacted in 2011 limits the ability of school districts to increase taxes. There are little to no alternative funding sources available to the district.

Health insurance premium increases are expected to be significant in future years due to the mandated implementation of the Affordable Care Act. In addition, contributions to the Pennsylvania School Employees Retirement System are 30.03% of payroll for 2016-17 and are projected to rise considerably in the future. The six year projected rates are:

- 32.57% in 2017-2018 (estimated cost net of state reimbursement \$2,458,202);
- 33.43% in 2018-2019 (estimated cost net of state reimbursement \$2,695,249);
- 34.79% in 2019-2020 (estimated cost net of state reimbursement \$2,893,035);
- 35.26% in 2020-2021 (estimated cost net of state reimbursement \$2,987,991);
- 35.68% in 2021-2022 (estimated cost net of state reimbursement \$3,068,440);
- 36.32% in 2022-2023 (estimated cost net of state reimbursement \$3,168,715)

The escalating rates will continue until they level out at 35.26% in the 2020-2021 year which carries an estimated cost, net of state reimbursement, of \$2,987,991. The "Pension Reform Act", Act 120 of 2010, was signed into law during November, 2010. This legislation provides numerous changes to the current PSERS system, primarily for new employees beginning July 1, 2010. While this Act did provide a new structure for management of increased contribution rates for future years, the impact will continue to be significant for a school district the size of Wyomissing Area.

The Board of Education has been assessing the capital improvement needs for the District for the past several years. On August 12, 2009, the Board issued \$5,000,000 in General Obligation Bonds to be utilized over a period of several years to fund various capital upgrades to the district facilities. In addition, on December 16, 2010 the Board authorized the issuance of \$22,435,000 in General Obligation Bonds to be utilized for a full renovation of the West Reading Elementary School as well as various capital projects at the Junior/Senior High School, Wyomissing Hills Elementary Schools and various district outdoor education facilities. On June 15, 2015, the Board authorized the issuance of \$10,000,000 General Obligation Note. The 2015 Note will be utilized as a refunding of 2009 Bonds and for the Energy Savings Project at the Wyomissing Hills, the re-turf project at the Junior Senior High School and various other projects. In 2016, the Board issued two notes in the total amount of \$14,655,000 for the refunding of the 2010 Bond.

The budget for the 2016-17 year is \$1,245,196 more than the original budget for 2015-16. The real estate tax increased .283 mills from 29.7836 mills to a millage rate of 30.0665 mills. This represents a .95% increase, which was below the maximum amount of 2.4% permitted under the Act 1 index. In addition to funding the large increase in PSERS pension contributions, the tax increase covered a 6% increase in health insurance premiums and allowed the addition of several key educational positions to better serve the ever changing needs of our students and families.

Downward economic factors have a significant impact on the school district and its future planning. While local, state and federal revenue streams are declining at a rapid pace, the educational needs of students and mandated programs continue to increase. Future budgets will require the school board and administration to work diligently to find solutions that will provide continued academic excellence in the programs we offer at the same time as staff and program cuts become necessary due to the declining revenue base.

Contacting the School District's Financial Management

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mark Boyer, Business Administrator/Board Secretary at Wyomissing Area School District, 630 Evans Ave. Wyomissing, PA 19610. Telephone: 610-374-0739 extension 1105.

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 13,516,227	\$ 442,403	\$ 13,958,630
Taxes Receivable, Net	564,637	-	564,637
Internal Balances	151,518	(151,518)	-
Intergovernmental Receivables	1,391,344	53,633	1,444,977
Other Current Assets	86,255	11,050	97,305
Inventories	-	9,319	9,319
Prepaid Expenses	4,332	-	4,332
Capital Assets Not Being Depreciated:			
Land	232,196	-	232,196
Construction in Progress	225,772	-	225,772
Capital Assets, Net of Accumulated Depreciation	43,896,958	35,703	43,932,661
TOTAL ASSETS	60,069,239	400,590	60,469,829
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources for Pension	6,550,334	158,152	6,708,486
Pension Contributions Made Subsequent to the Measurement Date	4,151,054	63,269	4,214,323
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,701,388	221,421	10,922,809
LIABILITIES			
Accounts Payable	576,602	132	576,734
Accrued Salaries and Benefits	179,158	13,422	192,580
Payroll Deductions and Withholdings	1,415,559	-	1,415,559
Accrued Interest	212,635	-	212,635
Unearned Revenues	-	5,372	5,372
Noncurrent Liabilities Due Within One Year	3,172,430	-	3,172,430
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	25,585,838	-	25,585,838
Capital Leases	214,501	-	214,501
Long-Term Portion of Compensated Absences	264,166	-	264,166
Net Pension Liability	53,011,499	856,501	53,868,000
Other Postemployment Benefits Obligation	437,639	-	437,639
TOTAL LIABILITIES	85,070,027	875,427	85,945,454
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	74,739	-	74,739
Deferred Inflows of Resources for Pension	490,750	7,110	497,860
TOTAL DEFERRED INFLOWS OF RESOURCES	565,489	7,110	572,599
NET POSITION			
Net Investment in Capital Assets	15,675,575	35,703	15,711,278
Restricted for Capital Projects	2,126,796	-	2,126,796
Restricted for Other Purposes	116,677	-	116,677
Unrestricted (Deficit)	(32,783,937)	(296,229)	(33,080,166)
TOTAL NET POSITION (DEFICIT)	\$ (14,864,889)	\$ (260,526)	\$ (15,125,415)

