



WYOMISSING AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, effective July 1, 2017, the Wyomissing Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 82 through 86, 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 December 19, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 19, 2018**



Wyomissing Area School District

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Robert L. Scoboria, Superintendent
Melissa L. Woodard, Ed.D, Assistant Superintendent

Members of the Board of School Directors
Wyomissing Area School District

Management Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Wyomissing Area School District's annual financial performance during the fiscal year ending June 30, 2018. 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 during the 2017-18 fiscal year. District-wide expenses of \$36,440,694 exceeded revenues of \$35,564,369 by \$876,325, resulting in a decrease in net position.
- Overall governmental general revenues were \$29,430,116, which represents \$997,654 less than net program expenses.
- The total cost of basic programs increased by three and a half percent (3.54%) over the previous year to \$36,440,694. The net cost funded by tax and non-program revenues increased by three percent (3.08%) to \$30,427,770.
- The net position of business-type activities (food services) increased by \$121,329 over the course of the year. Operating Revenues had a \$19,739 (6.34%) increase at \$331,167 and expenses decreased \$58,380 (7.79%) to \$691,412. The decrease in expenses is largely due to decrease in employee salary and benefits. The increase in revenue is primarily due to increase in student meal sales.
- Effective July 1, 2017, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefit plans other than pensions (OPEB). The adoption of Statement No. 75 resulted in the District restating beginning net position as of July 1, 2017. Net position was restated by \$3,612,064, with a decrease of \$3,578,747 and \$33,317 in governmental activities and business-type activities, respectively. This created a deficiency in net position as of July 1, 2017, of \$18,443,636 and \$293,843 in governmental and business-type activities, respectively. Deferred outflows of resources were restated by \$147,779 with the increase in deferred outflows for other postemployment benefits of \$145,981 and \$1,798 in governmental activities and business-type activities, respectively. Liabilities were restated by \$3,759,843, with an increase in other postemployment benefits obligations of \$3,724,728 and \$35,115 in governmental activities and business-type activities, respectively.
- Outlays for new capital assets increased this year. The total gross capital assets for governmental funds increased by \$1,958,291.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements and (3) 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

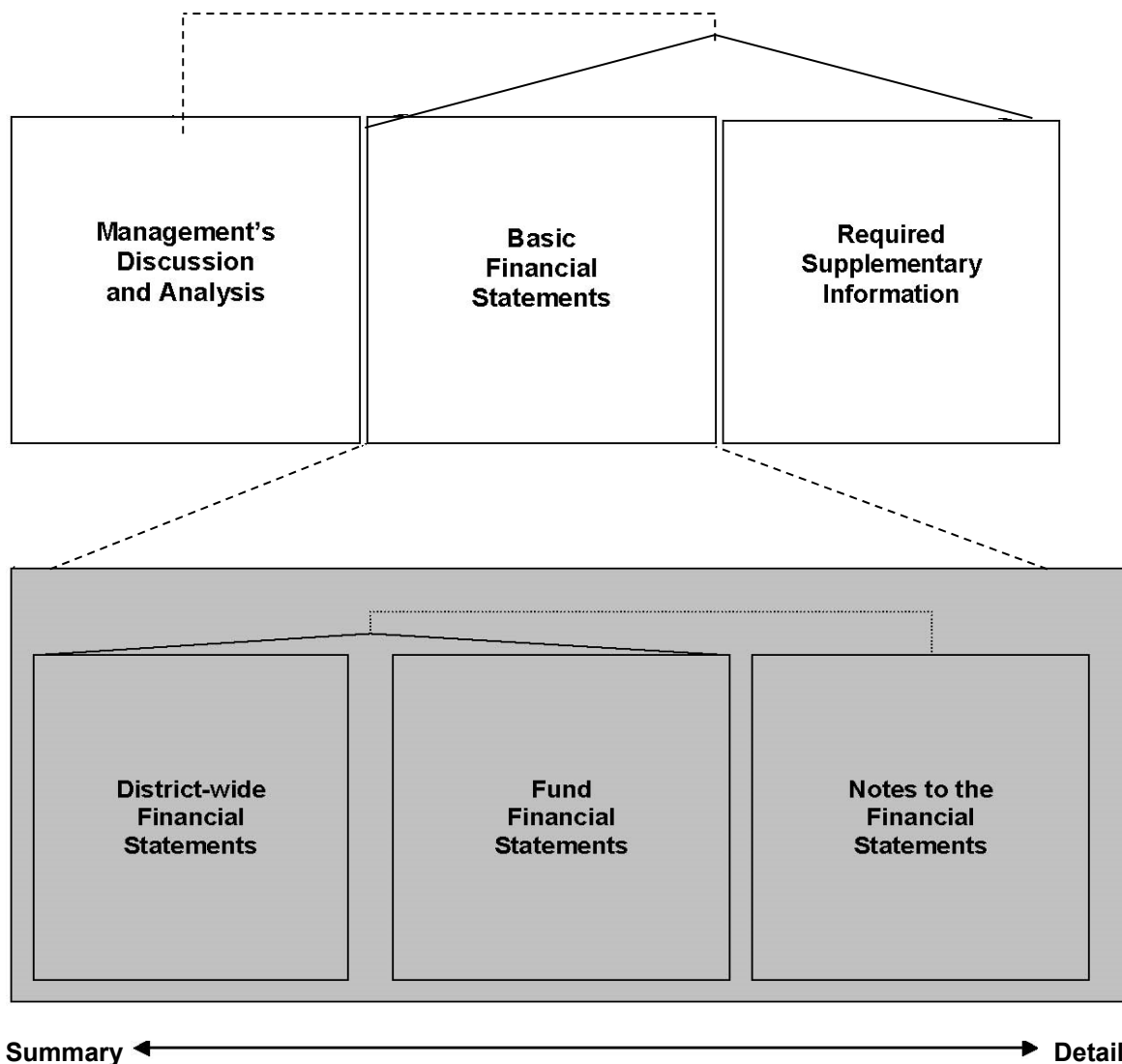


Figure A-2 summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The Statement of New Position contains information about what the District owns, owes, i.e. assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure A-3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2017 and 2018.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current Assets	\$ 15,714,313	\$ 21,375,483	\$ 364,887	\$ 515,083	16,079,200	\$ 21,890,566
Capital Assets	44,354,926	43,696,062	35,703	32,067	44,390,629	43,728,129
Total Assets	\$ 60,069,239	\$ 65,071,545	\$ 400,590	\$ 547,150	\$ 60,469,829	\$ 65,618,695
Deferred Outflows of Resources	\$ 10,701,388	\$ 9,365,557	\$ 221,421	\$ 144,298	\$ 10,922,809	\$ 9,509,855
Current Liabilities	5,556,384	6,655,321	18,926	20,241	5,575,310	6,675,562
Long-term Liabilities	79,513,643	86,470,900	856,501	833,085	80,370,144	87,303,985
Total Liabilities	\$ 85,070,027	\$ 93,126,221	\$ 875,427	\$ 853,326	\$ 85,945,454	\$ 93,979,547
Deferred Inflows of Resources	\$ 565,489	\$ 752,171	\$ 7,110	\$ 10,636	\$ 572,599	\$ 762,807
Net Position						
Net investment in capital assets	15,675,575	15,433,916	35,703	32,067	15,711,278	15,465,983
Restricted for Capital Projects	2,126,796	3,469,376	-	-	2,126,796	3,469,376
Restricted for Other Purposes	116,677	34,425	-	-	116,677	34,425
Unrestricted	(32,783,937)	(38,379,007)	(296,229)	(204,581)	(33,080,166)	(38,583,588)
Total Net Position	\$ (14,864,889)	\$ (19,441,290)	\$ (260,526)	\$ (172,514)	\$ (15,125,415)	\$ (19,613,804)

The District's total revenues increased by \$593,647 or 1.70% 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 \$26,495,076 or 74.50% of total revenues. Another 18.95% or \$6,585,901 came from state formula aid, such as basic education, special education and student transportation subsidies.

The total cost of all programs and services increased \$1,244,346 or 3.54% to \$36,440,694. The District's expenses are predominately related to instructing, caring for (instructional support services & operation/maintenance of school facilities) and transporting students, which represents 81.72% or \$29,779,916 of total expenses. The largest dollar increase in expenditures for 2017-18 was in instruction. See A-4.

