

WYOMING AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2017

Rainey & Rainey
Certified Public Accountants

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WYOMING AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Wyoming Area School District (the "District") for the year ended June 30, 2017. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Total net position of the District increased \$2,503,893 in 2017 to (\$36,540,487) at June 30, 2017. Net position of governmental activities increased \$2,529,385 or 6.93% above 2016. Net position of the business-type activity decreased \$25,492.

The District had \$31,162,491 in expenses related to governmental activities in 2017; of these expenses, \$7,335,744 was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$26,356,132 were sufficient to provide for these programs resulting in an increase in net position of \$2,529,385.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

WYOMING AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 16-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's General Fund and Debt Service Fund.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

WYOMING AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 48 of this report to demonstrate compliance with the budget process.

PROPRIETARY FUNDS

The District accounts for its food service operation in a proprietary fund, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-44 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2017 included \$32,885,685 of revenues and \$33,312,342 of expenditures. There were no amendments made to the budget during 2017.

Actual revenues received for 2017 were \$33,718,561 or 2.53% over budget. The favorable variances were attributable primarily to a favorable increase in Local Revenue, specifically Earned Income Tax, Realty Transfer Tax and Delinquent Real Estate Tax Revenue. State source revenue exceeded budgetary expectations by approximately \$319,679 due to increases in Basic Education Funding, as well as an increase in Retirement reimbursement.

Actual expenditures and other uses were \$32,457,353 or 2.57% below the budget. The variances relative to expenditures were primarily due to a favorable variances in Salaries and Benefits, Supplies and the District not utilizing the Contingency Expense category in 2017.

WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed government-wide financial statements are presented comparatively as follows:

CONDENSED STATEMENT OF NET POSITION (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 9,240	\$ 7,801	\$ (53)	\$ (46)	\$ 9,187	\$ 7,755
Current Assets: Deferred Outflow	17,211	11,238	-	-	17,211	11,238
Capital assets	<u>23,609</u>	<u>24,515</u>	<u>11</u>	<u>20</u>	<u>23,620</u>	<u>24,535</u>
TOTAL	<u>\$ 50,060</u>	<u>\$ 43,554</u>	<u>\$ (42)</u>	<u>\$ (26)</u>	<u>\$ 50,018</u>	<u>\$ 43,528</u>
Current liabilities	\$ 5,373	\$ 4,923	\$ 18	\$ 8	\$ 5,391	\$ 4,931
Current liabilities: Deferred Inflow	2,077	1,858	-	-	2,077	1,858
Long-term liabilities:						
Due after one year	<u>79,149</u>	<u>75,783</u>	<u>-</u>	<u>-</u>	<u>79,149</u>	<u>75,783</u>
Total liabilities	<u>86,599</u>	<u>82,564</u>	<u>18</u>	<u>8</u>	<u>86,617</u>	<u>82,572</u>
Net position:						
Invested in capital assets, net of related debt	23,609	10,254	11	20	23,620	10,274
Unrestricted	<u>(60,148)</u>	<u>(49,264)</u>	<u>(71)</u>	<u>(54)</u>	<u>(60,219)</u>	<u>(49,318)</u>
Total Net position	<u>(36,539)</u>	<u>(39,010)</u>	<u>(60)</u>	<u>(34)</u>	<u>(36,599)</u>	<u>(39,044)</u>
TOTAL	<u>\$ 50,060</u>	<u>\$ 43,554</u>	<u>\$ (42)</u>	<u>\$ (26)</u>	<u>\$ 50,018</u>	<u>\$ 43,528</u>

WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$ 9	\$ 20	\$ 320	\$ 368	\$ 329	\$ 388
Operating grants and contributions	7,326	7,267	507	534	7,833	7,801
General revenues:						
Taxes levied for general purposes, net and other taxes levied	18,302	17,611	-	-	18,302	17,611
Grants, subsidies and contributions not restricted	7,814	7,608	-	-	7,814	7,608
Transfers	(71)	(68)	71	68	-	-
Other	<u>312</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>232</u>
Total revenues	<u>33,692</u>	<u>32,670</u>	<u>898</u>	<u>970</u>	<u>34,590</u>	<u>33,640</u>
Program expenses:						
Instruction	19,469	28,965*	-	-	19,469	28,965
Instructional student support	2,189	2,089*	-	-	2,189	2,089
Administration and financial support services	2,234	2,231	-	-	2,234	2,231
Operation and maintenance of plant services	3,008	3,159	-	-	3,008	3,159
Pupil transportation	2,015	1,945	-	-	2,015	1,945
Student activities	652	652	-	-	652	652
Community services	116	120	-	-	116	120
Interest on long-term debt	918	1,112	-	-	918	1,112
Unallocated depreciation	562	989	-	-	562	989
Food service	<u>-</u>	<u>-</u>	<u>923</u>	<u>1,013</u>	<u>923</u>	<u>1,013</u>
Total expenses	<u>31,163</u>	<u>41,262</u>	<u>923</u>	<u>1,013</u>	<u>32,086</u>	<u>42,275</u>
Change in net position	2,529	(8,592)	(25)	(43)	2,504	(8,635)
Net position, beginning	(39,010)	(30,418)	(35)	8	(39,045)	(30,410)
Net position, ending	<u>\$ (36,481)</u>	<u>\$ (39,010)</u>	<u>\$ (60)</u>	<u>\$ (35)</u>	<u>\$ (36,541)</u>	<u>\$ (39,045)</u>

WYOMING AREA SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

*Certain reclasses were made to prior year amounts (2016) in order to conform to the current year presentation. It should be noted there is no effect on total expenses reported for 2016.

GOVERNMENTAL ACTIVITIES

The net position of the governmental activities increased by \$2,529,385 in 2017. During 2017, Revenues increased by 3.13% in comparison to 2016 and this increase can be attributed to Operating Grants & Contributions, Taxes levied, and Grants, Subsidies, & contributions.

Also, expenditures decreased \$10,099,494 or 24.48% in 2017 as compared to 2016, mainly due to a decrease in instruction, instructional student support services and unallocated depreciation. The major reduction in the Instruction and Instructional Student Support Services line items are attributable to the required GASB Pension Adjustments required for 2017.

BUSINESS-TYPE ACTIVITY

Net position of the District's food service operation has decreased by \$25,492 in 2017. The decrease was the result of a decrease in food service revenues mainly for charges for services and operating grants and contributions.

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND

The following represents a summary of Actual General Fund revenues, by source, along with variances from 2016.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$18,393,713	\$17,641,057	\$ 752,656	4.26%
State sources	14,414,725	14,340,623	74,102	0.51%
Federal sources	878,732	711,929	166,803	23.42%
Other	<u>31,391</u>	<u>6,043</u>	<u>25,348</u>	<u>100%</u>
Total	<u>\$33,718,561</u>	<u>\$32,699,652</u>	<u>\$1,018,909</u>	<u>3.12%</u>

LOCAL SOURCES

The majority of the local source revenue is derived from the real estate tax. The real estate tax levy increased approximately 5.35% for Luzerne County and decreased approximately 1.87% for

**WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Wyoming County in 2017. The total current real estate collections approximated \$13,887,371 for the year ended June 30, 2017.

STATE SOURCES

The increase in State Revenue received is primarily due to an increase in the Basic Education Funding and Retirement Subsidy. Increased retirement subsidy is due to the retirement rate increase from 25.84% to 30.03 from the prior year. The District receives reimbursement based on an aid ratio relative to when an employee was hired. It should be noted the Retirement Subsidy increase is offset by the corresponding increases in retirement expense.

FEDERAL SOURCES

Federal sources of revenue increased due to an increase in Title I funding.