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional Services:							
Regular Programs - Elementary/Secondary	\$ 15,294,628	\$ 15,326	\$ 2,703,233	\$ -	\$ (12,576,069)	\$ -	\$ (12,576,069)
Special Programs - Elementary/Secondary	4,713,483	-	727,861	-	(3,985,622)	-	(3,985,622)
Vocational Education	481,362	-	-	-	(481,362)	-	(481,362)
Other Instructional Programs - Elementary/Secondary	102,012	-	12,304	-	(89,708)	-	(89,708)
Non- Public Instruction	4,458	-	4,458	-	-	-	-
Total Instructional Services	20,595,943	15,326	3,447,856	-	(17,132,761)	-	(17,132,761)
Support Services:							
Students	1,473,755	-	140,933	-	(1,332,822)	-	(1,332,822)
Instructional Staff	959,397	-	105,164	-	(854,233)	-	(854,233)
Administration	2,214,283	-	194,793	-	(2,019,490)	-	(2,019,490)
Pupil Health	518,556	-	71,600	-	(446,956)	-	(446,956)
Business	650,565	-	57,278	-	(593,287)	-	(593,287)
Operation and Maintenance of Plant Services	4,084,347	700	163,820	-	(3,919,827)	-	(3,919,827)
Student Transportation Services	935,580	-	336,577	-	(599,003)	-	(599,003)
Central	1,335,845	-	60,713	-	(1,275,132)	-	(1,275,132)
Other Support Services	26,639	-	-	-	(26,639)	-	(26,639)
Total Support Services	12,198,967	700	1,130,878	-	(11,067,389)	-	(11,067,389)
Noninstructional Services:							
Student Activities	1,013,856	60,219	83,847	-	(869,790)	-	(869,790)
Community Services	11,948	-	2,080	-	(9,868)	-	(9,868)
Scholarships and Awards	700	-	-	-	(700)	-	(700)
Interest on Long-Term Debt	625,142	-	-	79,247	(545,895)	-	(545,895)
Total Noninstructional Services	1,651,646	60,219	85,927	79,247	(1,426,253)	-	(1,426,253)
Total Governmental Activities	34,446,556	76,245	4,664,661	79,247	(29,626,403)	-	(29,626,403)
Business-Type Activities:							
Food Service	749,792	311,428	464,832	-	-	26,468	26,468
Total Primary Government	<u>\$ 35,196,348</u>	<u>\$ 387,673</u>	<u>\$ 5,129,493</u>	<u>\$ 79,247</u>	(29,626,403)	26,468	(29,599,935)
General Revenues:							
Taxes:							
Property Taxes					23,517,822	-	23,517,822
Public Utility Realty, Earned Income, and Mercantile Taxes					3,356,228	-	3,356,228
Grants, Subsidies, and Contributions Not Restricted to Specific Programs					2,241,244	-	2,241,244
Investment Earnings					135,989	2,665	138,654
Miscellaneous Income					120,361	-	120,361
Total General Revenues					29,371,644	2,665	29,374,309
Change in Net Position					(254,759)	29,133	(225,626)
Net Position (Deficit) - Beginning of year					(14,610,130)	(289,659)	(14,899,789)
Net Position (Deficit) - End of year					<u>\$ (14,864,889)</u>	<u>\$ (260,526)</u>	<u>\$ (15,125,415)</u>

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

	General	Capital Projects	Nonmajor Fund (Debt Service)	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 11,129,554	\$ 2,386,673	\$ -	\$ 13,516,227
Interfund Receivables	179,956	35,021	-	214,977
Taxes Receivable	569,249	-	-	569,249
Intergovernmental Receivables	1,391,344	-	-	1,391,344
Other Receivables	20,200	66,055	-	86,255
Prepaid Expenditures	4,332	-	-	4,332
TOTAL ASSETS	\$ 13,294,635	\$ 2,487,749	\$ -	\$ 15,782,384
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund Payables	\$ 63,459	\$ -	\$ -	\$ 63,459
Accounts Payable	428,456	148,146	-	576,602
Accrued Salaries and Benefits	179,158	-	-	179,158
Payroll Deductions and Withholdings	1,415,559	-	-	1,415,559
Current Portion of Compensated Absences	155,350	-	-	155,350
TOTAL LIABILITIES	2,241,982	148,146	-	2,390,128
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	286,813	-	-	286,813
FUND BALANCES				
Nonspendable	4,332	-	-	4,332
Restricted	116,677	2,339,603	-	2,456,280
Committed:				
Retirement Rate Increases	4,193,192	-	-	4,193,192
Capital Reserves	1,000,000	-	-	1,000,000
Curriculum Enhancements	1,396,884	-	-	1,396,884
Vehicle/Equipment Replacements	194,859	-	-	194,859
Field House Equipment	47,415	-	-	47,415
Assigned	972,451	-	-	972,451
Unassigned	2,840,030	-	-	2,840,030
TOTAL FUND BALANCES	10,765,840	2,339,603	-	13,105,443
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,294,635	\$ 2,487,749	\$ -	\$ 15,782,384

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2017

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,105,443

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$70,025,378 and the accumulated depreciation is \$25,670,452. 44,354,926

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts. 282,201

The net pension liability and other postemployment benefits obligations are not reflected on the fund financial statements. (53,449,138)

Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position. 10,210,638

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and Notes Payable	\$ (28,365,000)	
Unamortized Bond Premium	(33,223)	
Unamortized Bond Discount	17,385	
Deferred Charge on Bond Refunding	(74,739)	
Accrued Interest on Long-Term Debt	(212,635)	
Capital Leases Payable	(436,581)	
Long-Term Portion of Compensated Absences	(264,166)	(29,368,959)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES \$ (14,864,889)

WYOMISSING AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

	General	Capital Projects	Nonmajor Fund (Debt Service)	Total Governmental Funds
REVENUES				
Local Sources	\$ 28,252,910	\$ 29,960	\$ -	\$ 28,282,870
State Sources	6,084,542	-	-	6,084,542
Federal Sources	362,878	-	-	362,878
TOTAL REVENUES	34,700,330	29,960	-	34,730,290
EXPENDITURES				
Current:				
Instructional Services	18,530,003	-	-	18,530,003
Support Services	10,836,707	-	-	10,836,707
Operation of Noninstructional Services	955,714	-	-	955,714
Capital Outlay	29,815	1,914,482	-	1,944,297
Debt Service:				
Principal	2,918,866	-	-	2,918,866
Interest	670,367	-	-	670,367
TOTAL EXPENDITURES	33,941,472	1,914,482	-	35,855,954
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	758,858	(1,884,522)	-	(1,125,664)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	351,546	-	-	351,546
Transfers In	9,534	750,000	-	759,534
Transfers Out	(750,000)	-	(9,534)	(759,534)
TOTAL OTHER FINANCING SOURCES (USES)	(388,920)	750,000	(9,534)	351,546
NET CHANGE IN FUND BALANCES	369,938	(1,134,522)	(9,534)	(774,118)
FUND BALANCES - BEGINNING OF YEAR	10,395,902	3,474,125	9,534	13,879,561
FUND BALANCES - END OF YEAR	\$ 10,765,840	\$ 2,339,603	\$ -	\$ 13,105,443

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (774,118)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 2,526,301	
Less: Depreciation Expense	<u>(2,139,378)</u>	386,923

Because some taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (538,493)

Issuance of long-term debt (e.g., bonds) 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.

Repayment of Bond and Note Principal	2,675,000	
Repayment of Capital Lease	243,866	
Proceeds from Capital Lease	(351,546)	
Amortization of Bond Premium	12,861	
Amortization of Bond Discount	(6,729)	
Amortization of Deferred Charge on Bond Refunding	<u>(2,848)</u>	2,570,604

Interest expense incurred 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. 41,941

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. (22,914)

The change in net pension liability and other postemployment benefits obligation and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (1,918,702)

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (254,759)

WYOMISSING AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2017

	<u>Enterprise Fund Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 442,403
Interfund Receivables	258,159
Intergovernmental Receivables	53,633
Inventories	<u>9,319</u>
TOTAL CURRENT ASSETS	763,514
NONCURRENT ASSETS	
Machinery and Equipment, Net	<u>35,703</u>
TOTAL ASSETS	<u>799,217</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources for Pension	158,152
Pension Contributions Made Subsequent to the Measurement Date	<u>63,269</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>221,421</u>
LIABILITIES	
CURRENT LIABILITIES	
Interfund Payables	398,627
Accounts Payable	132
Accrued Salaries and Benefits	13,422
Unearned Revenues	<u>5,372</u>
TOTAL CURRENT LIABILITIES	417,553
NONCURRENT LIABILITIES	
Net Pension Liability	<u>856,501</u>
TOTAL LIABILITIES	<u>1,274,054</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources for Pension	<u>7,110</u>
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	35,703
Unrestricted (Deficit)	<u>(296,229)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (260,526)</u></u>