Figure A-4

Changes in Net Position from Operating Result

	Governmental Activities		Business Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for services	\$ 76,245	\$ 61,208	\$ 311,428	\$ 331,167	\$ 387,673	\$ 392,375
Operating grants and contributions	4,664,661	5,190,718	464,832	474,669	5,129,493	5,665,387
Capital grants and contributions	79,247	69,586	-	-	79,247	69,586
General Revenues						
Property taxes and other taxes levied for general purposes	26,874,050	26,495,076	-	-	26,874,050	26,495,076
State Formula Aid	2,241,244	2,564,869	-	-	2,241,244	2,564,869
Other	256,350	370,171	2,665	6,905	259,015	377,076
Total Revenues	34,191,797	34,751,628	778,925	812,741	34,970,722	35,564,369
Expenses						
Instruction	20,595,943	21,634,090	-	-	20,595,943	21,634,090
Instructional student support	2,951,708	3,169,644	-	-	2,951,708	3,169,644
Administrative and financial support services	2,864,848	3,054,129	-	-	2,864,848	3,054,129
Operation of plant and maintenance services	4,084,347	3,963,470	-	-	4,084,347	3,963,470
Pupil Transportation	935,580	1,012,712	-	-	935,580	1,012,712
Other	3,014,130	2,915,237	749,792	691,412	3,763,922	3,606,649
Total Expenses	34,446,556	35,749,282	749,792	691,412	35,196,348	36,440,694
Change in Net Position	(254,759)	(997,654)	29,133	121,329	(225,626)	(876,325)
Beginning Net Position (Deficit)	<u>(14,610,130)</u>	<u>(14,864,889)</u>	<u>(289,659)</u>	<u>(260,526)</u>	<u>(14,899,789)</u>	<u>(15,125,415)</u>
Restated For GASB no. 75	-	(3,578,747)	-	(33,317)	-	(3,612,064)
Beginning Net Position (Deficit) Restated	<u>-</u>	<u>(18,443,636)</u>	<u>(289,659)</u>	<u>(293,843)</u>	<u>-</u>	<u>(18,737,479)</u>
Ending Net Position	<u>\$ (14,864,889)</u>	<u>\$ (19,441,290)</u>	<u>\$ (260,526)</u>	<u>\$ (172,514)</u>	<u>\$ (15,125,415)</u>	<u>\$ (19,613,804)</u>

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	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Instructional Services	\$ 20,595,943	\$ 21,634,090	\$ 17,132,761	\$ 17,905,031
Instructional Student Support	2,951,708	3,169,644	2,634,011	2,772,695
Administrative & Financial Support Services	2,864,848	3,054,129	2,612,777	2,767,116
Operation & Maintenance of Plant Services	4,084,347	3,963,470	3,919,827	3,677,126
Pupil Transportation	935,580	1,012,712	599,003	673,068
Other	3,014,130	2,915,237	2,728,024	2,632,734
TOTAL EXPENSES	<u>\$ 34,446,556</u>	<u>\$ 35,749,282</u>	<u>\$ 29,626,403</u>	<u>\$ 30,427,770</u>

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, 2018.

Figure A-6				
Net Cost (Income) of Business-Type Activities				
	Total Cost of Services		Net Cost (Income) of Services	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Food Services	\$ 749,792	\$ 691,412	\$ (26,468)	\$ (114,424)
TOTAL	<u>\$ 749,792</u>	<u>\$ 691,412</u>	<u>\$ (26,468)</u>	<u>\$ (114,424)</u>

Financial Analysis of the District's Funds

At the end of fiscal 2017-18, governmental funds had total fund balances of \$17,805,826. During 2017-18 the net change in governmental fund balances increased by \$4,700,383. 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 increase of the capital projects fund balance by \$5,512,450 to \$7,852,053, was due to a bond issue for two projects at the Junior Senior High School. Total expenditures exceeded total revenue in the general fund, which produced a decrease in fund balance by \$812,067 over last year. Although the District used fund balance to balance the budget, the District's overall fund balance is still healthy at \$9,953,773.

General Fund Budgetary Highlights

The District's final 2017-18 budget for the general fund anticipated that expenditures would exceed revenue by \$972,451. The actual results for the year reflected a net deficit of \$812,067. This deficit was lower than budget due to changes in staffing that decreased costs.

Figure A-7
Local Sources of Revenue for Fiscal Year 2018
(Based on General Fund financial presentation)

Total Local Revenues - \$27,758,290

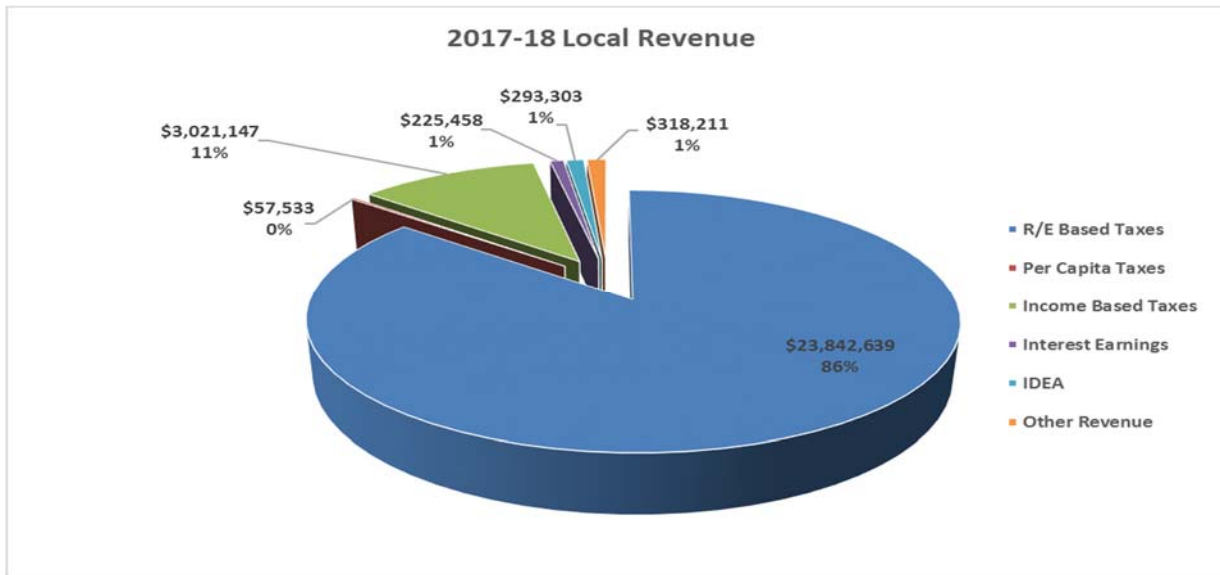


Figure A-8
Local Sources of Revenue for Fiscal Year 2017
(Based on General Fund financial presentation)

Total Local Revenues - \$28,252,910

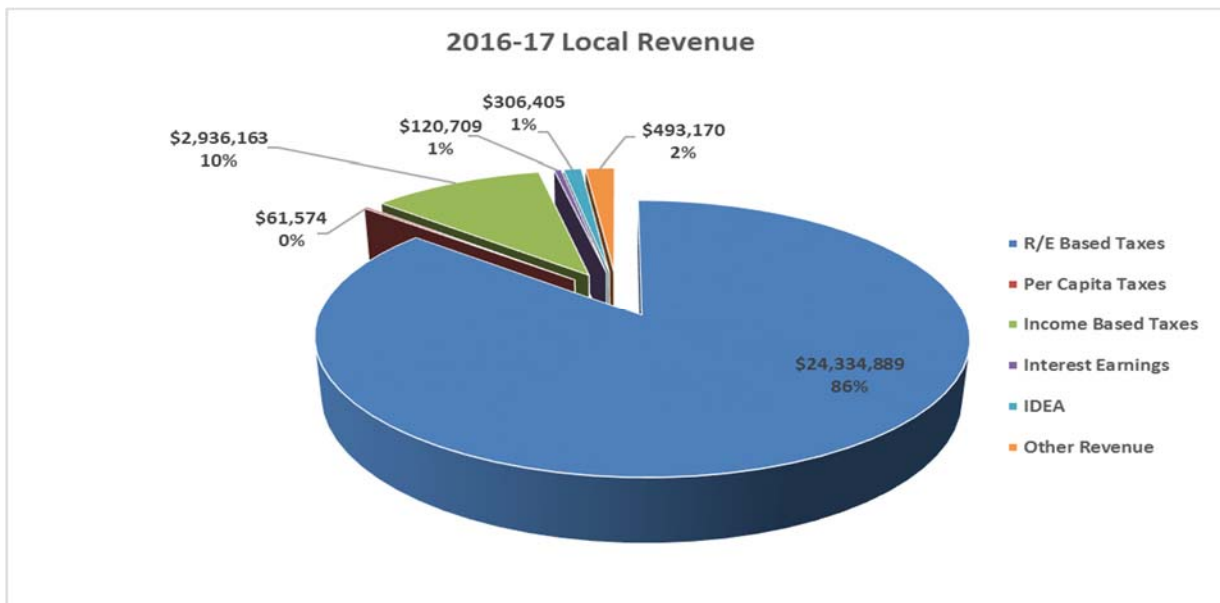


Figure A-9
Expenses for Fiscal Year 2018
(Based on General Fund Financial Presentation)