The following represents a summary of General Fund expenditures by function for the years June 30, 2017 and 2016.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
Instruction	\$21,052,304	\$21,262,766	\$(210,462)
Support services	9,445,468	9,247,428	198,040
Non-instructional services	768,297	772,107	(3,810)
Refunds of Prior Year			
Receipts	105,457	-	105,457
Debt Service and Other			
financing uses	<u>1,085,827</u>	<u>2,236,624</u>	<u>(1,150,797)</u>
Total	<u>\$32,457,353</u>	<u>\$33,518,925</u>	<u>\$(1,061,572)</u>

INSTRUCTION

The amount of instructional expenses reported at June 30, 2017 decreased by approximately \$210,462 from the prior year. The decrease can be mainly attributed to a decrease in Salaries, corresponding Benefits due to a realignment in staff and Supplies.

WYOMING AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

SUPPORT SERVICES

The increase in support services is mainly attributed to an increase in Student Transportation costs.

NON-INSTRUCTIONAL SERVICES

Expenditures incurred for non-instructional services slightly decreased from 2016 to 2017.

REFUND OF PRIOR YEAR RECEIPTS

Increase incurred for refund of prior year receipts was due to a large tax refund as a result of a reassessment appeal.

DEBT SERVICE AND OTHER FINANCING USES

The decrease in debt service is a result of refinancing transactions implemented by the District. The transactions were executed on December 8, 2015 and January 7th, 2016.

CAPITAL PROJECTS FUND

The Capital Project Fund accounts for major construction projects in the District. This fund in 2015 was utilized primarily on the Montgomery Avenue School renovation project. The Montgomery Avenue project was financed through a \$2,000,000 USDA debt obligation. This loan obligation regarding the project was formally closed on December 20, 2013. There was no activity in the Capital Projects Fund for the 2017 year.

DEBT SERVICE FUND

The Debt Service Fund is used to account for resources accumulated for the payment of long-term obligations. It is normally used to account for refunding of bond issues and the payment of the annual debt service on existing bonds. The District periodically reviews its existing debt and refunds such debt when economically feasible.

The District in March of 2006 issued \$24,955,000 of bonds and notes for the purpose of providing funds to (1) advance refund the School District's GOB, Series of 2004, (2) advance refund the School District's GOB, Series A of 2004; (3) currently refund the School District's Federally Taxable GON, Series of 2004; (4) currently refund the School District's Federally Taxable GON, Series A of 2005; and (5) paying the costs and expenses of issuance of the Bonds.

The District in December 2015 issued \$9,995,000 and in January 2016 issued \$9,195,000 for a total of \$19,190,000 of bonds for the purpose of providing funds to (1) refund the School District's GON, Series A of 2006 and (2) pay the costs and expenses of issuance of the bonds. The district is anticipated to realize an estimated savings of \$2.59 million over the life of the refinanced bonds.

**WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The Debt Service Fund received \$532,506 from the General Fund to pay the annual debt service on its outstanding bonds in 2017. The District paid \$10,000 in principal and \$522,506 in interest on its outstanding bonds.

In addition the District refinanced its 2005 Energy Performance Note in March 2012 with the 2012 Bond Issue of \$1,535,000. The District paid \$190,000 in principal and \$11,569 in interest on the 2012 Bond Issue.

As discussed in the comments for the Capital Projects Fund, the District also applied for and was approved for a loan from the USDA for renovations of the Montgomery Ave. School. The loan amount is \$2,000,000 and was formally closed on December 20, 2013. The District paid approximately \$28,357 in principal and \$68,123 in interest on the loan during 2017.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2017 is summarized below.

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITY</u>	<u>TOTALS</u>
Land	\$ 1,329,844		\$ 1,329,844
Buildings	47,951,689		47,951,689
Improvements	1,930,573		1,930,573
Equipment & Fixtures	2,181,937	795,572	2,977,509
Infrastructure	378,508	-	378,508
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>
Total	53,772,551	795,572	54,568,123
Less accumulated depreciation	<u>30,163,497</u>	<u>784,772</u>	<u>30,948,269</u>
Net	<u>\$ 23,609,054</u>	<u>\$ 10,800</u>	<u>\$ 23,619,854</u>

WYOMING AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

LONG-TERM DEBT

At June 30, 2017, the District's general obligation debt was approximately \$22 million. This amount is approximately 33% of its legal limit of \$67.6 million. The District is scheduled to remit principal and interest payments of \$1,115,458 during the 2017-2018 school year. As of November 2015, Wyoming Area SD has an A+ (Stable Outlook) underlying rating from S&P.

On December 8, 2015 and January 7, 2016, the district refinanced a portion of the long-term debt. The district is anticipated to realize an estimated savings of \$2.59 million over the life of the refinanced bonds.

NONCURRENT LIABILITIES

Noncurrent liabilities will be paid one year or later from the date of the Statement of Net Position. The School District's noncurrent liabilities include compensated absences, notes and bonds payable, capital lease obligations and other long term obligations, net of current portions. The Governmental Accounting Standards Board (GASB) Statement 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions became effective for the District in 2008-2009 school year. The Postemployment Benefits obligation approximated \$806,126 as of June 30, 2017 and is reflected on the statement of Net Position. In addition, the reader can refer to the Major Events note listed below regarding the adoption of GASB No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 by the district.

MAJOR EVENTS

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The District is has adopted Statement No. 68 for its fiscal year 2015 financial statements. The district has worked in conjunction with actuaries and representatives from the State pension system to calculate the liability included in this report. (Refer to Financial Highlights section of GASB No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.)

On December 8, 2015 and January 7, 2016, the district refinanced a portion of the long-term debt. The district would realize an estimated savings of \$2.59 million over the life of the refinanced bonds.

ECONOMIC CONDITION AND OUTLOOK

The District does not expect significant growth in the near future given the residential nature of the local economy and a lack of developable land within the District.

**WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

In addition, the District is in compliance with the law as passed within the Commonwealth of Pennsylvania entitled Act I of Special Session of 2006. The goal of the Act I legislation seeks to reduce property taxes but in doing so also ensures that the District does not suffer any loss of revenue attributable to the shifting of local revenue sources

Retirement Costs associated with District Personnel increased during the fiscal year due to an increase in the rate certified by the Public School Employees' Retirement System. The table below illustrates the rates charged the District.

Year	DISTRICT RATE ON	
	COVERED	
	PAYROLL	
2014	16.93%	
2015	21.40%	
2016	25.84%	
2017	30.03%	
2018	32.57%	
2019	33.43%	EST
2020	34.79%	EST

Over the next several years, it is projected that the contribution rates for the Public School Employees' Retirement System of Pennsylvania will rise significantly. Based on actuarial projections, it is anticipated that by the school year 2022-2023 the total employer contribution rate will be 36.32%.

In the District's fiscal year 2015 financial statements it had adopted Statement No. 68 "Accounting & Financial Reporting for Pensions." It continues to follow this standard. The District has worked in conjunction with actuaries and representatives from the State pension system to calculate the liability included in this report.

EMPLOYEE RELATIONS

The following represents the Collective Bargaining Agreements in effect at June 30, 2017:

Wyoming Area School District and the Wyoming Area Education Association are working under a contract agreement with a term commencing September 1, 2016 and ending August 31, 2019.

Wyoming Area School District and the Wyoming Area Educational Support Personnel Association are working under a contract for a term commencing July 1, 2014 and ending June 30, 2020.

**WYOMING AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Wyoming Area School District, 252 Memorial Street, Exeter, PA 18643.

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA

Richard P. Rainey, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wyoming Area School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wyoming Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Wyoming Area School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-12 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

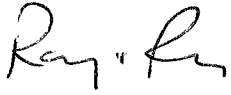
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wyoming Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 expenditures of federal awards is 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Wyoming Area School District's internal

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

A handwritten signature in black ink, appearing to read "Ray".