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2017

	Enterprise Fund Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 311,428
OPERATING EXPENSES	
Salaries	229,541
Employee Benefits	174,381
Supplies	320,291
Depreciation	2,641
Other Expenses	22,938
TOTAL OPERATING EXPENSES	749,792
OPERATING LOSS	(438,364)
NONOPERATING REVENUES	
Local Sources - Earnings on Investments	2,665
State Sources	62,347
Federal Sources	402,485
TOTAL NONOPERATING REVENUES	467,497
CHANGE IN NET POSITION	29,133
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(289,659)
NET POSITION (DEFICIT) - END OF YEAR	\$ (260,526)

WYOMISSING AREA SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2017

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Users	\$ 314,162
Payments to Employees for Services	(334,398)
Payments to Suppliers for Goods and Services	<u>(300,171)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(320,407)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	62,471
Federal Sources	<u>354,553</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	417,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(29,856)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>2,665</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,426
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>372,977</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 442,403</u></u>

WYOMISSING AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2017

	<u>Enterprise Fund Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	\$ (438,364)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,641
Donated Commodities Used	46,802
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Interfund Receivables/Payables	15,027
Accounts Receivable	2,734
Inventories	2,942
Deferred Outflows of Resources for Pension	(88,486)
Pension Contributions Made Subsequent to the Measurement Date	(6,976)
Accounts Payable	132
Accrued Salaries and Benefits	6,523
Unearned Revenues	(6,818)
Net Pension Liability	136,326
Deferred Inflows of Resources for Pension	<u>7,110</u>
Total Adjustments	<u>117,957</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (320,407)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$46,802 of commodities from the
U.S. Department of Agriculture.

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Private Purpose Trust Fund (Scholarships)	Agency Fund (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 66,931	\$ 89,603
TOTAL ASSETS	<u>66,931</u>	<u>89,603</u>
LIABILITIES		
CURRENT LIABILITIES		
Interfund Payable	7,030	\$ 4,020
Other Current Liabilities	-	85,583
TOTAL LIABILITIES	<u>7,030</u>	<u>\$ 89,603</u>
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	<u>\$ 59,901</u>	

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2017

	Private Purpose Trust Fund (Scholarships)
ADDITIONS	
Earnings on Investments	<u>\$ 443</u>
TOTAL ADDITIONS	443
DEDUCTIONS	
Scholarships	<u>2,160</u>
CHANGE IN NET POSITION	(1,717)
NET POSITION - BEGINNING OF YEAR	<u>61,618</u>
NET POSITION - END OF YEAR	<u><u>\$ 59,901</u></u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

The Wyomissing Area School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District tax base consists of two boroughs: West Reading and Wyomissing.

The Wyomissing Area School District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such district, between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

- Organizations that make up the legal District entity.
- Legally separate organizations if District officials appoint a voting majority of the organization's governing body and the District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District as defined below.

Impose its will - If the District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Financial benefit or burden - exists if the District (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the District.

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of Berks Career & Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of Berks County Intermediate Unit (BCIU). BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in BCIU. BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between governmental funds and business-type and fiduciary funds. Elimination of these transfers would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Major Governmental Funds - continued :

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Types:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts (Scholarships). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *economic measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

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

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Also, under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016/2017 budget transfers.

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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 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.

2. Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Inventories and Prepaid Expenses/Expenditures

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

3. Inventories and Prepaid Expenses/Expenditures - continued

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on-hand at June 30, 2017, consist of the following:

Purchased food and supplies	\$ 7,550
Donated commodities	<u>1,769</u>
	<u>\$ 9,319</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and proprietary fund financial statements and prepaid expenditures in the governmental fund financial statements. The costs of prepaid items are recorded as expenses/expenditures when consumed rather than when purchased.

4. Capital Assets, Depreciation, and Amortization

The District's capital assets, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The District generally capitalizes assets with costs of \$1,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 - 50
Land improvements	15 - 20
Furniture and equipment	3 - 10

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds where debt proceeds were used to finance the construction of assets.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which are a deferred pension contribution and deferred outflows of resources for pension which are reported in the government-wide statement of net position. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

5. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. The first item, deferred change on bond refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item, deferred inflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow. The third item, unavailable revenue, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental funds, and proprietary funds financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

7. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

8. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The business manager or designee may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District's unassigned fund balance of the general fund shall not be less than six percent of the following year's projected budgeted expenditures.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

8. Fund Balance Policies and Flow Assumptions - continued

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the District's policy places no restrictions on the order of the unrestricted fund balances used. The order of the unrestricted fund balances used for disbursements is at the discretion of the business manager.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Sick Pay

Under the District's various bargaining agreements and plans, professional employees and administrators accumulate unused sick days. The maximum amount of days that can be accumulated and the payout varies based on employment categories.

Teachers

Upon retirement with 15 or more years of service at the District, teachers are paid for unused sick days at a rate of \$45/day without limitation.

Administrators under Act 93

Upon retirement through PSERS, administrators with five or more years of service at the District are paid for unused sick days at a rate of \$40/day up to a maximum of 25 days.

Vacation Leave

Unused vacation leave can be accumulated by certain administrators, who, upon retirement or resignation, may receive full payment for up to a maximum of 30 unused vacation days.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses - continued

2. Compensated Absences - continued

Vacation Leave

Other employees may carry forward accumulated vacation days into the following year, but must use them within that year. There is no payout of vacation days for these employees.

The District maintains records of all employees' accumulated vacation days.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for meals and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2017, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$260,526 in the food service fund. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by PSERS.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

C. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2017, the general fund has an excess of expenditures over appropriations of \$215,346 due to a new capital lease. The District used capital lease proceeds to fund the excess expenditures.

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2017. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

NOTE 3 - CASH AND INVESTMENTS

The components of cash and investments, as presented on the financial statements, are as follows at June 30, 2017:

Petty cash	\$ 2,201
Cash	813,973
Pooled cash and investment	<u>13,298,990</u>
	<u>\$ 14,115,164</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does have a policy for custodial credit risk on deposits. At June 30, 2017, the carrying amount of the District's deposits was \$813,973 and the bank balance was \$996,319. Of the bank balance, \$251,346 was covered by federal depository insurance, and \$744,973 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name, but was covered by collateralization requirements under Act 72 of the 1971 session of the General Assembly.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

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

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

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

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

As of June 30, 2017, the District had the following pooled cash and investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Pooled Cash:			
PA Local Government Investment Trust:			
Money Market Fund		\$ 501,463	\$ 501,463
PA School District Liquid Asset Fund:			
Full Flex Pool	< 1 year	9,850,000	9,850,000
MAX Account Balance		2,798,169	2,798,169
Investments:			
Certificates of deposit at local banks		<u>150,304</u>	<u>150,304</u>
	Total		13,299,936
	Less: Reconciling Items		<u>(946)</u>
	Total Investments		<u><u>\$ 13,298,990</u></u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Certain external 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 participating government level consistent with GASB Statement No. 79. The District measures those investments which include \$12,648,169 (PSDLAF) and \$501,463 (PLGIT) at amortized cost. There are no limitations or restrictions on withdrawals from these accounts.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The District's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