Total Expenditures - \$35,954,038

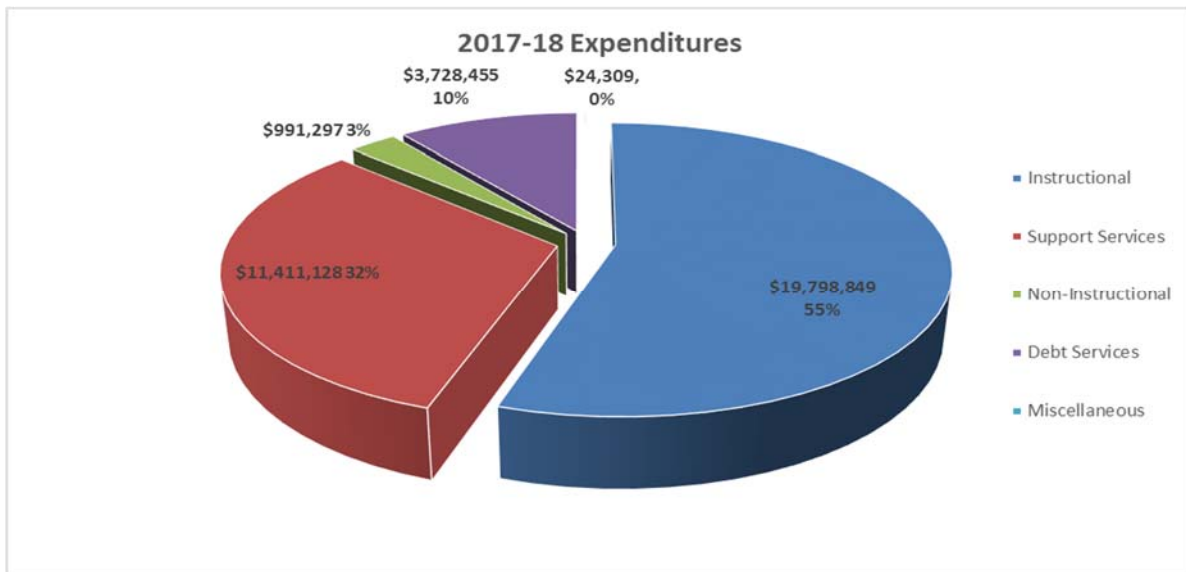
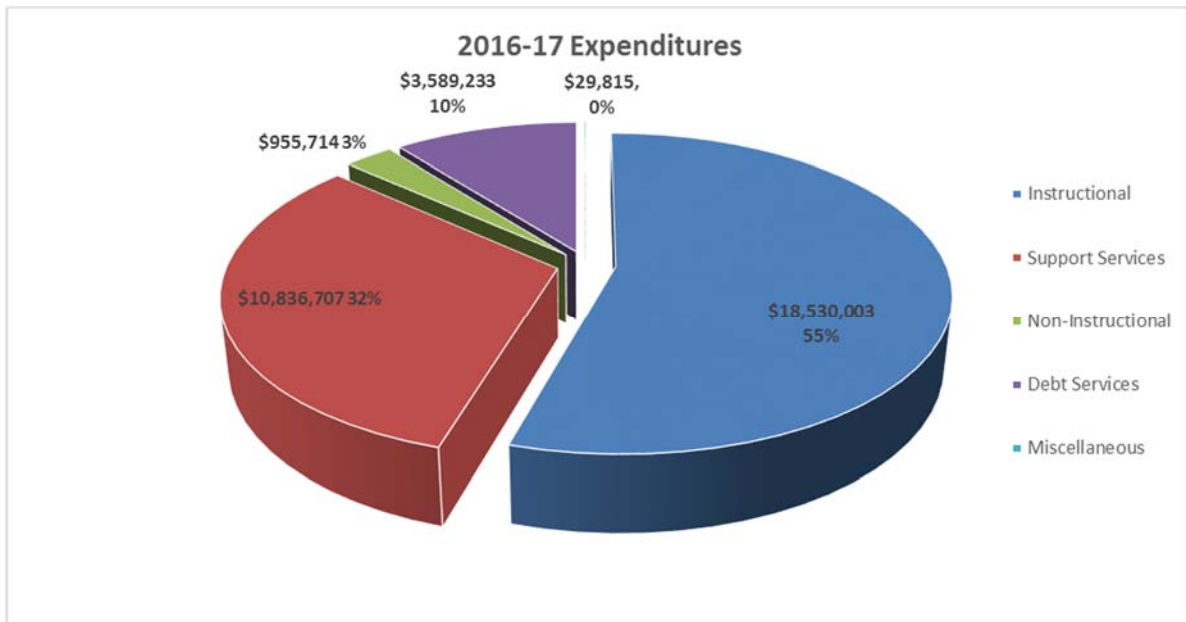


Figure A-10
Expenses for Fiscal Year 2017
(Based on General Fund Financial Presentation)

Total Expenditures - \$33,941,472



Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the District had investments of \$43,728,129 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 decrease of \$662,500 which is a decrease of 1.49% for the year.

Figure A-11

Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Totals		Percentage Change
	2017	2018	2017	2018	2017	2018	2017-18
Land	\$ 232,196	\$ 232,196	\$ -	\$ -	\$ 232,196	\$ 232,196	0.00%
Land Improvements	1,672,517	1,542,938	-	-	1,672,517	1,542,938	-7.75%
Building & Building Improvements	39,466,095	38,489,833	-	-	39,466,095	38,489,833	-2.47%
Furniture & Equipment	2,758,346	2,345,334	35,703	32,067	2,794,049	2,377,401	-14.91%
Construction in Progress	225,772	1,085,761	-	-	225,772	1,085,761	380.91%
Ending Net Assets	\$ 44,354,926	\$ 43,696,062	\$ 35,703	\$ 32,067	\$ 44,390,629	\$ 43,728,129	-1.49%

More detailed information about capital assets can be found in Note 7 to the financial statements. Depreciation expense for the year totaled \$2,509,135 for the governmental activities, compared to the prior year depreciation expense total of \$2,139,378.

Long-Term Debt

Outstanding long-term debt totaling \$32.7 million as of June 30, 2018 consists of general obligation bonds of \$31.8 million with varying maturities through year 2028, capital lease of \$.4 million and long-term compensated absences of \$.4 million. Principal payments totaled \$3.1 million during the fiscal year, with interest payments totaling \$.6 million. Accrued compensated absences of \$.4 million as of June 30, 2018 consist of certain benefits paid at retirement, including unused sick pay and other retirement benefits, based on specific eligibility requirements. Total long-term liabilities increased 11.9% 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
	2017	2018	2017-18
General Obligation Bonds/Notes	\$ 28,365,000	\$ 31,785,000	12.06%
Capital Leases	436,581	435,869	-0.16%
Compensated Absences	419,516	469,621	11.94%
Total	29,221,097	32,690,490	11.87%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future growth. 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 33.43% of payroll for 2018-19 and are projected to rise considerably in the future. The five year projected rates are:

- 33.43% in 2018-2019 (estimated cost net of state reimbursement \$2,658,579);
- 34.79% in 2019-2020 (estimated cost net of state reimbursement \$2,870,360);
- 35.26% in 2020-2021 (estimated cost net of state reimbursement \$2,974,560);
- 35.68% in 2021-2022 (estimated cost net of state reimbursement \$3,093,308);
- 36.32% in 2022-2023 (estimated cost net of state reimbursement \$3,263,805)

The escalating rates will continue until they level out at 36.32% in the 2022-2023 year which carries an estimated cost, net of state reimbursement, of \$3,263,805. 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 District's collective bargaining agreement with the Wyomissing Area Educational Association (WAEA), was renewed for a four (4) year period effective July 1, 2019 through June 20, 2023. The District's collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME) will expire on June 30, 2020. The District will begin bargaining a new agreement at the beginning of 2020.

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. For fiscal year 2018 the Board issued \$6,215,000 in General Obligation Bonds that will be utilized towards Phase II of the Junior Senior High School renovation projected and for upgrades to the athletic facilities located at Flannery Field.

The budget for the 2018-19 year is \$922,923 more than the original budget for 2017-18. The real estate tax increased .6015 mills from 30.0665 mills to a millage rate of 30.6680 mills. This represents a 2.0% 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 9.5% 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 have been declining, 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, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 13,945,753	\$ 861,769	\$ 14,807,522
Taxes Receivable, Net	426,521	-	426,521
Internal Balances	447,740	(447,740)	-
Intergovernmental Receivables	1,599,590	64,997	1,664,587
Other Current Assets	80,662	11,897	92,559
Inventories	-	24,160	24,160
Prepaid Expenses	4,875,217	-	4,875,217
Capital Assets Not Being Depreciated	1,317,957	-	1,317,957
Capital Assets, Net of Accumulated Depreciation	42,378,105	32,067	42,410,172
TOTAL ASSETS	65,071,545	547,150	65,618,695
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources for Pension	9,161,298	142,392	9,303,690
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	126,807	1,906	128,713
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	77,452	-	77,452
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,365,557	144,298	9,509,855
LIABILITIES			
Accounts Payable	1,107,813	422	1,108,235
Accrued Interest	193,556	-	193,556
Accrued Salaries and Benefits	185,510	8,121	193,631
Payroll Deductions and Withholdings	1,837,149	-	1,837,149
Unearned Revenues	-	11,698	11,698
Noncurrent Liabilities Due Within One Year	3,331,293	-	3,331,293
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	29,211,548	-	29,211,548
Capital Leases	199,302	-	199,302
Long-Term Portion of Compensated Absences	294,895	-	294,895
Net Pension Liability	52,538,915	800,085	53,339,000
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	2,167,000	33,000	2,200,000
Total Other Postemployment Benefit Obligation - District Plan	2,059,240	-	2,059,240
TOTAL LIABILITIES	93,126,221	853,326	93,979,547
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	77,406	-	77,406
Deferred Inflows of Resources for Pension	561,490	8,911	570,401
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	113,275	1,725	115,000
TOTAL DEFERRED INFLOWS OF RESOURCES	752,171	10,636	762,807
NET POSITION			
Net Investment in Capital Assets	15,433,916	32,067	15,465,983
Restricted for Capital Projects	3,469,376	-	3,469,376
Restricted for Other Purposes	34,425	-	34,425
Unrestricted (Deficit)	(38,379,007)	(204,581)	(38,583,588)
TOTAL NET POSITION (DEFICIT)	\$ (19,441,290)	\$ (172,514)	\$ (19,613,804)