Scranton, Pennsylvania
December 12, 2017

WYOMING AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business Type	Primary Government Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,568,740	\$ 460	\$ 5,569,200
Investments	312,197	-	312,197
Taxes Receivable - Net	1,019,767	-	1,019,767
Internal Balances	73,846	(73,846)	-
Due From Other Governments	2,018,680	-	2,018,680
Receivables - Other	133,570	6,148	139,718
Inventories	15,500	14,320	29,820
Prepaid Expenses	97,435	-	97,435
Total Current Assets	<u>9,239,735</u>	<u>(52,918)</u>	<u>9,186,817</u>
Noncurrent Assets			
Fixed Assets - Net of Accumulated Depreciation	\$ 23,609,054	\$ 10,800	\$ 23,619,854
TOTAL ASSETS	<u>\$ 32,848,789</u>	<u>\$ (42,118)</u>	<u>\$ 32,806,671</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	\$ 15,869,444	-	\$ 15,869,444
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 940,071	\$ 18,170	\$ 958,241
Salaries & Benefits Payable	2,387,585	-	2,387,585
Payroll Deductions and Withholdings	1,366,148	-	1,366,148
Deferred Revenues	52,140	-	52,140
Accrued Interest	94,476	-	94,476
Portion Due or Payable within one Year			
Bonds Payable	519,366	-	519,366
Capital Lease Payable	13,589	-	13,589
Total Current Liabilities	<u>\$ 5,373,375</u>	<u>\$ 18,170</u>	<u>\$ 5,391,545</u>
Long-term Liabilities			
Portion Due or Payable After One Year			
Bonds Payable in Future Years	\$ 21,281,557	\$ -	\$ 21,281,557
Bond Discount and Premium	-	-	-
Other Post-employment Benefits	1,123,709	-	1,123,709
Net Pension Liability	56,495,000	-	56,495,000
Accumulated Compensated Absences	566,835	-	566,835
Total Long-term Liabilities	<u>\$ 79,467,101</u>	<u>\$ -</u>	<u>\$ 79,467,101</u>
TOTAL LIABILITIES	<u>\$ 84,840,476</u>	<u>\$ 18,170</u>	<u>\$ 84,858,646</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	675,539	-	675,539
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 1,794,542	\$ 10,800	\$ 1,805,342
Unrestricted	<u>(38,592,324)</u>	<u>(71,088)</u>	<u>(38,663,412)</u>
TOTAL NET POSITION	<u>\$ (36,797,782)</u>	<u>\$ (60,288)</u>	<u>\$ (36,858,070)</u>

WYOMING AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017

	Expenditures	Program Revenues		Net (Expense) Revenue and Change in Net Assets		
		Charge For Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Depreciation	\$ 561,428	\$ -	\$ -	\$ (561,428)	\$ -	\$ (561,428)
Instruction	19,786,709	8,089	4,984,843	(14,793,777)	-	(14,793,777)
Instructional Student Support	2,188,921	-	258,433	(1,930,488)	-	(1,930,488)
Administrative	2,233,483	-	254,457	(1,979,026)	-	(1,979,026)
Operation of Plant	3,008,006	1,100	286,493	(2,720,413)	-	(2,720,413)
Pupil Transportation	2,015,058	-	1,407,554	(607,504)	-	(607,504)
Student Activities	651,926	-	62,092	(589,834)	-	(589,834)
Community Services	116,371	-	11,084	(105,287)	-	(105,287)
Interest - Long Term Debt	918,172	-	61,599	(856,573)	-	(856,573)
Total Government	<u>\$ 31,480,074</u>	<u>\$ 9,189</u>	<u>\$ 7,326,555</u>	<u>\$ (24,144,330)</u>	<u>\$ -</u>	<u>\$ (24,144,330)</u>
Business Type Activities						
Food Service	\$ 923,578	\$ 320,184	\$ 506,538	\$ -	\$ (96,856)	\$ (96,856)
Total Primary Government	<u>\$ 32,403,652</u>	<u>\$ 329,373</u>	<u>\$ 7,833,093</u>	<u>\$ (24,144,330)</u>	<u>\$ (96,856)</u>	<u>\$ (24,241,186)</u>
General Revenues:						
Taxes Levied for General Purposes				\$ 13,981,073	\$ -	\$ 13,981,073
Other Taxes Levied				4,320,522	-	4,320,522
Grants, Subsidies, Contributions Not Restricted				7,814,109	-	7,814,109
Investment Earnings				23,751	72	23,823
Miscellaneous				287,969	-	287,969
Transfers Between Governmental and Business Type Activities				(71,292)	71,292	-
Total General Revenues				<u>\$ 26,356,132</u>	<u>\$ 71,364</u>	<u>\$ 26,427,496</u>
Change In Net Position				\$ 2,211,802	\$ (25,492)	\$ 2,186,310
Net position - July 1, 2016				(39,009,584)	(34,796)	(39,044,380)
Net Position - June 30, 2017				<u>\$ (36,797,782)</u>	<u>\$ (60,288)</u>	<u>\$ (36,858,070)</u>

See Notes to Financial Statements and Independent Auditor's Report

WYOMING AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Total Governmental Fund Types
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,568,740	\$ 5,568,740
Investments	312,197	312,197
Taxes Receivable	51,627	51,627
State Revenue Receivable	1,305,469	1,305,469
Federal Revenue Receivable	168,245	168,245
Due From Other Governments	544,966	544,966
Due from Other Funds	73,846	73,846
Other Receivable	133,570	133,570
Inventory	15,500	15,500
Other Current Assets	97,435	97,435
	<hr/>	<hr/>
TOTAL ASSETS	\$ 8,271,595	\$ 8,271,595
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
Accounts Payable	\$ 940,071	\$ 940,071
Accrued Salaries and Benefits	2,387,585	2,387,585
Payroll Deductions and Withholdings	1,366,148	1,366,148
Deferred Revenues	52,140	52,140
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 4,745,944	\$ 4,745,944
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable Fund Balance	\$ 15,500	\$ 15,500
Assigned Fund Balance	1,274,152	1,274,152
Unassigned Fund Balance	2,235,999	2,235,999
	<hr/>	<hr/>
TOTAL FUND BALANCE	\$ 3,525,651	\$ 3,525,651
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,271,595	\$ 8,271,595
	<hr/>	<hr/>

See Notes to Financial Statements and Independent Auditor's Report

WYOMING AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to
Net Position of Governmental Activities
June 30, 2017

Total fund balance – total governmental funds \$ 3,525,651

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

Capital assets(net) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance 23,609,054

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions 15,869,444
Deferred inflows of resources related to pensions (675,539)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued Interest (94,476)
Bonds and Notes Payable (21,800,923)
Capital Lease Obligations (13,589)
Other Post-Employment Benefits (1,123,709)
Net Pension Liability (56,495,000)
Accumulated Compensated Absences (566,835)
(80,094,532)

Property and earned income taxes receivable along with an amount established for an allowance for doubtful accounts are not a current financial resource, therefore they are not reported in the governmental funds balance sheet. 968,140

Net assets governmental activities \$ (36,797,782)

