



**Wyoming Valley West
School District
Kingston, Pennsylvania
Luzerne County**

Financial Statements
Year Ended June 30, 2018



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WYOMING VALLEY WEST SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Wyoming Valley West School District
Kingston, Pennsylvania**

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 Wyoming Valley West School District, Kingston, Pennsylvania as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wyoming Valley West School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Wyoming Valley West School District, Kingston, Pennsylvania as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change In Accounting Principle

As described in Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinions are not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability and pension plan contributions – PSERS, schedule of changes in OPEB liability single employer plan and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions – PSERS on pages 3 through 13 and 48 through 53 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 Wyoming Valley West 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal 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 February 28, 2019, on our consideration of Wyoming Valley West 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 Wyoming Valley West School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
February 28, 2019**

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

Management's discussion and analysis ("**MD&A**") of Wyoming Valley West School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2018. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of eight schools – five elementary schools, a middle school, a high school and a cyber school consisting of approximately 4,575 students. The District encompasses the municipal subdivisions of the Boroughs of Courtdale, Edwardsville, Forty Fort, Kingston, Larksville, Luzerne, Plymouth, Pringle and Swoyersville in Luzerne County Pennsylvania and covers approximately 14.7 square miles. The District is in the Wyoming Valley which stretches along the Susquehanna River and which is 140 miles west of New York City, 120 miles north of Philadelphia and 120 miles northeast of Harrisburg. There are approximately 608 full-time employees in the District including 384 administrative staff and teachers and 224 support personnel including secretaries, maintenance staff, cafeteria staff and teacher aides.

The mission of the District is to provide ALL students with learning opportunities that will maximize their ability to achieve, enhance their capacity to compete in today's global economy and increase their awareness regarding the importance of life-long learning.

FINANCIAL HIGHLIGHTS

- Effective 2017-2018, the District was required to comply with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The major impact of GASB Statement No. 75 is to present, on the Statement of Financial Position (Deficit), certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees Retirement System ("**PSERS**") healthcare insurance premium assistance program, which was not required to be presented in the prior years. Consequently, the implementation of GASB Statement No. 75 resulted in an increase in the deficit in the District's unrestricted net position as of June 30, 2018. For consistency purposes, the June 30, 2017 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 75 had been applied, retroactively.

Elements of GASB Statement No. 75 included within the Statement of Net Position (Deficit) include actuarially determined liabilities for other postemployment benefits single and cost sharing multiple-employer plans of \$19,010,559 and \$5,044,632, respectively, and deferred outflows of \$1,805,264 (primarily changes in actuarial assumptions under the new standard – an effective reduction of the liability) and deferred inflows of \$235,000 (difference between expected and actual experience, to be recognized as a future reduction in OPEB expense – an effective increase in the liability until fully recognized).

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and the deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit of total net position at the close of the 2017-2018 fiscal year of \$118,275,184. During the 2017-2018 fiscal year, the District had a decrease in total net position of \$9,280,183. The net position of governmental activities decreased by \$9,325,958 and the net position of the business-type activities increased by \$45,775.
- The General Fund reported a decrease in fund balance of \$1,807,291, bringing the cumulative balance to \$71,916 at the conclusion of the 2017-2018 fiscal year.
- Budgeted amounts in the General Fund used \$2,427,955 of fund balance as of June 30, 2017 to balance the 2017-2018 General Fund budget. Actual results during 2017-2018 resulted in a decrease of \$1,807,291 to the General Fund fund balance for a positive variance of \$620,664.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the 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 short-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.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