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

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	\$ 16,155,349	\$ 7,156	\$ 2,092,595	\$ -	\$ (14,055,598)	\$ -	\$ (14,055,598)
Special Programs - Elementary/Secondary	4,930,121	-	1,613,765	-	(3,316,356)	-	(3,316,356)
Vocational Education	459,350	-	-	-	(459,350)	-	(459,350)
Other Instructional Programs - Elementary/Secondary	82,520	-	8,793	-	(73,727)	-	(73,727)
Nonpublic School Programs	6,750	-	6,750	-	-	-	-
Total Instructional Services	21,634,090	7,156	3,721,903	-	(17,905,031)	-	(17,905,031)
Support Services:							
Students	1,518,700	-	170,191	-	(1,348,509)	-	(1,348,509)
Instructional Staff	1,105,885	-	146,578	-	(959,307)	-	(959,307)
Administration	2,396,115	-	218,548	-	(2,177,567)	-	(2,177,567)
Pupil Health	545,059	-	80,180	-	(464,879)	-	(464,879)
Business	658,014	-	68,465	-	(589,549)	-	(589,549)
Operation and Maintenance of Plant Services	3,963,470	3,441	282,903	-	(3,677,126)	-	(3,677,126)
Student Transportation Services	1,012,712	-	339,644	-	(673,068)	-	(673,068)
Central	1,268,572	-	69,577	-	(1,198,995)	-	(1,198,995)
Other Support Services	26,921	-	-	-	(26,921)	-	(26,921)
Total Support Services	12,495,448	3,441	1,376,086	-	(11,115,921)	-	(11,115,921)
Noninstructional Services:							
Student Activities	1,003,850	50,611	91,134	-	(862,105)	-	(862,105)
Community Services	38,030	-	1,595	-	(36,435)	-	(36,435)
Scholarships and Awards	700	-	-	-	(700)	-	(700)
Interest on Long-Term Debt	577,164	-	-	69,586	(507,578)	-	(507,578)
Total Noninstructional Services	1,619,744	50,611	92,729	69,586	(1,406,818)	-	(1,406,818)
Total Governmental Activities	35,749,282	61,208	5,190,718	69,586	(30,427,770)	-	(30,427,770)
Business-Type Activities:							
Food Service	691,412	331,167	474,669	-	-	114,424	114,424
Total Primary Government	\$ 36,440,694	\$ 392,375	\$ 5,665,387	\$ 69,586	(30,427,770)	114,424	(30,313,346)
General Revenues:							
Taxes:							
Property Taxes					23,067,016	-	23,067,016
Public Utility Realty, Earned Income, and Mercantile Taxes					3,428,060	-	3,428,060
Grants, Subsidies, and Contributions Not Restricted to Specific Programs					2,564,869	-	2,564,869
Investment Earnings					244,476	6,905	251,381
Miscellaneous Income					125,695	-	125,695
Total General Revenues					29,430,116	6,905	29,437,021
Change in Net Position					(997,654)	121,329	(876,325)
Net Position (Deficit) - Beginning of year - Restated					(18,443,636)	(293,843)	(18,737,479)
Net Position (Deficit) - End of year					\$ (19,441,290)	\$ (172,514)	\$ (19,613,804)

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,096,196	\$ 7,849,557	\$ 13,945,753
Taxes Receivable	431,575	-	431,575
Interfund Receivables	5,354,352	35,021	5,389,373
Intergovernmental Receivables	1,599,590	-	1,599,590
Other Receivables	80,662	-	80,662
Prepaid Expenditures	45,217	4,830,000	4,875,217
TOTAL ASSETS	<u>\$ 13,607,592</u>	<u>\$ 12,714,578</u>	<u>\$ 26,322,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Interfund Payables	\$ 111,633	\$ 4,830,000	\$ 4,941,633
Accounts Payable	1,075,288	32,525	1,107,813
Current Portion of Compensated Absences	174,726	-	174,726
Accrued Salaries and Benefits	185,510	-	185,510
Payroll Deductions and Withholdings	1,837,149	-	1,837,149
TOTAL LIABILITIES	3,384,306	4,862,525	8,246,831
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	269,513	-	269,513
FUND BALANCES			
Nonspendable	45,217	4,830,000	4,875,217
Restricted	34,425	3,022,053	3,056,478
Committed for:			
Retirement Rate Increases	4,193,192	-	4,193,192
Capital Reserves	1,000,000	-	1,000,000
Curriculum Enhancements	972,257	-	972,257
Vehicle/Equipment Replacements	186,124	-	186,124
Assigned	1,142,721	-	1,142,721
Unassigned	2,379,837	-	2,379,837
TOTAL FUND BALANCES	<u>9,953,773</u>	<u>7,852,053</u>	<u>17,805,826</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 13,607,592</u>	<u>\$ 12,714,578</u>	<u>\$ 26,322,170</u>

See accompanying notes.

WYOMISSING AREA SCHOOL DISTRICT

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

June 30, 2018

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 17,805,826
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 \$71,330,470 and the accumulated depreciation is \$27,634,408.		43,696,062
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.		264,459
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(43,939,107)
The other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(4,135,256)
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	\$ (31,785,000)	
Unamortized Bond Premium	(357,203)	
Unamortized Bond Discount	10,655	
Deferred Charge on Bond Refunding	(77,406)	
Accrued Interest on Long-Term Debt	(193,556)	
Capital Leases Payable	(435,869)	
Long-Term Portion of Compensated Absences	(294,895)	(33,133,274)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		<u><u>\$ (19,441,290)</u></u>

WYOMISSING AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local Sources	\$ 27,758,290	\$ 19,818	\$ 27,778,108
State Sources	6,585,901	-	6,585,901
Federal Sources	405,361	-	405,361
TOTAL REVENUES	34,749,552	19,818	34,769,370
EXPENDITURES			
Current:			
Instructional Services	19,798,849	-	19,798,849
Support Services	11,411,128	108,716	11,519,844
Operation of Noninstructional Services	991,297	-	991,297
Capital Outlay	24,309	950,493	974,802
Debt Service:			
Principal	3,128,748	-	3,128,748
Interest	599,707	-	599,707
TOTAL EXPENDITURES	35,954,038	1,059,209	37,013,247
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,204,486)	(1,039,391)	(2,243,877)
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issuance	-	6,215,000	6,215,000
Bond Premium of Bond Issuance	-	336,841	336,841
Issuance of Capital Lease	333,036	-	333,036
Sale of Capital Assets	59,383	-	59,383
TOTAL OTHER FINANCING SOURCES (USES)	392,419	6,551,841	6,944,260
NET CHANGE IN FUND BALANCES	(812,067)	5,512,450	4,700,383
FUND BALANCES - BEGINNING OF YEAR	10,765,840	2,339,603	13,105,443
FUND BALANCES - END OF YEAR	\$ 9,953,773	\$ 7,852,053	\$ 17,805,826

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, 2018

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,700,383

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	\$ 1,958,291	
Less: Depreciation Expense	(2,509,135)	
Net Disposal of Assets	<u>(108,020)</u>	(658,864)

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. (17,742)

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	2,795,000	
Repayment of Capital Lease	333,748	
Issuance of Capital Lease	(333,036)	
Proceeds from Bond Issuance	(6,215,000)	
Bond Premium on Bond Issuance	(336,841)	
Amortization on Bond Premium	12,861	
Amortization of Bond Discount	(6,730)	
Amortization of Deferred Charge on Bond Refunding	<u>(2,667)</u>	(3,752,665)

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. 19,079

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. (30,729)

The change in net pension liability and related deferred outflows and inflows of resources for pension are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (1,138,246)

The change in other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (118,870)

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (997,654)