As of June 30, 2017, the entire PLGIT and PSDLAF book balance of \$13,148,686 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District does 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. At June 30, 2017, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2017, the District's investments were rated as:

<u>Investments</u>	<u>Standard & Poor's</u>
PLGIT	AAA
PSDLAF	AAA

Concentration of Credit Risk

The District does not have a policy that would limit the amount they may invest in any one issue. All of the District's investments are issued or guaranteed by the U.S. Government and investments in mutual pools and excluded from this risk.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

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

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District collects its own real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$794,850,900. In accordance with Act 1 of 2006, the District received \$488,417 in property tax reduction funds for the 2016/2017 fiscal year. The District tax rate for the year ended June 30, 2017, was 30.0665 mills (\$30.0665 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance unavailable in the fund financial statements.

The balances at June 30, 2017, were as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue Taxes
Real Estate	\$ 415,487	\$ 4,612	\$ 410,875	\$ 128,674	\$ 286,813
Real Estate Transfer	35,791	-	35,791	35,791	-
Earned Income Tax	117,429	-	117,429	117,429	-
Other	542	-	542	542	-
	<u>\$ 569,249</u>	<u>\$ 4,612</u>	<u>\$ 564,637</u>	<u>\$ 282,436</u>	<u>\$ 286,813</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - TAX ABATEMENTS

The District negotiates property tax abatement agreements on an individual basis. The District has one Pennsylvania Tax Increment Financing Act (TIF) agreement as of June 30, 2017. The TIF program authorized local taxing authorities to cooperate in providing financing for redevelopment of blighted areas in their jurisdictions which will generate new development and increase the value of taxable properties. The TIF was negotiated in accordance with Pennsylvania Assembly Act No. 113 of 1990, as amended, and a TIF Plan was prepared, which created the Penn Avenue TIF District. The Redevelopment Authority of the County of Berks (the "Authority") is the delegated administrator of the TIF Plan and Tax Increment Project (the "Project"). The objective of the Project was to redevelop a blighted property, a former motel site, for commercial purposes. The TIF District provided funds for acquisition, demolition, relocation, hard costs, and contingencies for redevelopment work at the site through the issuance of TIF debt incurred by the Authority in the amount of \$2,500,000. The TIF Plan has a term of 20 years, terminating February 1, 2027. The District pays the tax increment revenue (tax on assessed valuation of the improved property in excess of the original assessed value) to the Authority for the term of the TIF Plan or until the TIF debt is paid in full. Any increase in the current millage rate for real estate taxes is retained by the District and does not constitute tax increment revenue, and is not paid over to the Authority. For the year ended June 30, 2017, the foregone real estate tax revenue as a result of the TIF tax abatement was \$44,752.

The District has not made any commitments as part of the agreement other than to reduce taxes.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables as of June 30, 2017:

	<u>General Fund</u>	<u>Enterprise Food Service</u>
<u>Local Sources</u>		
BCIU - Special Education - Grants to States	\$ 259,604	\$ -
BCIU - Special Education - Preschool Grants	982	-
Borough of West Reading - Crossing Guards	55,271	-
Total Local Sources	<u>315,857</u>	<u>-</u>
<u>State Sources - Commonwealth of PA</u>		
Social Security	171,146	-
Retirement	719,973	-
Rental Subsidy	18,464	-
Health	38,294	-
Transportation	13,740	-
Breakfast and Lunch Program	-	3,058
Total State Sources	<u>961,617</u>	<u>3,058</u>
<u>Federal Sources</u>		
Title I - Grants to Local Education Agencies	49,772	-
Title III - English Language Acquisition State Grant	5,125	-
Access	58,973	-
School Breakfast or Lunch Program	-	50,575
Total Federal Sources	<u>113,870</u>	<u>50,575</u>
Total Intergovernmental Receivables	<u>\$ 1,391,344</u>	<u>\$ 53,633</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 232,196	\$ -	\$ -	\$ 232,196
Construction in progress	282,440	1,790,815	(1,847,483)	225,772
Totals not being depreciated	514,636	1,790,815	(1,847,483)	457,968
Capital assets being depreciated:				
Building and improvements	55,509,887	117,276	1,847,483	57,474,646
Land improvements	4,517,037	5,961	-	4,522,998
Furniture and equipment	6,957,517	612,249	-	7,569,766
Totals being depreciated	66,984,441	735,486	1,847,483	69,567,410
Less accumulated depreciation for:				
Building and improvements	16,522,735	1,485,816	-	18,008,551
Land improvements	2,714,306	136,175	-	2,850,481
Furniture and equipment	4,294,033	517,387	-	4,811,420
Total accumulated depreciation	23,531,074	2,139,378	-	25,670,452
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	43,453,367	(1,403,892)	1,847,483	43,896,958
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 43,968,003	\$ 386,923	\$ -	\$ 44,354,926

Business-Type Activities

Capital assets being depreciated:				
Machinery and equipment	\$ 181,303	\$ 29,856	\$ -	\$ 211,159
Accumulated depreciation for:				
Machinery and equipment	172,815	2,641	-	175,456
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 8,488	\$ 27,215	\$ -	\$ 35,703

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Instructional Services:	
Regular Programs - Elementary/Secondary	\$ 736,723
Special Programs - Elementary/Secondary	22,816
Support Services:	
Instructional Staff	908
Administration	111
Pupil Health	895
Business	693
Operation and Maintenance of Plant Services	1,144,964
Student Transportation Services	8,461
Central	216,871
Noninstructional Services	<u>6,936</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,139,378</u></u>

NOTE 8 - LONG-TERM LIABILITIES

Bonds, notes, and leases payable are as follows at June 30, 2017:

General Obligation Notes, Series of 2006: The General Obligation Note, Series of 2006, aggregate principal of \$1,400,000, was issued on May 25, 2006, for the purpose of financing certain renovations and improvements of the Junior/Senior High School building. The note matures from October 1, 2007, to October 1, 2017. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. \$ 1,350,000

General Obligation Bonds, Series of 2014: The General Obligation Bonds, Series of 2014, aggregate principal of \$5,065,000, were issued on April 9, 2014, for the purpose of advance refunding a portion of the outstanding General Obligation Bonds, Series B of 2009. The bonds mature from February 1, 2015, to February 1, 2020. Interest is payable semi-annually on February 1 and August 1. Interest rates range from 0.30% to 2.00%. The District realized a savings of \$51,564 as a result of the refunding. 5,030,000

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Notes, Series of 2015A: The General Obligation Notes, Series of 2015A, aggregate principal of \$10,000,000, were issued on June 1, 2015, for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series 2009 and financing various capital projects of the District. The notes mature from May 15, 2016, to May 15, 2026. Interest is payable semi-annually on May 15 and November 15 at a rate of 2.27%.