WYOMING AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund Types</u>
<u>REVENUES & OTHER FINANCING SOURCES</u>			
<u>REVENUES</u>			
Local Sources	\$ 18,393,713	\$ -	\$ 18,393,713
State Sources	14,414,725	-	14,414,725
Federal Sources	<u>878,732</u>	<u>-</u>	<u>878,732</u>
<u>OTHER FINANCING SOURCES</u>			
Sale of Fixed Assets	\$ 754	\$ -	\$ 754
Insurance Recoveries	<u>30,637</u>	<u>-</u>	<u>30,637</u>
TOTAL REVENUES & OTHER FINANCING SOURCES	\$ 33,718,561	\$ -	\$ 33,718,561
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
<u>EXPENDITURES</u>			
Instruction	\$ 21,052,303	\$ -	\$ 21,052,303
Support Services	9,445,469	-	9,445,469
Non-Instructional Services	768,297	-	768,297
Refunds of Prior Year Receipts	105,457	-	105,457
Debt Service (Principal & Interest)	482,029	532,506	1,014,535
<u>OTHER FINANCING USES (SOURCES)</u>			
Transfers out (To other funds)	<u>\$ 603,798</u>	<u>\$ (532,506)</u>	<u>\$ 71,292</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 32,457,353	\$ -	\$ 32,487,990
EXCESS (DEFICIT) REVENUE OVER EXPENDITURES	\$ 1,261,208	\$ -	\$ 1,261,208
FUND BALANCE -July 1, 2016	\$ 2,264,443	\$ -	\$ 2,264,443
FUND BALANCE -June 30, 2017	<u>\$ 3,525,651</u>	<u>\$ -</u>	<u>\$ 3,525,651</u>

WYOMING AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
June 30, 2017

Net change in fund balances – total governmental funds	\$ 1,261,208
Governmental Funds report capital outlays as expenditures. However, on the statement of activities, the cost of those	(906,231)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Earned Income Taxes	54,583
Delinquent Real Estate Taxes	(9,976)
	44,607
Repayment of bond and note principal is an expenditure on the Governmental Funds, but the repayment reduces long-term liabilities on statement of net position	228,357
Borrowing on bond issuance is treated as income in the Governmental Funds, but is a long-term liability on the statement of net position	-
Repayment of capital lease obligations is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities on statement of net position	18,919
Governmental funds report district pension contributions as expenditures. However on the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense	
District Pension Contribution	1,196,184
Cost of pension benefits earned, net of employee contributions	
Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures on the governmental funds:	
Amortization Expense	376,105
Other Post Employment	51,129
Accrued Interest	(45,456)
Comp Absences	(13,020)
	368,758
Change in net assets of governmental activities	<u>\$ 2,211,802</u>

WYOMING AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2017

	Food Service Fund
<hr/>	
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 460
Due from Other Funds	100,405
Other Receivables	6,148
Inventories	14,320
	<hr/>
Total Current Assets	\$ 121,333
<u>Noncurrent Assets</u>	
Fixed Assets	\$ 795,572
Less: Accumulated Depreciation	784,772
	<hr/>
Total Noncurrent Assets	\$ 10,800
	<hr/>
TOTAL ASSETS	\$ 132,133
	<hr/>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Due to Other Funds	\$ 174,251
Accounts Payable	18,170
	<hr/>
TOTAL LIABILITIES	\$ 192,421
	<hr/>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	\$ 10,800
Unrestricted	(71,088)
	<hr/>
TOTAL NET POSITION	\$ (60,288)
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 132,133
	<hr/>

See Notes to Financial Statements and Independent Auditor's Report

WYOMING AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2017

OPERATING REVENUES

Food Service Revenue	\$ 320,184
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TOTAL OPERATING REVENUES	\$ 320,184
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OPERATING EXPENSES

Salaries	\$ 378,555
Employee Benefits	236,404
Supplies	292,332
Purchased Services	4,950
Depreciation	8,953
Other Operating Expenses	<u>2,384</u>

TOTAL OPERATING EXPENSES	\$ <u>923,578</u>
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NET OPERATING LOSS	\$ (603,394)
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NON-OPERATING REVENUES

Earnings on Investments	\$ 72
Federal and State Subsidies	506,538
Advances - General Fund	<u>71,292</u>

TOTAL NON-OPERATING REVENUE	\$ <u>577,902</u>
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Change in Net Position	\$ (25,492)
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Net Position - July 1, 2016	<u>(34,796)</u>
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Net Position - June 30, 2017	<u><u>\$ (60,288)</u></u>
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WYOMING AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Users	\$ 324,542
Cash Payments To Employees For Services	(599,215)
Cash Payments To Suppliers for Goods and Services	<u>(293,178)</u>

Net Cash Used For Operating Activities **\$ (567,851)**

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash Received From Federal & State Subsidies	\$ 423,263
Operating Transfers In (Out) Primary Government	<u>71,292</u>

Net Cash From Non-Capital Financing Activities **\$ 494,555**

CASH FLOWS FROM CAPITAL AND RELATED FINANCING

Payments for Capital Asset Acquisitions	<u>\$ 280</u>
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Net Cash Used for Capital and Related Financing Activities **\$ 280**

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received From Investment Earnings	<u>\$ 72</u>
--	--------------

Net Cash Used By Investing Activities **\$ 72**

NET INCREASE IN CASH AND CASH FLOW **\$ (72,944)**

CASH AND CASH EQUIVALENT - JULY 1, 2016 **73,404**

CASH AND CASH EQUIVALENT - JUNE 30, 2017 **\$ 460**

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$ (603,394)
-------------------------	---------------------

Adjustments to Reconcile Operating Loss to Net Cash Used For:

Depreciation and Net Amortization	\$ 8,953
Decrease in Accounts Receivable	4,358
Increase in Inventories	(3,187)
Increase in Accounts Payable	9,675
Decrease in Accrued Salaries and Benefits	<u>15,744</u>

Total Adjustments **\$ 35,543**

NET CASH USED FOR OPERATING ACTIVITIES **\$ (567,851)**

See Notes to Financial Statements and Independent Auditor's Report

WYOMING AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Private Purpose Trust</u>	<u>Student Activity Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 36,931	\$ 118,508
Investments	<u>26,408</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 63,339</u></u>	<u><u>\$ 118,508</u></u>
<u>LIABILITIES</u>		
Other Liabilities	<u>59</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 59</u></u>	<u><u>\$ -</u></u>
<u>NET POSITION</u>		
Held in trust for scholarships	\$ 63,280	\$ 118,508
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 63,339</u></u>	<u><u>\$ 118,508</u></u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

	<u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 16,000
Other Additions	<u>1,968</u>
TOTAL ADDITIONS	<u><u>\$ 17,968</u></u>
<u>DEDUCTIONS</u>	
Scholarships Awarded	\$ 19,000
Bank Charges	<u>40</u>
TOTAL DEDUCTIONS	<u><u>\$ 19,040</u></u>
Change in Net Position	\$ (1,072)
Net Position - July 1, 2016	<u><u>\$ 64,352</u></u>
Net Position - June 30, 2017	<u><u>\$ 63,280</u></u>

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Pursuant to Act 299 of the General Assembly of the Commonwealth of Pennsylvania, approved August 8, 1963, P. L. 564, which is an amendment to the school code with regards to school district reorganizations, Wyoming Area School District (the District) commenced operation in 1966, as the successor by reason of reorganization to the school districts of the Boroughs of Exeter, Wyoming, West Wyoming, West Pittston and the Township of Exeter. The District, which is situated in Luzerne County, operates a public-school system. A nine-member Board of Directors, which are elected positions, administers the District. Federal, state and local resources provide funding for the District.

The accounting policies of the Wyoming Area School District (the District) which are fully explained in the following notes, conform to the generally accepted accounting principles for local government units, and the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems issued by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The most significant accounting policies are summarized below.

Reporting Entity

The District is the basic level of government, which has oversight responsibility, and is not included as a component unit of any other governmental agencies. Government Accounting Standards Board Statement Number 14, "The Financial Reporting Entity", as amended by GASB No. 39, establishes the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In accordance with Statement Number 14, and 39, the District has determined that it has no other component unit, which should be included in its financial statements. The following potential component unit was considered for inclusion:

West Side Area Vocational-Technical School

West Side Area Vocational-Technical School commenced operations in 1968. The West Side Area Vocational-Technical School operates under the laws of the Commonwealth and is administered by the Joint Operating Committee, which is the decision-making body and comprises three elected board members from each of its five member districts. The five member districts are: Dallas School District, Lake Lehman School District, Northwest Area School District, Wyoming Area School District, and Wyoming Valley West School District. The School operates a Vocational-Technical School located in Pringle, Luzerne County, Pennsylvania.