WYOMISSING AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2018

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 861,769
Interfund Receivables	309,204
Intergovernmental Receivables	64,997
Other Receivables	845
Inventories	<u>24,160</u>
TOTAL CURRENT ASSETS	1,260,975
NONCURRENT ASSETS	
Machinery and Equipment, Net	<u>32,067</u>
TOTAL ASSETS	<u>1,293,042</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources for Pension	142,392
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	<u>1,906</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>144,298</u>
LIABILITIES	
CURRENT LIABILITIES	
Interfund Payables	745,892
Accounts Payable	422
Accrued Salaries and Benefits	8,121
Unearned Revenues	<u>11,698</u>
TOTAL CURRENT LIABILITIES	766,133
NONCURRENT LIABILITIES	
Net Pension Liability	800,085
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Plan	<u>33,000</u>
TOTAL LIABILITIES	<u>1,599,218</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources for Pension	8,911
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	<u>1,725</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	10,636
NET POSITION (DEFICIT)	
Investment in Capital Assets	32,067
Unrestricted (Deficit)	<u>(204,581)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (172,514)</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, 2018

	Enterprise Fund Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 331,167
OPERATING EXPENSES	
Salaries	224,949
Employee Benefits	116,184
GASB Pension and OPEB expense	23,916
Supplies	308,367
Depreciation	3,636
Other Expenses	14,360
TOTAL OPERATING EXPENSES	691,412
OPERATING LOSS	(360,245)
NONOPERATING REVENUES	
Earnings on Investments	6,905
State Sources	67,061
Federal Sources	407,608
TOTAL NONOPERATING REVENUES	481,574
CHANGE IN NET POSITION	121,329
NET POSITION (DEFICIT) - BEGINNING OF YEAR - RESTATED	(293,843)
NET POSITION (DEFICIT) - END OF YEAR	\$ (172,514)

WYOMISSING AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2018

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Users	\$ 336,648
Payments to Employees for Services	(50,214)
Payments to Suppliers for Goods and Services	<u>(288,001)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(1,567)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	66,417
Federal Sources	<u>347,611</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	414,028
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>6,905</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	419,366
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>442,403</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 861,769</u></u>

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

For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	\$ (360,245)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	3,636
Donated Commodities Used	49,277
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Interfund Receivables/Payables	296,220
Other Receivables	(845)
Inventories	(14,841)
Deferred Outflows of Resources for Pension	79,029
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	(108)
Accounts Payable	290
Accrued Salaries and Benefits	(5,301)
Unearned Revenues	6,326
Net Pension Liability	(56,416)
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Plan	(2,115)
Deferred Inflows of Resources for Pension	1,801
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	1,725
Total Adjustments	<u>358,678</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (1,567)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$49,277 of commodities from the
U.S. Department of Agriculture.

WYOMISSING AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS**

June 30, 2018

	Private Purpose Trust Fund (Scholarships)	Agency Fund (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 72,980	\$ 94,701
TOTAL ASSETS	<u>72,980</u>	<u>94,701</u>
LIABILITIES		
CURRENT LIABILITIES		
Interfund Payable	8,790	\$ 2,262
Other Current Liabilities	<u>-</u>	<u>92,439</u>
TOTAL LIABILITIES	<u>8,790</u>	<u>94,701</u>
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	<u>\$ 64,190</u>	

See accompanying notes.

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

For the Year Ended June 30, 2018

	Private Purpose Trust Fund (Scholarships)
ADDITIONS	
Contributions	\$ 5,960
Earnings on Investments	<u>89</u>
TOTAL ADDITIONS	6,049
DEDUCTIONS	
Scholarships	<u>1,760</u>
CHANGE IN NET POSITION	4,289
NET POSITION - BEGINNING OF YEAR	<u>59,901</u>
NET POSITION - END OF YEAR	<u><u>\$ 64,190</u></u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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

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, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgement that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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 14 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.

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.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

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.

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 trust funds (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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

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.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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.

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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option - continued

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.

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 2017/2018 budget transfers.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Cash and Cash Equivalents

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.

2. Investments

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.

3. Interfund Transactions

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."

4. 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.

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, 2018, consist of the following:

Purchased food and supplies	\$ 17,040
Donated commodities	<u>7,120</u>
	<u>\$ 24,160</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Expenses/Expenditures - continued

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.

5. 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. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. 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.

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. 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 (expenses) until then. The District has two items that qualify for reporting in this category:

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise 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 or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are 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 other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise from the 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 plan, or changes in the internal allocation of the net other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefits obligation in the following year.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. 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 District has four types of items that qualify for reporting in this category.

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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

A deferred charge 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.

Deferred inflows of resources for pensions relate to the District's net pension liability and pension expense and arise 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 or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise 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 plan, or changes in the internal allocation of the other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide fund 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.

8. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net investment in 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.

9. 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 restricted fund balance classification represents funds that are limited in use to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Fund Balance Policies and Flow Assumptions - continued

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.

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.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses - continued

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.

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. 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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 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 \$172,514 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.

C. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2018, the general fund has an excess of expenditures over appropriations of \$700,496 due to a new capital lease and capital expenditure purchases. The District used capital lease proceeds and existing fund balance 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, 2018. 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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND 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.

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

The breakdown of total cash and investments at June 30, 2018, is as follows:

Petty cash	\$ 2,201
Cash	1,255,294
Pooled cash and investments	<u>13,717,708</u>
	<u>\$ 14,975,203</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, 2018, the carrying amount of the District's deposits was \$1,255,294 and the bank balance was \$1,448,238. Of the bank balance, \$307,145 was covered by federal depository insurance, and \$1,141,093 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 Pennsylvania General Assembly.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

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

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Pooled Cash and Investments:			
PA Local Government Investment Trust:			
Money Market Fund		\$ 507,782	\$ 507,782
PA School District Liquid Asset Fund:			
Full Flex Pool	< 1 year	4,600,000	4,600,000
MAX Account Balance		8,600,012	8,600,012
Investments:			
Certificate of Deposit at Local Banks	< 1 year	<u>12,000</u>	<u>12,000</u>
	Total		13,719,794
	Less: Reconciling Items		<u>(2,086)</u>
	Total Pooled Cash and Investments		<u><u>\$ 13,717,708</u></u>

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 \$507,782 (PLGIT) and \$13,200,012 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

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). 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.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

The PSDLAF Full Flex Pool and Collateralized Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

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

As of June 30, 2018, the entire PLGIT and PSDLAF book balance of \$13,705,708 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, 2018, 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, 2018, 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, 2018

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 \$794,224,000. In accordance with Act 1 of 2006, the District received \$485,046 in property tax reduction funds for the 2017/2018 fiscal year. The District tax rate for the year ended June 30, 2018, 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, 2018, were as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue Taxes
Real Estate	\$ 295,154	\$ 5,054	\$ 290,100	\$ 25,641	\$ 269,513
Real Estate Transfer	23,549	-	23,549	23,549	-
Earned Income Tax	112,331	-	112,331	112,331	-
Other	541	-	541	541	-
	<u>\$ 431,575</u>	<u>\$ 5,054</u>	<u>\$ 426,521</u>	<u>\$ 162,062</u>	<u>\$ 269,513</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018. 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, 2018, 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, 2018

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables as of June 30, 2018:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Food Service</u>
BCIU - Special Education - Grants to States	\$ 162,078	\$ -
Borough of West Reading - Crossing Guards	83,291	-
Commonwealth of Pennsylvania:		
Social Security	201,629	-
Retirement	839,216	-
Rental Subsidy	55,650	-
Transportation Subsidy	39,547	-
Health	37,272	-
School Lunch and Breakfast Programs	-	3,702
Federal Subsidies:		
Title I - Grants to Local Educational Agencies	72,048	-
Supporting Effective Instruction State Grants	38,870	-
English Language Acquisition State Grants - Title III	2,584	-
Title IV - Student Support and Academic Enrichment	7,333	-
Medical Assistance Program	60,072	-
School Lunch and Breakfast Programs	-	61,295
TOTAL	\$ 1,599,590	\$ 64,997

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

Governmental Activities

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 232,196	\$ -	\$ -	\$ 232,196
Construction in progress	225,772	1,339,043	(479,054)	1,085,761
Totals not being depreciated	457,968	1,339,043	(479,054)	1,317,957
Capital assets being depreciated:				
Buildings and improvements	57,474,646	79,951	479,054	58,033,651
Land improvements	4,522,998	-	-	4,522,998
Furniture and equipment	7,569,766	539,297	(653,199)	7,455,864
Totals being depreciated	69,567,410	619,248	(174,145)	70,012,513
Less accumulated depreciation for:				
Buildings and improvements	18,008,551	1,535,267	-	19,543,818
Land improvements	2,850,481	129,579	-	2,980,060
Furniture and equipment	4,811,420	844,289	(545,179)	5,110,530
Total accumulated depreciation	25,670,452	2,509,135	(545,179)	27,634,408
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	43,896,958	(1,889,887)	371,034	42,378,105
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 44,354,926	\$ (550,844)	\$ (108,020)	\$ 43,696,062

Business-Type Activities

Capital assets being depreciated:				
Furniture and equipment	\$ 211,159	\$ -	\$ -	\$ 211,159
Accumulated depreciation for:				
Furniture and equipment	175,456	3,636	-	179,092
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	\$ 35,703	\$ (3,636)	\$ -	\$ 32,067