7,390,000

General Obligation Bonds, Series of 2016A: The General Obligation Bonds, Series of 2016A, aggregate principal of \$7,325,000, were issued on February 1, 2016, for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series of 2010. The notes mature from February 1, 2016, to February 1, 2025. Interest is payable semi-annually on February 1 and August 1 at a rate of 2.23%. The District realized a net present value savings of \$610,938 as a result of the refunding.

7,300,000

General Obligation Bonds, Series of 2016B: The General Obligation Bonds, Series of 2016B, aggregate principal of \$7,330,000, were issued on February 1, 2016, for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series of 2010. The notes mature from February 1, 2016, to February 1, 2025. Interest is payable semi-annually on February 1 and August 1 at a rate of 2.25%. The District realized a net present value savings of \$607,364 as a result of the refunding.

7,295,000

Total Bonds and Notes Payable \$ 28,365,000

Capital lease liabilities are as follows at June 30, 2017:

Capitalized lease obligation for iPads, with annual payments of \$40,124, with final payment due in July 2018. The lease has an effective interest rate of 3.59%.

\$ 76,125

Capitalized lease obligation for iPads, with annual payments of \$100,221, with final payment due in July 2017. The lease has an effective interest rate of 2.29%.

97,980

Capitalized lease obligation for iPads, with annual payments of \$89,071, with final payment due in February 2020. The lease has an effective interest rate of 2.99%.

262,476

Total Capital Leases \$ 436,581

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

The amount of capitalized lease equipment included on the statement of net position is:

Cost	\$ 766,686
Accumulated depreciation	<u>(199,621)</u>
Net Book Value	<u><u>\$ 567,065</u></u>

Minimum future lease payments under capital leases are as follows:

Payments	\$ 447,687
Amount representing interest	<u>(11,106)</u>
Present value of net minimum lease payments	<u><u>\$ 436,581</u></u>

Maturities on long-term liabilities for the years ending June 30 are as follows:

<u>June 30</u>	<u>Series of 2006</u>	<u>Series of 2014</u>	<u>Series of 2015A</u>	<u>Series of 2016A</u>
2018	\$ 1,350,000	\$ 5,000	\$ 1,165,000	\$ 135,000
2019	-	2,465,000	55,000	185,000
2020	-	2,560,000	5,000	195,000
2021	-	-	165,000	1,500,000
2022	-	-	170,000	1,535,000
2023 - 2026	-	-	5,830,000	3,750,000
TOTAL	<u><u>\$ 1,350,000</u></u>	<u><u>\$ 5,030,000</u></u>	<u><u>\$ 7,390,000</u></u>	<u><u>\$ 7,300,000</u></u>
	General Obligation Bonds - Series of 2016B	Total General Long-Term Debt	Capital Leases	Total Interest
2018	\$ 140,000	\$ 2,795,000	\$ 222,080	\$ 610,445
2019	190,000	2,895,000	126,223	559,922
2020	190,000	2,950,000	88,278	504,420
2021	1,500,000	3,165,000	-	443,689
2022	1,535,000	3,240,000	-	372,743
2023 - 2026	3,740,000	13,320,000	-	751,101
TOTAL	<u><u>\$ 7,295,000</u></u>	<u><u>\$ 28,365,000</u></u>	<u><u>\$ 436,581</u></u>	<u><u>\$ 3,242,320</u></u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for the net pension and other postemployment benefits obligation, for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Debt:					
Bonds and notes payable	\$ 31,040,000	\$ -	\$ 2,675,000	\$ 28,365,000	\$ 2,795,000
Deferred amounts:					
Discounts	(24,114)	-	(6,729)	(17,385)	-
Premiums	46,084	-	12,861	33,223	-
Subtotal	31,061,970	-	2,681,132	28,380,838	2,795,000
Other Liabilities:					
Capital leases payable	328,901	351,546	243,866	436,581	222,080
Compensated absences	432,834	31,196	44,514	419,516	155,350
Total Governmental Long-Term Liabilities	<u>\$ 31,823,705</u>	<u>\$ 382,742</u>	<u>\$ 2,969,512</u>	<u>\$ 29,236,935</u>	<u>\$ 3,172,430</u>

Payment for bonds payable and capital leases is made by the general fund. The compensated absences liabilities will be liquidated by several of the governmental funds and the proprietary fund. Total interest paid during the year ended June 30, 2017, was \$670,367.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination 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 2.0 percent or 2.5 percent, 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 10 years of service.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

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

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (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 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2017, was 29.20 percent 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 rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$4,214,323 for the year ended June 30, 2017.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2017, the contribution rate was 0.83 percent of covered payroll and the District contributed \$119,791.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District no less than one-half of the employer contributions made, including both contributions related to pension and to healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100 percent of the District's share of those amounts. The total reimbursement recognized by the District for the year ended June 30, 2017, was \$2,165,370.

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

At June 30, 2017, the District reported a liability of \$53,868,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015, to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.1087 percent, which was an increase of 0.0028 percent from its proportion measured as of June 30, 2015.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2017, the District recognized pension expense of \$6,011,609. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 3,002,000	\$ -
Difference between expected and actual experience	-	449,000
Changes in proportions - plan level	1,565,000	-
Changes in proportions - internal	48,860	48,860
Changes of assumptions	1,945,000	-
Difference between employer contributions and proportionate share of total contributions	147,626	-
Contributions made subsequent to the measurement date	4,214,323	-
	<u>\$ 10,922,809</u>	<u>\$ 497,860</u>

The \$4,214,323 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 1,422,609
2019	1,422,607
2020	1,974,511
2021	<u>1,390,899</u>
	<u>\$ 6,210,626</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ended June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Trustees at its June 10, 2016 board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The long-term expected rate of return on 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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. 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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 65,895,000	\$ 53,868,000	\$ 43,762,000

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.state.pa.us.

Payables to the Pension Plan

At June 30, 2017, the District had an accrued balance due to PSERS of \$1,267,661. This amount represents the District's contractually obligated contributions for wages earned in April 2017 through June 2017. The balance will be paid in September 2017.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - OTHER EMPLOYEE BENEFITS

Early Retirement Incentive

The District pays severance pay to professional employees at retirement based on years of service. Eligible employees receive \$150 per year of service for 15-24 years of service completed, \$225 per year of service for 25-29 years of service completed, and \$300 per year of service for 30 or more years of service completed. Severance payments are paid in equal amounts over a three-year period following retirement if the total severance amount is less than \$15,000 or in annual installments of \$5,000 until paid in full if the total severance amount is \$15,000 or more. An accrual of \$16,802 has been made to the fund financial statements for the portion due in the next fiscal year and an accrual of \$6,430 has been made to the government-wide financial statements for the severance portion due beyond one year.

Vacation Leave

In accordance with GASB Statement No. 16, vacation leave earned at the balance sheet date should be recorded as a liability. As such, the value of vacation leave earned at June 30, 2017, recorded in the General Fund that will use currently available financial resources is \$138,548.