Funding for the school is received from federal, state and local sources. Each of the Districts may enroll students in the school and their portion of total support is calculated based on the formula provided in the Bylaws of West Side Area Vocational-Technical School's agreement with its member districts.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

The member School Districts' approve the yearly operating budget of the School. The School District exercises no other oversight responsibility; accordingly, the West Side Area Vocational-

Technical School is not included herein. The District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board Statement #14 entitled, "The Financial Reporting Entity".

Basis of Presentation – Fund Accounting

The accounts of the District are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent.

There are three fund types presented in this report. A brief description of each is presented below.

A. Governmental Fund Types

General Fund - The general operating fund used to account for all District resources and expenditures except for those required to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for receipt and disbursement of monies for payment of principal and interest of debt.

B. Proprietary Fund Types

Enterprise Fund - The fund used to account for the operations of school food services. The Food Service Department is financed and operated in a manner similar to private business enterprise, whereby the costs of providing goods and services to the general public on a continuing basis are recovered primarily through user charges. The District does not attempt to allocate indirect cost to the Food Service Fund. General Fund expenditures which benefit the Food Service Fund (utilities, janitorial, insurance, etc,) are not proportionately recognized within the Food Service Fund.

C. Fiduciary Fund Types

Student Activities Fund - This fund accounts for programs operated and sponsored by various student clubs and organizations. This fund was formed under the Public School Code of 1949, Sec. 511.

Private Purpose Trust – This fund accounts for scholarships awarded to students of the district.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for the District. Program revenues include tuition charged by the District and grants and contributions that are restricted to meeting the operational or capital requirements of the District. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which the District is self-financing.

Fund Financial Statements

All governmental funds are accounted for using the current financial resources method and the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when received, except for revenues subject to accrual, which are recorded as a receivable when measurable and available to finance current period expenditures. Such revenue items include federal and state subsidies. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The proprietary fund utilizes the accrual basis of accounting in which revenues are recognized in the accounting period in which they are earned; expenses are recognized at the time they are incurred.

Fund Balances

In the year ending June 30, 2011, the school District implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of amounts subject to legal purpose restrictions imposed by

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.

- Restricted – Represents the restraint imposed on resources through either external entities or through constitutional provisions or enabling legislation.
- Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the school board, the government's highest level of decision making authority.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit.
- Assigned – Consists of amounts intended to be used for a certain purpose as per committee or individual authorized by the governing body

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The Pennsylvania School Code dictates specific procedures relative to the adoption of the School District's budget and reporting of its financial statements.

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board of Directors.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Directors, which authorizes the District to make expenditures. Appropriations lapse at the end of the fiscal period.

Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program-by-program basis by the state or federal funding agency.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and investments with original maturities of three months or less.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

Fixed Assets and Depreciation

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method over the following useful lives:

	<u>Years</u>
Buildings & Improvements	50
Furniture & Fixtures	20
Equipment	5-10

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Property Tax Calendar

The District property taxes are levied as of August 1 with a collection period extending 150 days through December 31. At this time, uncollected property tax bills are released to the County for collection. The County governs both the process of collecting the delinquent taxes and administering liens.

The tax rate for the year ended June 30, 2017 was 75.99860 mills for Exeter Township (Luzerne County), and the Boroughs of Exeter, West Wyoming, Wyoming and West Pittston and 15.41270 mills for Exeter Township (Wyoming County) on a present assessed valuation of \$ 971,556,744. During the year ended June 30, 2017, Wyoming Area School District collected \$13,880,269 after various adjustments for discounts, penalties and credits on a total tax levied in the amount of \$15,497,455. The District's rate of collection approximated 89% on total taxes due during the June 30, 2017 fiscal year.

Use of Estimates

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

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE # 2 - FEDERAL FUNDS:

Wyoming Area School District administers several federally funded projects. All funds received under these programs are restricted for the conduct of the Federal Programs and are not available for general school business.

NOTE # 3 - CASH AND TEMPORARY INVESTMENTS:

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1, which permits funds to be temporarily invested in: (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings or time accounts, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent 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, (4) obligations of 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, of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of 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, and (5) shares of certain investment companies registered under the Investment Companies Act of 1940 and the Securities Act of 1933 which invest only in instruments listed in (1) – (4) listed above, maintain a constant per share net asset value and are rated in the highest category by a nationally recognized rating agency.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, \$6,095,630 of the District's bank balance of \$6,345,630 was exposed to custodial credit risk. The amount exposed to credit risk was uninsured but was collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

The District also invests funds with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT acts like market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share and they are rated by a nationally recognized statistical rating organization and subject to an annual independent audit. Deposits on hand are subjected to custodial credit risk and were as follows as of June 30, 2017:

PLGIT (cash and cash equivalent)	<u>\$ 312,197</u>
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WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE # 4 - INVENTORIES:

Central Receiving compiles inventories of unexpended supplies available for consumption. At June 30, 2017 the value of the Central Receiving Inventory shown in the General Fund is \$15,500.

Inventories as reflected in the proprietary fund relative to the operation of the District's cafeteria are stated at values assigned by the School Administration. The value of inventory as reflected on the June 30, 2017 financial statements was \$14,320. In addition to the inventories described above, the District is the recipient of donated commodities from the Federal Government. Since title to the donated commodities does not pass to the District until the commodities are processed for serving, no value for such commodities on hand is included in inventories of the Food Service Fund.

NOTE # 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 73,846	\$ -
Proprietary, Food Services	-	73,846
	<u>\$ 73,846</u>	<u>\$ 73,846</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. The amount due from the Food Service fund to the General Fund of \$73,846 is not expected to be repaid within one year

Interfund transfers are summarized as follows:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 603,798	\$ -
Debt Service Fund	-	532,506
Cafeteria Fund	-	71,292
	<u>\$ 603,798</u>	<u>\$ 603,798</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE # 6 FIXED ASSETS AND DEPRECIATION:

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

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental Activities:				
Land	\$ 1,329,844	\$ -	\$ -	\$ 1,329,844
Buildings	47,951,689	-	-	47,951,689
Improvements	1,930,573	-	-	1,930,573
Equipment & Fixtures	2,150,635	31,302	-	2,181,937
Infrastructure	<u>378,508</u>	<u>-</u>	<u>-</u>	<u>378,508</u>
Totals at Historical Cost	\$ 53,741,249	\$ 31,302	\$ -	\$ 53,772,551
Less Accumulated Depreciation				
Buildings	\$ (24,507,844)	\$ (828,820)	\$ -	\$ (25,336,664)
Improvements	(1,727,621)	(84,981)	-	(1,812,602)
Equipment & Fixtures	(2,611,992)	(23,732)	-	(2,635,724)
Infrastructure	<u>(378,507)</u>	<u>-</u>	<u>-</u>	<u>(378,507)</u>
Total Accum. Depreciation	\$ (29,225,964)	\$ (937,533)	\$ -	\$ (30,163,497)
Net Governmental Fixed Assets	<u>\$ 24,515,285</u>	<u>\$ (906,231)</u>	<u>\$ -</u>	<u>\$ 23,609,054</u>
Business Type Activities:				
Totals at Historical Cost				
Food Service Equipment	\$ 795,572	\$ -	\$ -	\$ 795,572
Less Accumulated Depreciation				
Food Service Equipment	<u>(775,819)</u>	<u>(8,953)</u>	<u>-</u>	<u>\$ (784,772)</u>
Net Business-type Fixed Assets	<u>\$ 19,753</u>	<u>\$ (8,953)</u>	<u>\$ -</u>	<u>\$ 10,800</u>

NOTE # 7 - LONG TERM DEBT:

Equipment Lease Purchase Agreements

The District has entered into various capital leases for equipment, which are used in the administrative offices as well as at the various schools.