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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	\$ 962,036
Special Programs - Elementary/Secondary	24,960
Support Services:	
Instructional Staff	695
Administration	111
Pupil Health	895
Business	693
Operation and Maintenance of Plant Services	1,196,615
Student Transportation Services	8,460
Central	309,304
Noninstructional Services	<u>5,366</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,509,135</u></u>

NOTE 8 - LONG-TERM LIABILITIES

Bonds, notes, and leases payable are as follows at June 30, 2018:

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. \$ 5,025,000

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%. 6,225,000

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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. 7,165,000

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. 7,155,000

General Obligation Bonds, Series of 2018: The General Obligation Bonds, Series of 2018, aggregate principal of \$6,215,000, were issued on June 28, 2018, for the purpose of financing capital projects. The notes mature from February 1, 2019, to February 1, 2028. Interest is payable semi-annually on February 1 and August 1. Interest rates range from 1.70% to 4.00%. 6,215,000

Total Bonds and Notes Payable \$ 31,785,000

Capital lease liabilities are as follows at June 30, 2018:

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%. \$ 38,735

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%. 175,766

Capitalized lease obligation for iPads, with annual payments of \$75,348, with final payment due in December 2019. The lease has an effective interest rate of 3.29%. 148,701

Capitalized lease obligation for a phone system, with annual payments of \$36,334, with final payment due in September 2019. The lease has no interest. 72,667

Total Capital Leases \$ 435,869

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

Cost	\$ 802,532
Accumulated depreciation	<u>(232,348)</u>
Net Book Value	<u><u>\$ 570,184</u></u>

Minimum future lease payments under capital leases are as follows:

Payments	\$ 441,646
Amount representing interest	<u>(5,777)</u>
Present value of net minimum lease payments	<u><u>\$ 435,869</u></u>

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

Year Ended June 30	General Obligation Bonds - Series of 2014	General Obligation Notes - Series of 2015A	General Obligation Bonds - Series of 2016A	General Obligation Bonds - Series of 2016B
2019	\$ 2,465,000	\$ 55,000	\$ 185,000	\$ 190,000
2020	2,560,000	5,000	195,000	190,000
2021	-	165,000	1,500,000	1,500,000
2022	-	170,000	1,535,000	1,535,000
2023	-	175,000	1,570,000	1,565,000
2024 - 2028	<u>-</u>	<u>5,655,000</u>	<u>2,180,000</u>	<u>2,175,000</u>
TOTAL	<u><u>\$ 5,025,000</u></u>	<u><u>\$ 6,225,000</u></u>	<u><u>\$ 7,165,000</u></u>	<u><u>\$ 7,155,000</u></u>
	General Obligation Bonds - Series of 2018	Total General Long-Term Debt	Capital Leases	Total Interest
2019	\$ 25,000	\$ 2,920,000	\$ 236,567	\$ 705,042
2020	25,000	2,975,000	199,302	747,680
2021	25,000	3,190,000	-	685,776
2022	25,000	3,265,000	-	614,331
2023	25,000	3,335,000	-	541,166
2024 - 2028	<u>6,090,000</u>	<u>16,100,000</u>	<u>-</u>	<u>1,515,961</u>
TOTAL	<u><u>\$ 6,215,000</u></u>	<u><u>\$ 31,785,000</u></u>	<u><u>\$ 435,869</u></u>	<u><u>\$ 4,809,956</u></u>

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable	\$ 28,365,000	\$ 6,215,000	\$ 2,795,000	\$ 31,785,000	\$ 2,920,000
Discounts	(17,385)	-	(6,730)	(10,655)	-
Premiums	33,223	336,841	12,861	357,203	-
Total Payable	28,380,838	6,551,841	2,801,131	32,131,548	2,920,000
Capital leases payable	436,581	333,036	333,748	435,869	236,567
Compensated absences	419,516	50,105	-	469,621	174,726
Total Governmental Long-Term Liabilities	<u>\$ 29,236,935</u>	<u>\$ 6,934,982</u>	<u>\$ 3,134,879</u>	<u>\$ 33,037,038</u>	<u>\$ 3,331,293</u>

Payment for bonds payable and capital leases is made by the general fund. The compensated absences liabilities will be liquidated by the general fund and the proprietary fund. Total interest paid during the year ended June 30, 2018, was \$599,707.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania 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.pa.gov.

Benefits Provided

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

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

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

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions

The contribution policy is set by 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% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018, was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,845,614 for the year ended June 30, 2018.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Employer Contributions - continued:

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$2,489,686.

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

At June 30, 2018, the District reported a liability of \$53,339,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1080%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2017. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the general fund and the food service funds.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the District recognized pension expense of \$6,008,274. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 556,000	\$ 322,000
Changes in assumptions	1,449,000	-
Net difference between projected and actual investment earnings	1,236,000	-
Changes in proportion - plan level	1,057,000	254,000
Changes in proportion - internal	(5,599)	(5,599)
Difference between employer contributions and proportionate share of total contributions	165,675	-
Contributions made subsequent to the measurement date	4,845,614	-
	<u>\$ 9,303,690</u>	<u>\$ 570,401</u>

The \$4,845,614 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2019	\$ 1,198,272
2020	1,745,176
2021	1,164,564
2022	<u>(220,337)</u>
	<u>\$ 3,887,675</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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

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

Discount Rate

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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%, 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	\$ 65,656,000	\$ 53,339,000	\$ 42,941,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,677,404. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

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, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Employee Defined Benefit Other Postemployment Benefits Plan

The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered through PSERS.

Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information About the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the HIPAP if they satisfy the following criteria:

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

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program - continued

Pension Plan Description

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

Benefits Provided

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

Contributions:

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$126,713 for the year ended June 30, 2018.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net HIPAP obligation and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$2,489,686.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported an obligation of \$2,200,000 for its proportionate share of the net OPEB obligation. The net OPEB obligation was measured as of June 30, 2017, and the total OPEB obligation used to calculate the net OPEB obligation was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB obligation was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1080%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2017. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general and food service funds.

For the year ended June 30, 2018, the District recognized OPEB expense of \$91,791. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 102,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportion	-	13,000
Contributions made subsequent to the measurement date	126,713	-
	<u>\$ 128,713</u>	<u>\$ 115,000</u>

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$126,713 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$ (19,000)
2020	(19,000)
2021	(19,000)
2022	(19,000)
2023	(19,000)
Therafter	<u>(18,000)</u>
	<u>\$ (113,000)</u>

Actuarial Assumptions

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

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The following assumptions were used to determine the contribution rate:

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

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

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

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

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Discount Rate

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB obligation for the June 30, 2017 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB obligation would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
District's proportionate share of the net OPEB obligation	\$ 2,200,000	\$ 2,200,000	\$ 2,201,000

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

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

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

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB obligation	\$ 2,501,000	\$ 2,200,000	\$ 1,950,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS of \$1,677,404, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

Wyomissing Area School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, dental and vision insurance for eligible retirees 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 OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Government Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, and Support Staff. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Administrators

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
A. Retired Prior to 7/1/2010	<p><u>Coverage</u> Medical, Prescription Drug, Dental and Vision</p> <p><u>Premium Sharing</u> Member and spouse will receive full paid benefits for medical, prescription drug, dental, and vision. Contributions for the member and spouse are the current active co-pays. Once the member reaches Medicare age, the district will contribute up to \$2,500 towards the costs of a Medicare supplemental plan until age 70.</p> <p>If the member does not meet the requirements for the district subsidy but requirements are met for Act 110/43, the member and spouse may continue coverage by paying the full premiums for coverage as determined for the purpose of COBRA.</p> <p>Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age.</p> <p>Dependents - Spouses included</p>	<ul style="list-style-type: none"> • Member medical coverage ceases upon attainment of age 65. • Member Medicare supplement subsidy ceases upon age 70. • Spouse coverage ceases upon attainment of age 65.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided - continued

I. Administrators - continued

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
<p>B. Retired 7/1/2010 and Later</p> <p>Act 110/43</p>	<p><u>Coverage</u> Medical, Prescription Drug, Dental and Vision</p> <p><u>Premium Sharing</u> Member and spouse will receive benefits for medical, prescription drug, dental and vision but must pay contribute 102% of the premiums.</p> <p>Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age.</p> <p>Dependents - Spouses included</p>	<ul style="list-style-type: none"> • Member coverage ceases upon attainment of age 65. • Spouse coverage ceases upon attainment of age 65.

II. Teachers

<p>Act 110/43</p>	<p><u>Coverage</u> Medical, Prescription Drug, Dental, and Vision</p> <p><u>Premium Sharing</u> If member reaches 25 years of service with the district as of 6/30/2010, and requirements are met for Act 110/43, member and spouse will receive benefits for medical, prescription drug, dental and vision. Contributions for the member are \$135/month and contributions for the spouse are 102% of the premium for single coverage.</p> <p>If the member does not reach the requirements for the district subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premiums for coverage as determined for the purpose of COBRA.</p> <p>Upon death of a retiree, the spouse may continue coverage until he/she reaches Medicare age.</p> <p>Dependents - Spouses included</p>	<p>Same as I.B.</p>
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WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

III. Support Staff

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43	<u>Coverage</u> Medical, Prescription Drug, Dental, and Vision <u>Premium Sharing</u> Member and spouse will receive benefits for medical, prescription drug, dental and vision but must contribute 102% of the premiums. Upon the death of a retiree, the spouse may continue coverage until he/she reaches Medicare age. Dependents - Spouses included	Same as I.B.