Unused Sick Leave

The District reimburses certain employees for unused accumulated sick leave upon retirement at a rate of \$45 per day (teachers) or \$40 per day (administrators). An accrual has been made to the government-wide financial statements at June 30, 2017 for \$257,736.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2017:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 179,956	\$ 63,459
Capital Projects Fund	35,021	-
Enterprise Fund - Food Service	258,159	398,627
Private Purpose Trust Fund - Scholarships	-	7,030
Agency Fund - Student Activities	-	4,020
	<u>\$ 473,136</u>	<u>\$ 473,136</u>

Interfund receivables and payables exist as a result of the time lag between dates when goods and services were provided and payments between funds are made. All will be paid within one year.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 - INTERFUND BALANCES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows at June 30, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 9,534	\$ 750,000
Capital Projects Fund	750,000	-
Debt Service Fund	-	9,534
	<u>\$ 759,534</u>	<u>\$ 759,534</u>

Transfers were made to move sinking fund cash from debt service fund to general fund to pay interest expense, and to move funds to the capital projects fund for future capital needs.

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The board of directors of each participating district must approve the Center's annual operating budget. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2016/2017 year was \$377,135.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2016/2017 year was \$104,227.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2016, (the most recent information available) is as follows:

<u>Berks Career & Technology Center - Governmental Activities</u>	
Total Assets and Deferred Outflows of Resources	\$ 31,220,549
Total Liabilities and Deferred Inflows of Resources	<u>30,687,936</u>
Total Net Position (Deficit)	<u>\$ 532,613</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Wyomissing Area School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are negotiated between the District and union representatives. The required contribution is based on pay as you go financing. The District currently provides administrators who retired prior to July 1, 2010, and spouses with medical, prescription drug, dental, and vision coverage until the retiree and spouse reach age 65, with the retiree and spouse contributing the current active co-pays. Once the retiree reaches Medicare age, the District contributes up to \$2,500 towards the costs of a Medicare supplemental plan until age 70. Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age. For administrators retiring after July 1, 2010 with 30 years of PSERS service or who satisfy superannuation retirement (age 60 with 30 years of service, age 62 with one year of service or 35 years of service regardless of age) and spouses, the District currently provides medical, prescription drug, dental, and vision coverage until the retiree and spouse reach age 65, with the retiree and spouse responsible for payment equal to 102 percent of the premium. Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The District currently provides teachers who have completed 25 years of District service, and satisfy either 30 years of PSERS service or superannuation retirement (age 60 with 30 years of service, age 62 with one year of service or 35 years of service regardless of age) and spouses with medical, prescription drug, dental, and vision coverage until the retiree and spouse reach age 65. The retiree contributes \$135 per month and the spouse contributes 102 percent of the single coverage premiums. Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age.

Under Act 110/43, any employee who is eligible who has completed 30 years of PSERS service or superannuation retirement (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) is allowed to continue coverage for themselves and their spouse until the member and spouse reach Medicare age. The retiree and spouse are responsible for payment equal to 102 percent of the premiums. For the fiscal year ended June 30, 2017, the District contributed \$27,988 to the plan related to retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 201,775
Interest on net OPEB obligation	12,071
Adjustment to annual required contribution	(16,468)
Annual OPEB Cost	<u>197,378</u>
Contributions made (estimated)	<u>(27,988)</u>
Estimated increase (decrease) in net OPEB obligation	169,390
Net OPEB obligation - beginning of year	<u>268,249</u>
Net OPEB obligation - end of year	<u><u>\$ 437,639</u></u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 197,378	14.2%	\$ 437,639
6/30/2016	176,391	27.7%	268,249
6/30/2015	177,926	47.3%	140,711

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,568,333, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,568,333. The covered payroll (annual payroll of active employees covered by the plan) was \$13,569,477, and the ratio of the UAAL to the covered payroll was 11.56 percent.

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

Actuarial Methods and Assumptions

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

In the July 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent in 2016, decreasing by 0.5 percent per year to 5.5 percent in 2018 through 2020. Rates gradually decrease from 5.4 percent in 2021 to 3.8 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, thirty-year open period.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverage for the 2016/2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the District expects such amounts, if any, to be immaterial.

The District is involved in routine litigation incidental to the conduct of its business. The results, in the opinion of management, are not likely to affect the District's financial condition, results of operations, or cash flows.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 16 - COMMITMENTS

The District has an operating-type lease agreement with a company to lease copiers. Expense under this operating lease was \$63,869 for the year ended June 30, 2017.

Future annual minimum lease payments under the noncancelable operating lease are as follows for the year ended June 30:

2018	\$ 63,869
2019	63,869
2020	63,869
2021	63,868
	<u>255,475</u>
	<u>\$ 255,475</u>

At June 30, 2017, the District has entered into a contract related to a capital project. Contracts outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
JSBS Fire Proofing	<u>\$ 73,174</u>	<u>\$ 73,174</u>

NOTE 17 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2017, were as follows:

General Fund

The general fund has nonspendable funds of \$4,332 for prepaid expenditures and restricted funds of \$1,851 for Camp Conrad Weiser, \$12,350 for the lacrosse program, \$349 for instrument rentals, \$94,492 for the fence project donations, \$650 for post graduate events, and \$6,985 for special education books. The general fund also has committed funds of \$4,193,192 for retirement rate increases, \$1,000,000 for capital reserves, \$1,396,884 for curriculum enhancements, \$194,859 for vehicle/equipment replacements, and \$47,415 for field house equipment; assigned funds of \$972,451 appropriated for the 2017/2018 budget; and unassigned fund balance of \$2,840,030. All commitments and assignments were authorized by the board of school directors' resolution to set aside resources for specific purposes.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 17 - FUND BALANCE - CONTINUED

Capital Projects

The capital projects fund has restricted funds of \$2,339,603, consisting of \$329,123 of unspent bond funds, and \$2,010,480 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the year ending June 30, 2018.
- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.

The District has not yet completed the analyses necessary to determine the financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

WYOMISSING AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2017

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local Sources	\$ 27,095,588	\$ 27,095,588	\$ 28,252,910	\$ 1,157,322
State Sources	5,999,896	5,999,896	6,084,542	84,646
Federal Sources	524,089	524,089	362,878	(161,211)
TOTAL REVENUES	33,619,573	33,619,573	34,700,330	1,080,757
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular Programs - Elementary/Secondary	13,936,242	13,963,570	13,504,033	459,537
Special Programs - Elementary/Secondary	4,646,967	4,611,707	4,446,804	164,903
Vocational Education	491,247	491,247	481,362	9,885
Other Instructional Programs - Elementary/Secondary	129,471	49,471	93,346	(43,875)
Nonpublic Instruction	-	-	4,458	(4,458)
TOTAL INSTRUCTIONAL SERVICES	19,203,927	19,115,995	18,530,003	585,992
SUPPORT SERVICES:				
Students	1,311,406	1,304,856	1,365,485	(60,629)
Instructional Staff	713,610	715,143	909,804	(194,661)
Administration	2,217,826	2,233,813	2,049,809	184,004
Pupil Health	410,043	482,093	497,467	(15,374)
Business	595,582	595,582	614,392	(18,810)
Operation and Maintenance of Plant Services	2,618,876	2,618,876	2,846,251	(227,375)
Student Transportation Services	932,376	935,990	920,970	15,020
Central	1,175,701	1,176,521	1,605,890	(429,369)
Other Support Services	27,000	27,000	26,639	361
TOTAL SUPPORT SERVICES	10,002,420	10,089,874	10,836,707	(746,833)
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student Activities	923,262	923,540	944,883	(21,343)
Community Services	95,689	95,689	10,131	85,558
Scholarships and Awards	450	650	700	(50)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,019,401	1,019,879	955,714	64,165
CAPITAL OUTLAY	-	-	29,815	(29,815)
DEBT SERVICE	3,500,378	3,500,378	3,589,233	(88,855)
TOTAL EXPENDITURES	33,726,126	33,726,126	33,941,472	(215,346)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(106,553)	(106,553)	758,858	865,411

See note to required supplementary information.