2012 General Obligation Bond

In March 2012, the District issued \$1,535,000 in General Obligation Bonds and Notes, Series of 2012, with stated interest rates of 0.4% to 2.0%. The proceeds from the bond issue were used to refinance the 2005 general obligation note of the district. The bonds mature in varying annual amounts commencing August 2012. Interest at the stated rate of 0.4% to 2.0% is payable semi-annually on August 15 and February 15. The Bonds were issued as fully registered bonds in denominations of \$5,000. The Bonds are also fully insured by the MBIA Insurance Corporation. In addition the bonds are general obligations of the District and the full faith, credit and taxing power of the District have been irrevocable pledged for the payment of the principal and interest on the 2012 bonds when due.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

The net present value of the cash flow to the school district under this refunding is \$103,307 to be realized over the term of the bond.

2013 General Obligation Bond

In December 2013, the District issued \$2,000,000 in General Obligation Bonds and Notes, Series of 2013, with stated interest rates of 3.5%. The proceeds from the bond issue were used to refinance the 2012 general obligation note of the district. The bonds mature in varying annual amounts commencing January 2014. Interest only payments for the first twelve months will be followed by monthly payments of \$8,040 will be made for the following 37 years.

2015 General Obligation Bond

In December 2015, the District issued \$9,995,000 in General Obligation Bonds and Notes, Series of 2015, with stated interest rates of 2.0% to 2.875%. The bonds mature in varying annual amounts commencing May 2016 and annually thereafter through November 2029. Interest at the stated rate of 2.0% to 2.875% is payable semi-annually on November 1 and May 1. The proceeds from the bond issue were used to refund a portion of the 2006 Series A General Obligation Bonds.

2016 General Obligation Bond

In December 2015, the District issued \$9,195,000 in General Obligation Bonds and Notes, Series of 2016, with stated interest rates of 2.0% to 4.0%. The bonds mature in varying annual amounts commencing May 2016 and thereafter through November 2024. Interest at the stated rate of 2.0% to 4.0% is payable semi-annually on November 1 and May 1. The proceeds from the bond issue were used to refund a portion of the 2006 Series A General Obligation Bonds.

A summary of the outstanding liabilities at June 30, 2017 is as follows:

Type of Debt	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amount Due Within One Year
Equipment Leases	\$ 58,719	\$ -	\$ 45,130	\$ 13,589	\$ 13,589
2012 Bond	880,000	-	190,000	690,000	195,000
2013 Bond	1,959,280	-	28,357	1,930,923	29,366
2015 Bond	9,995,000	-	5,000	9,990,000	5,000
2016 Bond	9,195,000	-	5,000	9,190,000	290,000
Other:					
Compensated Absences	553,815	13,020	-	566,835	-
Total Long-Term Debt	<u>\$ 22,641,814</u>	<u>\$ 13,020</u>	<u>\$ 273,487</u>	<u>\$ 22,381,347</u>	<u>\$ 532,955</u>

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

The annual debt service requirements to maturity, including principal and interest for long term debt as of June 30, 2017 is as follows:

Year-Ending	Principal	Interest	Total
2018	\$ 519,366	\$ 596,092	\$ 1,115,458
2019	1,565,410	569,464	2,134,874
2020	1,621,492	517,344	2,138,836
2021	1,577,612	458,824	2,036,436
2022	1,518,772	414,945	1,933,717
2023-2027	9,837,754	1,552,533	11,390,287
2028-2032	3,798,605	489,802	4,288,407
2033-2037	266,300	216,100	482,400
2038-2042	317,148	165,252	482,400
2043-2047	377,705	104,695	482,400
2048-2051	<u>400,759</u>	<u>32,936</u>	<u>433,695</u>
Total	<u>\$21,800,923</u>	<u>\$ 5,117,987</u>	<u>\$ 26,918,910</u>

NOTE # 8 - COMPENSATED ABSENCES:

Effective July 1, 1993, the Wyoming Area School District has elected to timely implement Governmental Accounting Standards Board Statement #16 entitled, "Accounting for Compensated Absences." The District's policy is designed to separately address vacation, sick time and sabbatical policies relative to administrators, teachers and various support staff to the District. In calculating the liability for the amount of compensation and related benefit costs for the sick pay portion relative to compensated absences, the District has elected to utilize the vesting method as allowed by Government Accounting Board Statement #16. The total amount of compensation and benefits accrued in the Statement of Net Position amounted to \$ 566,835 at June 30, 2017.

NOTE # 9 - PENSION PLAN:

Public School Employees' Retirement System Plan

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

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

General Information about the Pension Plan

Plan description

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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 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 benefit is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

Contributions

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,025,503 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$56,495,000 for its proportionate share of the net pension liability. The net pension was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.1140 percent which was a decrease of 5.39 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$3,720,126. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportions	\$ 8,453,550	\$ -
Net difference between projected and actual investment earnings	1,639,550	-
Change in Assumptions	1,529,250	
Difference between employer contributions and proportionate share of total contributions	221,591	278,789
Difference between expected and actual experience		396,750
Contributions subsequent to the measurement date	4,025,503	-
Total	<u>\$ 15,869,444</u>	<u>\$ 675,539</u>

\$4,025,503 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	4,152,665
2019	6,457,015
2020	684,915
2021	(8,449)
2022	(8,449)

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumption, 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 increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.75%, and merit or seniority increases of 2.25%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females. The actuarial assumptions used in the June 30,

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

2016 valuation were based on the experience study that performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The long-term expected rate of return on 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 investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
MLPs/Infrastructure	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>-14.0%</u>	0.5%
	<u>100%</u>	

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

Discount rate

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

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share			
The net pension liability	69,108,000	\$56,495,000	45,896,000

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual

Financial Report which can be found on the System's website at www.psers.state.pa.us

NOTE # 10 - POST EMPLOYMENT BENEFITS:

The Wyoming Area School District follows the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$857,255 in governmental activities.

The Wyoming Area School District, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all former full-time employees who were members of the Employee Retirement Plan for a minimum of ten years and a member of the professional staff and met definition of a qualifying PSERS retirement at the time of termination. A qualifying retirement is any superannuation retirement (age 62 and 1, 60 and 30 or 35 years or, at age 55 and 25 early retirement withdrawal 1 retirement). Specific details of the Plan include the provision of certain hospitalization, major medical insurance, and prescription drug coverage. These benefits are provided through insurance companies. The Wyoming Area School District is under no statutory or contractual obligation to provide these post retirement healthcare benefits. Because the Plan consists solely of the Unit's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

The Wyoming Area School District pays the full cost of coverage for the healthcare benefits paid

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

to a qualified retiree. The Unit has chosen to fund the healthcare benefits on a pay as you go basis. The District's pay-as-you-go costs, including implicit rate subsidy of \$485,144 has been applied toward the annual OPEB cost.

Annual OPEB Cost and Net OPEB Obligation

The Wyoming Area School District annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and Changes in the District's net OPEB obligation:

Annual required on contribution	\$ 868,455
Interest on net OBEP obligation	19,344
Adjustment to annual required contributions	(26,390)
Annual OPEB cost	861,409
Contributions made	(485,144)
Increase in net OPEB obligation	376,265
Net OPEB obligation-beginning of year	429,861
Net OPEB obligation-end of year	\$ 806,126

The Wyoming Area School District's annual OPEB cost, the percentage of annual OPEB cost was contributed to the Plan and the net OPEB obligation for the last three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation-End of Year
6/30/17	\$861,409	100.0%	\$ 806,126
6/30/16	\$863,008	100.0%	\$ 429,861
6/30/15	\$864,964	100.0%	\$ 156,011

Because June 30, 2009 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of years proceeding June 30, 2009.