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to coverage in the group health plan to which they belonged as employees. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

PSERS Superannuation Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Employees Covered by Benefit Terms

At July 1, 2016, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	256
Retired participants	<u>4</u>
Total	<u><u>260</u></u>

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB obligation as of July 1, 2017, was determined by rolling forward the District's total OPEB obligation as of July 1, 2016 to July 1, 2017, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
- Discount rate - 3.13% - based on the Standards & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/17
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of Teachers who receive a subsidy. 75% of Teachers and Administrators who do not receive subsidy, and 25% of the Support Staff are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Obligation

	<u>Total OPEB Obligation</u>
Balance at July 1, 2017	<u>\$ 1,856,482</u>
Changes for the year:	
Service cost	143,192
Interest	49,414
Changes of assumptions or other inputs	38,140
Benefit payments	<u>(27,988)</u>
Net changes	<u>202,758</u>
Balance at June 30, 2018	<u><u>\$ 2,059,240</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.49% to 3.13%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate

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

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
OPEB Plan - Total OPEB Obligation	\$ 2,229,985	\$ 2,059,240	\$ 1,898,002

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Obligation - continued

Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Obligation	\$ 1,783,747	\$ 2,059,240	\$ 2,390,232

At June 30, 2018, the District reported an OPEB obligation of \$2,059,240 related to the OPEB Plan. The net OPEB obligation was measured as of July 1, 2017, and was determined by rolling forward an actuarial valuation performed as of July 1, 2016 to July 1, 2017. The liability will be liquidated through future payments from the general fund.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$195,330. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 35,416	\$ -
Benefit payments made subsequent to the measurement date	42,036	-
	<u>\$ 77,452</u>	<u>\$ -</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

OPEB Obligations, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$42,036 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$	2,724
2020		2,724
2021		2,724
2022		2,724
2023		2,724
Thereafter		<u>21,796</u>
Total	\$	<u>35,416</u>

NOTE 12 - 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 \$11,133 has been made to the fund financial statements for the portion due in the next fiscal year and an accrual of \$13,032 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, 2018, recorded in the General Fund that will use currently available financial resources is \$163,593.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - OTHER EMPLOYEE BENEFITS - CONTINUED

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, 2018 for \$281,863.

NOTE 13 - INTERFUND BALANCES

The following is a summary of interfund receivables and payables at June 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 5,354,352	\$ 111,633
Capital Projects Fund	35,021	4,830,000
Enterprise Fund - Food Service	309,204	745,892
Private Purpose Trust Fund - Scholarships	-	8,790
Agency Fund - Student Activities	-	2,262
	<u>\$ 5,698,577</u>	<u>\$ 5,698,577</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.

NOTE 14 - 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 2017/2018 year was \$356,104.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 14 - JOINT VENTURE - CONTINUED

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 2017/2018 year was \$103,614.

Summary financial information as of June 30, 2017, (the most recent information available) is as follows:

<u>Berks Career & Technology Center - Governmental Activities</u>	
Total Assets and Deferred Outflows of Resources	\$ 33,405,464
Total Liabilities and Deferred Inflows of Resources	<u>32,156,625</u>
Total Net Position	<u>\$ 1,248,839</u>

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

NOTE 15 - 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 2017/2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 - CONTINGENT LIABILITIES

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

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 16 - CONTINGENT LIABILITIES - CONTINUED

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.

NOTE 17 - 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, 2018.

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

2019	\$ 63,869
2020	63,869
2021	63,868
	<u>\$ 191,606</u>

At June 30, 2018, the District has entered into contracts related to capital projects. Contracts outstanding are as follows:

	Contract Amount	Expenditures Incurred	Prepaid Expenditures	Commitment Remaining
Tennis Court Project	\$ 548,960	\$ 538,781	\$ -	\$ 10,179
STEAM Renovations JSHS	1,201,579	420,713	-	780,866
HVAC Renovations JSHS	4,830,000	-	4,830,000	-
Total Commitments	<u>\$ 6,580,539</u>	<u>\$ 959,494</u>	<u>\$ 4,830,000</u>	<u>\$ 791,045</u>

These commitments will be liquidated by the capital projects and general funds.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 18 - RESTATEMENT OF BEGINNING NET POSITION

Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles.

Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefit plans other than pensions. The statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. The statement also enhances note disclosure and required supplementary information for these plans.

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2017, as follows:

	Governmental Activities	Business-Type Activities Food Service Fund	Total
Net Position (Deficit) at June 30, 2017	\$ (14,864,889)	\$ (260,526)	\$ (15,125,415)
Restatement for:			
Deferred Outflow - HIPAP contributions made subsequent to the measurement date	117,993	1,798	119,791
Other postemployment benefit obligation - HIPAP	(2,305,885)	(35,115)	(2,341,000)
Deferred Outflow - benefit payments made subsequent to the measurement date	27,988	-	27,988
Other postemployment benefit obligation - District Plan	(1,418,843)	-	(1,418,843)
Net Position (Deficit) at July 1, 2017 - restated	<u>\$ (18,443,636)</u>	<u>\$ (293,843)</u>	<u>\$ (18,737,479)</u>

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 19 - 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, 2018, were as follows:

General Fund

The general fund has nonspendable funds of \$45,217 for prepaid expenditures and restricted funds of \$719 for Camp Conrad Weiser, \$12,350 for the lacrosse program, \$13,457 for the fence project donations, \$264 for the KURR Grant, \$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, \$972,257 for curriculum enhancements, and \$186,124 for vehicle/equipment replacements; assigned funds of \$1,142,721 appropriated for the 2018/2019 budget; and unassigned fund balance of \$2,379,837. All commitments and assignments were authorized by the board of school directors' resolution to set aside resources for specific purposes.

Capital Projects

The capital projects fund has nonspendable funds of \$4,830,000 for prepaid expenditures and restricted funds of \$3,022,053, consisting of \$1,946,050 of unspent bond funds, and \$1,076,003 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 20 - NEW ACCOUNTING PRONOUNCEMENTS

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

- 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.

WYOMISSING AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 88 is effective for the District's fiscal year ending June 30, 2019.

The District has not yet completed the analysis 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, 2018

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local Sources	\$ 27,503,587	\$ 27,503,587	\$ 27,758,290	\$ 254,703
State Sources	6,430,555	6,430,555	6,585,901	155,346
Federal Sources	596,949	596,949	405,361	(191,588)
TOTAL REVENUES	34,531,091	34,531,091	34,749,552	218,461
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular Programs - Elementary/Secondary	14,561,960	14,556,203	14,498,290	57,913
Special Programs - Elementary/Secondary	4,948,673	4,929,912	4,766,198	163,714
Vocational Education	450,206	450,206	459,718	(9,512)
Other Instructional Programs - Elementary/Secondary	115,509	115,509	67,893	47,616
Nonpublic Instruction	-	-	6,750	(6,750)
TOTAL INSTRUCTIONAL SERVICES	20,076,348	20,051,830	19,798,849	252,981
SUPPORT SERVICES:				
Students	1,366,757	1,366,758	1,460,468	(93,710)
Instructional Staff	768,417	777,168	1,062,761	(285,593)
Administration	2,297,808	2,297,864	2,188,629	109,235
Pupil Health	540,867	556,634	536,888	19,746
Business	640,005	640,005	634,386	5,619
Operation and Maintenance of Plant Services	2,717,377	2,717,377	3,166,726	(449,349)
Student Transportation Services	900,624	900,624	1,001,651	(101,027)
Central	1,146,797	1,146,798	1,332,698	(185,900)
Other Support Services	26,750	26,750	26,921	(171)
TOTAL SUPPORT SERVICES	10,405,402	10,429,978	11,411,128	(981,150)
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student Activities	975,667	975,660	953,242	22,418
Community Services	48,651	48,651	37,355	11,296
Scholarships and Awards	750	700	700	-
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,025,068	1,025,011	991,297	33,714
CAPITAL OUTLAY	-	-	24,309	(24,309)
DEBT SERVICE	3,746,724	3,746,723	3,728,455	18,268
TOTAL EXPENDITURES	35,253,542	35,253,542	35,954,038	(700,496)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(722,451)	(722,451)	(1,204,486)	(482,035)

See note to required supplementary information.

WYOMISSING AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2018

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Capital Lease	-	-	333,036	333,036
Sale of Capital Assets	-	-	59,383	59,383
Budgetary Reserve	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>(250,000)</u>	<u>392,419</u>	<u>642,419</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ (972,451)</u></u>	<u><u>\$ (972,451)</u></u>	<u>(812,067)</u>	<u><u>\$ 160,384</u></u>
FUND BALANCE - BEGINNING OF YEAR			<u>10,765,840</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 9,953,773</u></u>	

WYOMISSING AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

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.