WYOMISSING AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2017

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	\$ -	\$ -	\$ 351,546	\$ 351,546
Transfers In	-	-	9,534	9,534
Transfers Out	-	-	(750,000)	(750,000)
Budgetary Reserve	(250,000)	(250,000)	-	250,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(388,920)</u>	<u>(138,920)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (356,553)</u>	<u>\$ (356,553)</u>	369,938	<u>\$ 726,491</u>
FUND BALANCE - BEGINNING OF YEAR			<u>10,395,902</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,765,840</u>	

WYOMISSING AREA SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN**

	2017	2016	2015	2014
District's proportion of the net pension liability	0.1087%	0.1059%	0.1056%	0.1026%
District's proportionate share of the net pension liability	\$ 53,868,000	\$ 45,871,000	\$ 41,797,000	\$ 42,001,000
District's covered employee payroll	\$ 14,077,519	\$ 13,629,107	\$ 13,474,503	\$ 13,167,353
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	382.65%	336.57%	310.19%	318.98%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, 2014, and 2013).

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is only shown for the years for which it is available

WYOMISSING AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

	Last 10 Fiscal Years									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 4,214,323	\$ 3,537,495	\$ 2,827,068	\$ 2,174,478	\$ 1,522,915	\$ 1,105,212	\$ 712,635	\$ 553,506	\$ 567,242	\$ 862,064
Contributions in relation to the contractually required contribution	<u>4,214,323</u>	<u>3,537,495</u>	<u>2,827,068</u>	<u>2,174,478</u>	<u>1,522,915</u>	<u>1,105,212</u>	<u>712,635</u>	<u>553,506</u>	<u>567,242</u>	<u>862,064</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 14,381,434	\$ 14,077,519	\$ 13,629,107	\$ 13,474,503	\$ 13,167,353					
Contributions as a percentage of covered employee payroll	29.30%	25.13%	20.74%	16.14%	11.57%					

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is only shown for the years for which it is available.

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Eligible Employees	7/1/2016	\$ -	\$ 1,568,333	\$ 1,568,333	0.00%	\$ 13,569,477	11.56%
Eligible Employees	7/1/2014	-	1,393,814	1,393,814	0.00%	12,180,911	11.44%
Eligible Employees	7/1/2012	-	1,445,480	1,445,480	0.00%	12,017,440	12.03%

WYOMISSING AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - FOOD SERVICE FUND

For the Year Ended June 30, 2017

REVENUES

Student's Payments	\$ 172,959
Adult's Payments/A la Carte	122,100
Federal Subsidies	355,683
State Subsidies	62,347
Commodities Received	46,802
Interest Revenue	2,665
Vending Machine Sales	9,119
Special Events	<u>7,250</u>

TOTAL REVENUES 778,925

COST OF GOODS SOLD

Inventory - Beginning of Year	12,261
Purchases - Commodities	46,802
Purchases - Food and Milk	247,664
Less: Inventory - End of Year	<u>(9,319)</u>

TOTAL COST OF GOODS SOLD 297,408

GROSS PROFIT 481,517

OPERATING EXPENSES

Salaries	229,541
Employee Benefits	174,381
Repairs and Maintenance	20,268
Depreciation Expense	2,641
Supplies	22,883
Other Expenses	<u>2,670</u>

TOTAL OPERATING EXPENSES 452,384

CHANGE IN NET POSITION 29,133

NET POSITION (DEFICIT) - BEGINNING OF YEAR (289,659)

NET POSITION (DEFICIT) - END OF YEAR \$ (260,526)

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Amount</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Receipts For the Year</u>	<u>Accrued (Unearned) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue June 30, 2017</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>										
Passed through the Pennsylvania Department of Education:										
Title I - Grants to Local Educational Agencies	I	84.010	013-17-0497	261,594	07/05/16-09/30/17	\$ 211,822	\$ -	\$ 261,594	\$ 261,594	\$ 49,772
Title I - Grants to Local Educational Agencies	I	84.010	013-16-0497	217,821	07/22/15-09/30/16	73,751	73,751	-	-	-
						285,573	73,751	261,594	261,594	49,772
Supporting Effective Instruction State Grants	I	84.367	020-17-0497	26,784	07/05/16-09/30/17	26,784	-	26,784	26,784	-
Supporting Effective Instruction State Grants	I	84.367	020-16-0497	27,777	07/22/15-09/30/16	9,206	9,206	-	-	-
						35,990	9,206	26,784	26,784	-
English Language Acquisition State Grant - Title III	I	84.365	010-17-0497	10,983	07/05/16-09/30/17	5,858	-	10,983	10,983	5,125
English Language Acquisition State Grant - Title III	I	84.365	010-16-0497	11,743	07/22/15-06/30/16	3,914	3,914	-	-	-
						9,772	3,914	10,983	10,983	5,125
Passed through Berks County Intermediate Unit:										
Special Education Cluster (IDEA)										
Special Education Grants to States	I	84.027	N/A	305,423	07/01/16-09/30/17	45,819	-	305,423	305,423	259,604
Special Education Grants to States	I	84.027	N/A	293,512	07/01/15-09/30/16	138,724	138,724	-	-	-
Special Education Preschool Grants	I	84.173	N/A	982	07/01/16-06/30/17	-	-	982	982	982
Special Education Preschool Grants	I	84.173	N/A	460	07/01/15-06/30/16	460	460	-	-	-
Total Special Education Cluster (IDEA)						185,003	139,184	306,405	306,405	260,586
TOTAL U.S. DEPARTMENT OF EDUCATION						516,338	226,055	605,766	605,766	315,483
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>										
Passed through the Pennsylvania Department of Human Services:										
Medical Assistance Program	I	93.778	N/A	N/A	07/01/16-06/30/17	4,545	-	4,545	4,545	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						4,545	-	4,545	4,545	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>										
Child Nutrition Cluster										
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/16-06/30/17	241,616	-	281,511	281,511	39,895
National School Lunch Program	I	10.555	N/A	N/A	07/01/15-06/30/16	37,921	37,921	-	-	-
School Breakfast Program	I	10.553	N/A	N/A	07/01/16-06/30/17	63,492	-	74,172	74,172	10,680
School Breakfast Program	I	10.553	N/A	N/A	07/01/15-06/30/16	11,524	11,524	-	-	-
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/16-06/30/17	42,030	(6,541)	46,802	46,802	(1,769)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						396,583	42,904	402,485	402,485	48,806
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>										
Passed through Pennsylvania Emergency Management Agency:										
Public Assistance Disaster Grants	I	97.036	N/A	12,145	03/23/16 - 09/23/16	12,145	12,145	-	-	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						12,145	12,145	-	-	-
TOTAL FEDERAL AWARDS						\$ 929,611	\$ 281,104	\$ 1,012,796	\$ 1,012,796	\$ 364,289

Source Codes: D = Direct funding; I = Indirect funding

Note: No funds were passed through to subrecipients in the year ended June 30, 201

See notes to schedule of expenditures of federal awards.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Wyomissing Area School District under programs of the federal government for the year ended June 30, 2017. 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 the Wyomissing Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wyomissing Area School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimus rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District has \$1,769 of food commodity inventory.