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$6,824,166, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,824,166. The covered payroll (annual payroll of active employees covered by the plan) equaled \$13,249,878 and the ratio of the UAAL to the covered payroll equaled 51.50%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Wyoming Area School District maintains no Plan assets, information relative Plan asset required disclosures is not applicable. Additionally, because June 30, 2009 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of years proceeding June 30, 2009.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the District and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Wyoming Area School District and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated July 1, 2016, the projected unit credit cost actuarial method was used. Because the Unit funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4.5% discount rate, which approximates the expected rate of return on non-pension investments held by the Wyoming Area School District. Actuarial assumptions also included annual healthcare and prescription drug cost trend rates of 6%, initially, reduced by decrements to an ultimate rate of 6% for both healthcare and prescription drug costs after five and ten years, respectively. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

NOTE # 11 – INCENTIVE RETIREMENT AGREEMENTS

The teachers' collective bargaining agreement provides an incentive provision for early retirement. The incentive program will pay the teacher a percentage of their salary based on their number of years of credited service. Teachers electing the incentive payments are paid over a four year period following their final year of service. In addition, such retiring employees that qualify shall have available to them and their families' health insurance coverage, until such retiree becomes eligible for Medicare. At June 30, 2017 the liability for the retirement incentives was \$ 317,583.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE # 12 - COMMITMENTS AND CONTINGENCIES:

The District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The District is required to make contractual service payments to the Luzerne County Intermediate Unit Number 18, as well as contributions to finance the Unit's operations. The District's responsibilities for these payments are anticipated to continue into the future.

From time to time, the District is named as a defendant in lawsuits. No provision has been provided for in these financial statements for any future losses that may result from these lawsuits. It is the opinion of management and supported by legal council, that the impact of these lawsuits will not have a material adverse effect on the financial position of the District.

In September of 1999 an agreement was reached with thirteen school districts and their respective bargaining units to form a consortium to make contracts of insurance to insure that their employees, their employees' spouses and dependents and retired employees would be covered under a policy or policies of group insurance covering life, health, hospitalization, medical service or accident insurance. Member Districts make contributions to the Trust under a self funded plan whereby the Districts participating of the Trust are liable in the event claims paid by the trust to health care providers exceed the premiums paid by the participants of the Trust.

NOTE # 13 – RISK MANAGEMENT:

The school district is exposed to various risks of losses 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. There were no significant reductions in insurance coverage's for the fiscal year ending June 30, 2017.

The School District is a participant in the NEPA School Districts (Health) Trust, which is a pooled trust fund for the purpose of providing health and related benefits up to \$300,000 per participant. The school pays the Consortium a monthly contribution as determined by the trustees. This pool is self-sustaining through member premiums. The Consortium reinsured through a commercial company for commercial company for claims in excess of the amount covered by the pool.

WYOMING AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE #14 – TAX ABATEMENTS

The District's local and economic revitalization tax assistance is authorized by the school board. Recipients are eligible for tax abatement for various reasons such as development costs, property location, or renovations that would otherwise result in increased assessment. All tax abatements are based on the increase of value of the improvement.

There were no amounts recorded or receivable from other governments in association with the forgone taxes. The district did not make other commitments other than to reduce taxes as part of the tax abatement agreements.

The tax abatement resulted in a reduction of \$13,028 for fiscal year ended June 30, 2017.

NOTE #15 – SUBSEQUENT EVENTS:

The District has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through December 12, 2017, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

WYOMING AREA SCHOOL DISTRICT

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

Last 10 Fiscal Years*

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of net pension liability	0.1140%	0.1205%	0.0930%	0.9260%
District's proportionate share of the net pension liability	\$ 56,495,000	\$ 52,195,000	\$ 36,810,000	\$ 37,907,000
District's covered-employee payroll	\$ 14,758,837	\$ 13,629,107	\$ 11,866,349	\$ 11,882,126
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.79%	382.97%	310.20%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2016 year.

* This schedule is presented to illustrate the requirements to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

WYOMING AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PENSION PLAN

Last 10 Fiscal Years*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	4,309,580	3,584,766	2,815,042	2,222,318
Contributions in relation to the contractually required contributions	<u>(4,309,580)</u>	<u>(3,584,766)</u>	<u>(2,815,042)</u>	<u>(2,222,318)</u>
Contribution deficiency (excess)	0	0	0	0
District's covered-employee payroll	14,758,837	14,339,062	13,731,912	11,866,349
Contributions as percentage of covered-employee payroll	29.20%	25.00%	20.50%	18.73%

Amounts were determined as of the cost-sharing plan's June 30, 2016 year.

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

WYOMING AREA SCOOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ -	\$ 7,844,236	\$ 7,844,236	0%	\$ 11,674,311	67.19%
7/1/2014	\$ -	\$ 7,078,043	\$ 7,078,043	0%	\$ 13,120,749	53.95%
7/1/2016	\$ -	\$ 6,824,166	\$ 6,824,166	0%	\$ 13,249,878	51.50%

Because June 30, 2009 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of years preceding June 30, 2009.

WYOMING AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE & OTHER FINANCING SOURCES				
Local Sources	\$ 17,966,262	\$ 17,966,262	\$ 18,393,713	\$ 427,451
State Sources	14,095,046	14,095,046	14,414,725	319,679
Federal Sources	824,377	824,377	878,732	54,355
OTHER FINANCING SOURCES				
Sale of Fixed Assets	\$ -	\$ -	\$ 754	754
Insurance Recoveries	-	-	30,637	30,637
TOTAL REVENUE & OTHER FINANCING SOURCES	\$ 32,885,685	\$ 32,885,685	\$ 33,718,561	\$ 832,876
EXPENDITURES				
INSTRUCTION				
Regular Programs - Elementary / Secondary	\$ 14,974,522	\$ 14,974,522	\$ 13,935,018	\$ 1,039,504
Special Programs - Elementary / Secondary	4,494,448	4,494,448	5,219,261	(724,813)
Vocational Education Programs	862,283	862,283	847,309	14,974
Other Instructional Programs - Elementary / Secondary	1,173,239	1,173,239	1,039,336	133,903
Nonpublic School Programs	-	-	11,380	(11,380)
TOTAL INSTRUCTION	\$ 21,504,492	\$ 21,504,492	\$ 21,052,304	\$ 452,188
SUPPORT SERVICES				
Pupil Personnel	\$ 791,145	\$ 791,145	\$ 854,463	\$ (63,318)
Instructional Staff	498,344	498,344	382,401	115,943
Administration	2,034,810	2,034,810	2,001,433	33,377
Pupil Health	587,947	587,947	623,507	(35,560)
Business	376,695	376,695	328,550	48,145
Operation and Maintenance of Plant Services	3,288,414	3,288,414	3,008,006	280,408
Student Transportation Services	1,916,681	1,916,681	2,015,058	(98,377)
Central	207,284	207,284	190,079	17,205
Other Support Services	46,000	46,000	41,971	4,029
TOTAL SUPPORT SERVICES	\$ 9,747,320	\$ 9,747,320	\$ 9,445,468	\$ 301,852
NON-INSTRUCTIONAL SERVICES				
Student Activities	\$ 585,832	\$ 585,832	\$ 651,926	\$ (66,094)
Facilities Acquisition, Construction and Improvement Services	7,500	7,500	-	7,500
Community Services	135,064	135,064	116,371	18,693
TOTAL NON-INSTRUCTIONAL SERVICES	\$ 728,396	\$ 728,396	\$ 768,297	\$ (39,901)
OTHER FINANCING USES				
Debt Service	\$ 504,628	\$ 504,628	\$ 587,486	\$ (82,858)
Budgetary Reserve	225,000	225,000	-	225,000
Fund Transfers	602,506	602,506	603,798	(1,292)
TOTAL OTHER FINANCING USES	\$ 1,332,134	\$ 1,332,134	\$ 1,191,284	\$ 140,850
TOTAL EXPENDITURES & OTHER USES	\$ 33,312,342	\$ 33,312,342	\$ 32,457,353	\$ 854,989
EXCESS EXPENDITURES OVER REVENUES	\$ (426,657)	\$ (426,657)	\$ 1,261,208	\$ 1,687,865
FUND BALANCE - July 1, 2016			\$ 2,264,443	
FUND BALANCE - June 30, 2017			\$ 3,525,651	

WYOMING AREA SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

1. Budgetary Data

Budgetary data is established by the School Board of the District and is officially adopted via ordinance. The budgets are prepared using the modified accrual basis of accounting which is method utilized for the Governmental Funds. Revenues are recognized when they become both measurable and available. Expenditures are recognized when the related liability is incurred.