WYOMISSING AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1080%	0.1087%	0.1059%	0.1056%	0.1026%
District's proportionate share of the net pension liability	\$ 53,339,000	\$ 53,868,000	\$ 45,871,000	\$ 41,797,000	\$ 42,001,000
District's covered employee payroll	\$ 14,381,434	\$ 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	370.89%	382.65%	336.57%	310.19%	318.98%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	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, 2017, 2016, 2015, 2014, and 2013).

NOTES TO SCHEDULE

Changes of Benefit Terms

With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions

None.

Note: This schedule is presented to illustrate 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 TEN FISCAL YEARS									
	<u>2018</u>	<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>
Contractually required contribution	\$ 4,845,614	\$ 4,214,323	\$ 3,537,495	\$ 2,827,068	\$ 2,174,478	\$ 1,522,915	\$ 1,105,212	\$ 712,635	\$ 553,506	\$ 567,242
Contributions in relation to the contractually required contribution	<u>4,845,614</u>	<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>
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	\$ 15,250,077	\$ 14,381,434	\$ 14,077,519	\$ 13,629,107	\$ 13,474,503	\$ 13,167,353				
Contributions as a percentage of covered employee payroll	31.77%	29.30%	25.13%	20.74%	16.14%	11.57%				

Note: This schedule is presented to illustrate 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB OBLIGATION
AND RELATED RATIOS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (HIPAP)**

LAST TEN FISCAL YEARS

	2018	2017
District's proportion of the collective HIPAP obligation	0.1080%	0.1087%
District's proportionate share of the collective net HIPAP obligation	\$ 2,200,000	\$ 2,341,000
District's covered employee payroll	\$ 14,381,434	\$ 14,077,519
District's proportionate share of the net HIPAP obligation as a percentage of its covered employee payroll	15.30%	16.63%
Plan fiduciary net position as a percentage of the total HIPAP obligation	5.73%	5.47%

The District's covered employee payroll noted above is as of the measurement date of the net HIPAP obligation (June 30, 2017 and 2016).

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2017 measurement date are as follows:

- The discount rate changed from 2.71% to 3.13%.

This schedule is presented to illustrate 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 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 126,713	\$ 119,791	\$ 118,860	\$ 124,115	\$ 126,392	\$ 113,888	\$ 89,798	\$ 91,217	\$ 107,934	\$ 107,776
Contributions in relation to the contractually required contribution	126,713	119,791	118,860	124,115	126,392	113,888	89,798	91,217	107,934	107,776
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 15,250,077	\$ 14,381,434	\$ 14,077,519	\$ 13,629,107	\$ 13,474,503	\$ 13,167,353				
Contributions as a percentage of covered employee payroll	0.83%	0.83%	0.84%	0.91%	0.94%	0.86%				

Note:

This schedule is presented to illustrate 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 CHANGES OF TOTAL OPEB OBLIGATION AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	<u>2018</u>
Total OPEB Obligation	
Service cost	\$ 143,192
Interest	49,414
Changes in assumptions	38,140
Benefit payments	<u>(27,988)</u>
Net change in total OPEB obligation	202,758
Total OPEB obligation, beginning	<u>1,856,482</u>
Total OPEB obligation, ending	<u><u>\$ 2,059,240</u></u>
Covered Employee Payroll	<u><u>\$ 13,569,477</u></u>
Total OPEB Obligation as a Percentage of Covered Employee Payroll	15.18%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2017 measurement date are as follows:

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

This schedule is presented to illustrate 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.

SUPPLEMENTARY INFORMATION

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - FOOD SERVICE FUND

For the Year Ended June 30, 2018

REVENUES

Student's Payments	\$ 207,446
Adult's Payments/A la Carte	108,311
Federal Subsidies	358,331
State Subsidies	67,061
Commodities Received	49,277
Interest Revenue	6,905
Vending Machine Sales	8,796
Special Events	<u>6,614</u>

TOTAL REVENUES 812,741

COST OF GOODS SOLD

Inventory - Beginning of Year	9,319
Purchases - Commodities	49,277
Purchases - Food and Milk	254,667
Less: Inventory - End of Year	<u>(24,160)</u>

TOTAL COST OF GOODS SOLD 289,103

GROSS PROFIT 523,638

OPERATING EXPENSES

Salaries	224,949
Employee Benefits	116,184
GASB Pension and OPEB expense	23,916
Repairs and Maintenance	11,596
Depreciation Expense	3,636
Supplies	19,264
Other Expenses	<u>2,764</u>

TOTAL OPERATING EXPENSES 402,309

CHANGE IN NET POSITION 121,329

NET POSITION (DEFICIT) - BEGINNING OF YEAR - RESTATED (293,843)

NET POSITION (DEFICIT) - END OF YEAR \$ (172,514)

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Amount	Grant Period Beginning/ Ending Dates	Receipts For the Year	Accrued (Unearned) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2018
<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	\$ 49,772	\$ 49,772	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	I	84.010	013-18-0497	272,337	07/08/17-09/30/18	198,947	-	270,995	270,995	72,048
Total Title I						248,719	49,772	270,995	270,995	72,048
Supporting Effective Instruction State Grants	I	84.367	020-18-0497	58,663	07/08/17-09/30/18	19,527	-	58,397	58,397	38,870
Title IV - Student Support and Academic Enrichment	I	84.424	144-18-0497	10,000	07/08/17-09/30/18	2,667	-	10,000	10,000	7,333
English Language Acquisition State Grant - Title III	I	84.365	010-17-0497	10,983	07/05/16-09/30/17	5,125	5,125	-	-	-
Passed Schuylkill Intermediate Unit:										
English Language Acquisition State Grant - Title III	I	84.365	010-18-0497	9,505	07/08/17-09/30/18	-	-	2,584	2,584	2,584
Passed through Berks County Intermediate Unit:										
Special Education Cluster (IDEA)										
Special Education Grants to States	I	84.027	N/A	281,636	07/01/16-09/30/17	259,604	259,604	-	-	-
Special Education Grants to States	I	84.027	N/A	290,303	07/01/17-06/30/18	128,225	-	290,303	290,303	162,078
Special Education Preschool Grants	I	84.173	N/A	1,309	07/01/16-06/30/17	982	982	-	-	-
Special Education Preschool Grants	I	84.173	N/A	3,500	07/01/17-06/30/18	3,000	-	3,000	3,000	-
Total Special Education Cluster (IDEA)						391,811	260,586	293,303	293,303	162,078
TOTAL U.S. DEPARTMENT OF EDUCATION						667,849	315,483	635,279	635,279	282,913
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>										
Medicaid Cluster										
Passed through the Pennsylvania Department of Human Services:										
Medical Assistance Program	I	93.778	N/A	N/A	07/01/17-06/30/18	3,313	-	3,313	3,313	-
TOTAL MEDICAID CLUSTER AND										
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						3,313	-	3,313	3,313	-
<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	39,895	39,895	-	-	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/17-06/30/18	240,197	-	288,670	288,670	48,473
School Breakfast Program	I	10.553	N/A	N/A	07/01/16-06/30/17	10,680	10,680	-	-	-
School Breakfast Program	I	10.553	N/A	N/A	07/01/17-06/30/18	56,839	-	69,661	69,661	12,822
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/17-06/30/18	54,628	(1,769)	49,277	49,277	(7,120)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						402,239	48,806	407,608	407,608	54,175
TOTAL FEDERAL AWARDS						\$ 1,073,401	\$ 364,289	\$ 1,046,200	\$ 1,046,200	\$ 337,088

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

Note: No funds were passed through to subrecipients in the year ended June 30, 2018.

WYOMISSING AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Wyomissing Area School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimis 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, 2018, the District has \$7,120 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, 2018, 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 December 19, 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 have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be material weaknesses.

Compliance and Other Matters

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

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
December 19, 2018**



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
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, 2018. 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, 2018.

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 a 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
December 19, 2018**

WYOMISSING AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

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>
84.010	Title I - Grants to Local Educational Agencies
<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, 2018

Section II - Financial Statement Findings

2018-001 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, 2018

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, 2018

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 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 2018-001.



Wyomissing Area School District

630 Evans Ave. • Wyomissing • Pennsylvania 19610
(P) 610.374.0739 • (F) 610.374.0948 • (W) www.wyoarea.org

Robert L. Scoboria, Superintendent
Melissa L. Woodard, Ed.D, Assistant Superintendent

Department of Education:

Wyomissing Area School District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public account firm:

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

The finding is from the June 30, 2018 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

2018-001 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 has installed plans and procedures for the reconciliation process, and will continue to work to complete all reconciliations earlier in the audit process. The District will also meet with the Auditors to review the expectations for the Audit at the end of the year. The District has started the year end process earlier to ensure that all reconciliations are done on a timely basis and the District will continue the reconciliations throughout the year.

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

Sincerely,



Mark Boyer
Business Administrator