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

**To the Board of School Directors
Wyomissing Area School District
Wyomissing, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wyomissing Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wyomissing Area School District's basic financial statements, and have issued our report thereon dated January 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wyomissing 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 Wyomissing Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wyomissing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wyomissing Area School District's financial statements are free of 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*.

Response to Finding

Wyomissing Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wyomissing Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
January 11, 2018



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
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www.herbein.com

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

**To the Board of School Directors
Wyomissing Area School District
Wyomissing, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Wyomissing 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 Wyomissing Area School District's major federal programs for the year ended June 30, 2017. Wyomissing 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 Wyomissing Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wyomissing Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Wyomissing 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, 2017.

Report on Internal Control Over Compliance

Management of Wyomissing 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 Wyomissing Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wyomissing 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.

Herbein + Company, Inc.

**Reading, Pennsylvania
January 11, 2018**

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:	<u>Unmodified</u>	
Internal Control Over Financial Reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control Over Major Programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Type of Auditor's Report Issued on Compliance for Major Programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	<u> </u> yes	<u> X </u> no

Identification of Major Program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Special Education Cluster (IDEA)</u>	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
<u>Child Nutrition Cluster</u>	
10.555	National School Lunch Program
10.553	School Breakfast Program

Dollar Threshold used to distinguish between Type A and Type B Programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section II - Financial Statement Findings

2017-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

Generally accepted accounting principles indicate that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition/Cause

Certain account reconciliations were not performed prior to the audit. Material audit adjustments were proposed during the audit, and recorded to properly reflect material accounts on the financial statements and bring the financial statements into compliance with reporting under U.S. generally accepted accounting principles.

Effect

As a result of the account reconciliations and other monitoring activities not being performed prior to the audit, the financial statements were materially misstated at year end prior to the audit. Information used by management throughout the year for certain financial decisions was not always accurate.

Recommendation

The business office should accurately reconcile all accounts to the accounting general ledger. The Business Administrator should supervise and be responsible for making sure the account reconciliations are done in accordance with the District's policies.

Benefit

Performing regular account reconciliations will result in the financial statements being accurate and in compliance with reporting standards. The District will be able to rely on the information generated by the business office, and management decisions can be made on the basis of that information.

Management Response

See corrective action plan included in this report package.

WYOMISSING AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.



WYOMISSING AREA SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

2016-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

Generally accepted accounting principles indicate that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition/Cause

Certain account reconciliations were not performed prior to the audit. Material audit adjustments were proposed during the audit, and recorded to properly reflect material accounts on the financial statements and bring the financial statements into compliance with reporting under U.S. generally accepted accounting standards.

Effect

As a result of the account reconciliations and other monitoring activities not being performed prior to the audit, the financial statements were materially misstated at year end prior to the audit. Information used by management throughout the year for certain financial decisions was not always accurate.

Recommendation

The business office should accurately reconcile all accounts to the accounting general ledger. The Business Administrator should supervise and be responsible for making sure the account reconciliations are done in accordance with the District's policies.

Benefit

Performing regular account reconciliations will result in the financial statements being accurate and in compliance with reporting standards. The District will be able to rely on the information generated by the business office, and management decisions can be made on the basis of that information.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2017-001.

WYOMISSING AREA SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

2016-002 PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) - SIGNIFICANT DEFICIENCY

Federal Program

Child Nutrition Cluster - 10.553/10.555

Criteria

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires the auditee to prepare a complete and accurate SEFA.

Condition

The District prepared a SEFA and provided information relating to the federal programs including grant agreements and other supporting documentation. However, the SEFA prepared by the auditee required significant adjustments as a result of audit procedures.

Cause

The SEFA required adjustments for several items noted during audit procedures.

Effect

The business administrator did not have adequate time and assistance to prepare an accurate SEFA. The SEFA that was provided for audit was subsequently updated through audit procedures including inquiry and review of grant documentation of awards received and amounts expended.

Questioned Costs

None

Context

A SEFA was prepared by management; however, several adjustments were required in order for the schedule to accurately reflect the current year activity.

Recommendation

In order to meet the requirements of the Uniform Guidance, the District should assemble the SEFA from the grant award documentation and any other relevant information including the CFDA numbers, grant award amounts, grant amounts received, grant amounts expended and grant revenue recorded. The amounts reported in the SEFA should reconcile to the general ledger.

Current Status of Corrective Action Plan

There is no longer a finding in the current year.



Wyomissing Area School District

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Robert L. Scoboria, Superintendent
Lynette R. Waller, Assistant Superintendent

Department of Education:

Wyomissing Area School District respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public account firm:

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610

The finding is from the June 30, 2017 schedule of findings and questioned costs and is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Section II - Financial Statement Findings

2017-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT – MATERIAL WEAKNESS

Criteria

Generally accepted accounting principles indicate that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition/Cause

Certain account reconciliations were not performed prior to the audit. Material audit adjustments were proposed during the audit, and recorded to properly reflect material accounts on the financial statements and bring the financial statements into compliance with reporting under U.S. generally accepted accounting principles.

Effect

As a result of the account reconciliations and other monitoring activities not being performed prior to the audit, the financial statements were materially misstated at year end prior to the audit. Information used by management throughout the year for certain financial decisions was not always accurate.

Recommendation

The business office should accurately reconcile all accounts to the accounting general ledger. The Business Administrator should supervise and be responsible for making sure the account reconciliations are done in accordance with the District's policies.

Benefit

Performing regular account reconciliations will result in the financial statements being accurate and in compliance with reporting standards. The District will be able to rely on the information generated by the business office, and management decisions can be made on the basis of that information.

Management Response

The District agrees with the above recommendations. In accordance with the Auditors' recommendation the District installed plans and procedures for the reconciliation process, and will continue to work to complete all reconciliations earlier in the audit process. By starting the process earlier the District will ensure that all reconciliations are done on a timely basis. The District has hired an additional staff member to assure that the Business Office is correctly staffed to adequately complete reconciliations in a timely manner. Ensuring proper staffing will also provide the correct level of separations of duties and check and balances.

If there are any questions regarding the above plan, please do not hesitate to contact me.

Sincerely,



Mark Boyer
Business Administrator