Budgetary data and actual data is presented only for the General Fund.

2. Pension Data

The amounts reported in the schedule of the District's proportionate share of the net pension liability are determined as of June 30, 2016 by The Commonwealth of Pennsylvania Public School Employees' Retirement System. The plan is a cost-sharing plan. There were no changes in benefit terms and no changes in assumptions.

3. Postemployment Benefits Plan

The calculation of Actuarial Accrued Liability utilizes tables calculating the probability of the employee remaining employed until assumed retirement age, united states life tables (2007 version) and expected future working lifetimes of employment. In addition, the following assumptions are used:

Premium increases	2.75% per year
Investment rate of return	7.25%
Discount rate	5.5%
Assumed age at retirement	62

SUPPLEMENTARY INFORMATION

WYOMING AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2017

Grantor/Project Title	Grantors Number	CFDA Number	Grant Period	Grant Award	Receipts July 1, 2016 to June 30, 2017	Accrued (Deferred) July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) June 30, 2017
<u>U.S. DEPARTMENT OF EDUCATION</u>									
<i>Passed through the PA Dept of Education</i>									
ESEA Title I	013-16-0495	84.010	9/30/2016	\$ 681,636	\$ 524,335	\$ 288,304	\$ 236,031	\$ 236,031	\$ -
ESEA Title I	013-17-0495	84.010	9/30/2017	658,639	359,525	-	481,129	481,129	121,604
Subtotal				1,340,275	883,860	288,304	717,160	717,160	121,604
Title II, Improving Teacher Quality	020-13-0495	84.367	9/30/2013	127,075	-	(17,500)	16,987	16,987	(513)
Title II, Improving Teacher Quality	020-16-0495	84.367	9/30/2016	102,700	79,000	79,000	-	-	-
Title II, Improving Teacher Quality	020-17-0495	84.367	9/30/2017	99,756	92,332	-	99,756	99,756	7,424
Subtotal				329,531	171,332	61,500	116,743	116,743	6,911
<i>Passed through Intermediate Unit</i>									
IDEA - B	2015-2016	84.027	6/30/2016	277,820	277,820	277,820	-	-	-
IDEA - B	2016-2017	84.027	6/30/2017	290,725	290,725	-	290,725	290,725	-
Special Education Cluster				568,545	568,545	277,820	290,725	290,725	-
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 2,238,351	\$ 1,623,737	\$ 627,624	\$ 1,124,628	\$ 1,124,628	\$ 128,515
<u>U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES</u>									
<i>Passed through the PA Department of Public Welfare</i>									
Title XIX Reimbursement for Admin		93.778	6/30/2016	\$ 12,912	\$ 4,812	\$ 4,812	\$ -	\$ -	\$ -
Title XIX Reimbursement for Admin		93.778	6/30/2017	10,440	5,612	-	10,440	10,440	4,828
TOTAL U.S. DEPARTMENT OF HEALTH AND SOCIAL SERVICES				\$ 23,352	\$ 10,424	\$ 4,812	\$ 10,440	\$ 10,440	\$ 4,828
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
<i>Passed through the Penna. Dept of Education</i>									
National School Lunch Program		10.555	6/30/2017	N/A	\$ 279,428	\$ 12,671	\$ 340,471	\$ 340,471	\$ 73,714
Special Breakfast		10.553	6/30/2017	N/A	72,902	3,396	90,204	90,204	20,698
Donated Commodities		10.555	6/30/2017	N/A	48,312	11,133	51,499	51,499	14,320
TOTAL U.S. DEPARTMENT OF AGRICULTURE					\$ 400,642	\$ 27,200	\$ 482,174	\$ 482,174	\$ 108,732
TOTAL FEDERAL ASSISTANCE					\$ 2,034,803	\$ 659,636	\$ 1,617,242	\$ 1,617,242	\$ 242,075
Testing requirement -20% Rule									
Total Expenditures (Listed Above)								\$	1,617,242
20 % - Testing Requirement								\$	323,448
Programs Tested									
NSLP								\$	391,970
SPECIAL BREAKFAST									90,204
IDEA-B									290,725
TOTAL TESTED								\$	772,899
PERCENT TESTED									48%

WYOMING AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Wyoming Area School District under programs of the federal government for the year ended June 30, 2017. The information presented in the 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). This schedule only presents a selected portion of the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized using the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.
2. Pass-through entity identifying numbers are presented where available.

NOTE 3 – PROGRAM DISCLOSURE- FOOTNOTES

1. All major and non-major federal grant activity of the Wyoming Area School District is included in the accompanying Schedule of Expenditures of Federal Awards.
2. The District is a sub-recipient of Federal Funds from the Commonwealth of Pennsylvania. The federal cognizant agency is the United States Department of Education.
3. District is a sub-recipient of Federal Funds from the Luzerne Intermediate Unit. The federal cognizant agency is the United States Department of Education.

NOTE 4 – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District used food commodities totaling \$48,312.

NOTE 5 – INDIRECT COST RATE

Wyoming Area School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA

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 Directors
Wyoming Area School District

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 the Wyoming Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wyoming Area School District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wyoming 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 the Wyoming Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wyoming Area School District's internal control.

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

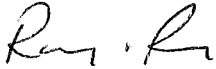
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Scranton, Pennsylvania
December 12, 2017

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA

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 Directors
Wyoming Area School District

Report on Compliance for Each Major Federal Program

We have audited the Wyoming 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 the Wyoming Area School District's major federal programs for the year ended June 30, 2017. Wyoming 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 the Wyoming 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 Wyoming 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 the Wyoming Area School District's compliance.

Opinion on Each Major Federal Program

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

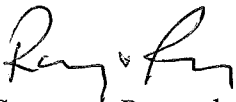
Report on Internal Control over Compliance

Management of the Wyoming 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 the Wyoming 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 the Wyoming Area School District's internal control over compliance.

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

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

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



Scranton, Pennsylvania
December 12, 2017

WYOMING AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section I - Summary of Audit Results

1. The Auditor's report dated December 12, 2017 expresses an unmodified opinion on the General Purpose Financial Statements of Wyoming Area School District.
2. No instances of reportable condition were disclosed during the audit of the financial statements as reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards report dated December 12, 2017.
3. No instances of noncompliance material to the financial statements of Wyoming Area School District were disclosed during the audit.
4. The Auditor's Report on Schedule of Expenditures of Federal Awards expresses an unmodified opinion.
5. The Auditor's report on compliance for the major federal awards programs for the Wyoming Area School District expresses an unmodified opinion on all major programs.
6. There were no audit findings relative to the major federal awards programs for Wyoming Area School District.
7. Programs tested as a major program include NSLP CFDA #10.555, SPECIAL BREAKFAST CFDA #10.553, & IDEA-B CFDA #84.027
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Wyoming Area School District was determined to be a low-risk auditee.

Section II – Findings Relating to the Financial Statements

None

Section III – Findings and Questioned Cost for Federal Awards

None

**WYOMING AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

There were no prior year audit findings.