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 governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three major individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of a student activity fund. The District is responsible for ensuring that the assets reported in this fund are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statement can be found on Page 23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 24 through 47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 48 through 53 of this report.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial position. At the close of the 2017-2018 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$118,275,184. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 16,784,815	\$ 18,409,992	\$ 928,500	\$ 911,650	\$ 17,713,315	\$ 19,321,642
Noncurrent assets	<u>36,132,211</u>	<u>36,196,221</u>	<u>426,323</u>	<u>472,032</u>	<u>36,558,534</u>	<u>36,668,253</u>
Total assets	<u>52,917,026</u>	<u>54,606,213</u>	<u>1,354,823</u>	<u>1,383,682</u>	<u>54,271,849</u>	<u>55,989,895</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>30,296,280</u>	<u>35,908,100</u>	<u>-</u>	<u>-</u>	<u>30,296,280</u>	<u>35,908,100</u>
LIABILITIES						
Current liabilities	10,783,632	9,263,609	232,364	306,998	11,015,996	9,570,607
Noncurrent liabilities	<u>184,963,317</u>	<u>178,772,527</u>	<u>-</u>	<u>-</u>	<u>184,963,317</u>	<u>178,772,527</u>
Total liabilities	<u>195,746,949</u>	<u>188,036,136</u>	<u>232,364</u>	<u>306,998</u>	<u>195,979,313</u>	<u>188,343,134</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,864,000</u>	<u>12,549,862</u>	<u>-</u>	<u>-</u>	<u>6,864,000</u>	<u>12,549,862</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	3,095,514	3,564,309	426,323	472,032	3,521,837	4,036,341
Restricted	2,813,482	4,299,349	-	-	2,813,482	4,299,349
Unrestricted	<u>(125,306,639)</u>	<u>(117,935,343)</u>	<u>696,136</u>	<u>604,652</u>	<u>(124,610,503)</u>	<u>(117,330,691)</u>
Total net position	<u>\$(119,397,643)</u>	<u>\$(110,071,685)</u>	<u>\$1,122,459</u>	<u>\$1,076,684</u>	<u>\$(118,275,184)</u>	<u>\$(108,995,001)</u>

The District's total assets as of June 30, 2018 were \$54,271,849 of which \$8,485,910 or 15.64% consisted of unrestricted cash and \$29,561,845 or 54.47% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2018 were \$195,979,313 of which \$32,759,089 or 16.72% consisted of general obligation debt used to acquire and construct capital assets, \$122,285,691 or 62.40% consisted of the actuarially determined net pension liability and \$24,055,191 or 12.27% consisted of the actuarially determined other post-employment benefit liabilities.

The District had a deficit in unrestricted net position of \$124,610,503 at June 30, 2018. The District's unrestricted net position decreased by \$7,279,812 primarily due to the change in the actuarially determined net pension and other-post employment liabilities and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$2,813,482 as of June 30, 2018. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net assets reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2018, the District's net investment in capital assets decreased by \$514,504 because the District's capital assets were being depreciated faster than the debt used to acquire capital assets was being repaid.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

The following table presents condensed information for the *Statement of Activities* of the District for 2018 and 2017:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	\$ 127,255	\$ 129,105	\$ 734,992	\$ 711,320	\$ 862,247	\$ 840,425
Operating grants and contributions	18,250,026	19,439,470	2,151,012	2,066,300	20,401,038	21,505,770
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	29,155,528	27,913,043	-	-	29,155,528	27,913,043
Earned income taxes levied for general purposes	4,093,345	4,047,153	-	-	4,093,345	4,047,153
Other taxes levied for general purposes	2,034,779	2,063,817	-	-	2,034,779	2,063,817
Grants and entitlements not restricted to specific programs	21,357,541	21,258,365	-	-	21,357,541	21,258,365
Investment earnings	(20,754)	(200,388)	-	-	(20,754)	(200,388)
Total revenues and transfers	<u>74,997,720</u>	<u>74,650,565</u>	<u>2,886,004</u>	<u>2,777,620</u>	<u>77,883,724</u>	<u>77,428,185</u>
EXPENSES						
Instruction	62,237,840	51,452,495	-	-	62,237,840	51,452,495
Instructional student support services	5,913,098	4,328,725	-	-	5,913,098	4,328,725
Administrative and financial support services	4,029,687	3,335,333	-	-	4,029,687	3,335,333
Operation and maintenance of plant services	5,618,821	5,615,463	-	-	5,618,821	5,615,463
Pupil transportation	3,121,975	2,673,761	-	-	3,121,975	2,673,761
Student activities	1,093,475	953,486	-	-	1,093,475	953,486
Community services	244,513	257,634	-	-	244,513	257,634
Interest and amortization expense related to noncurrent liabilities	2,064,269	1,519,768	-	-	2,064,269	1,519,768
Food service	-	-	2,840,229	2,729,085	2,840,229	2,729,085
Total expenses	<u>84,323,678</u>	<u>70,136,665</u>	<u>2,840,229</u>	<u>2,729,085</u>	<u>87,163,907</u>	<u>72,865,750</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (9,325,958)</u>	<u>\$ 4,513,900</u>	<u>\$ 45,775</u>	<u>\$ 48,535</u>	<u>\$ (9,280,183)</u>	<u>\$ 4,562,435</u>

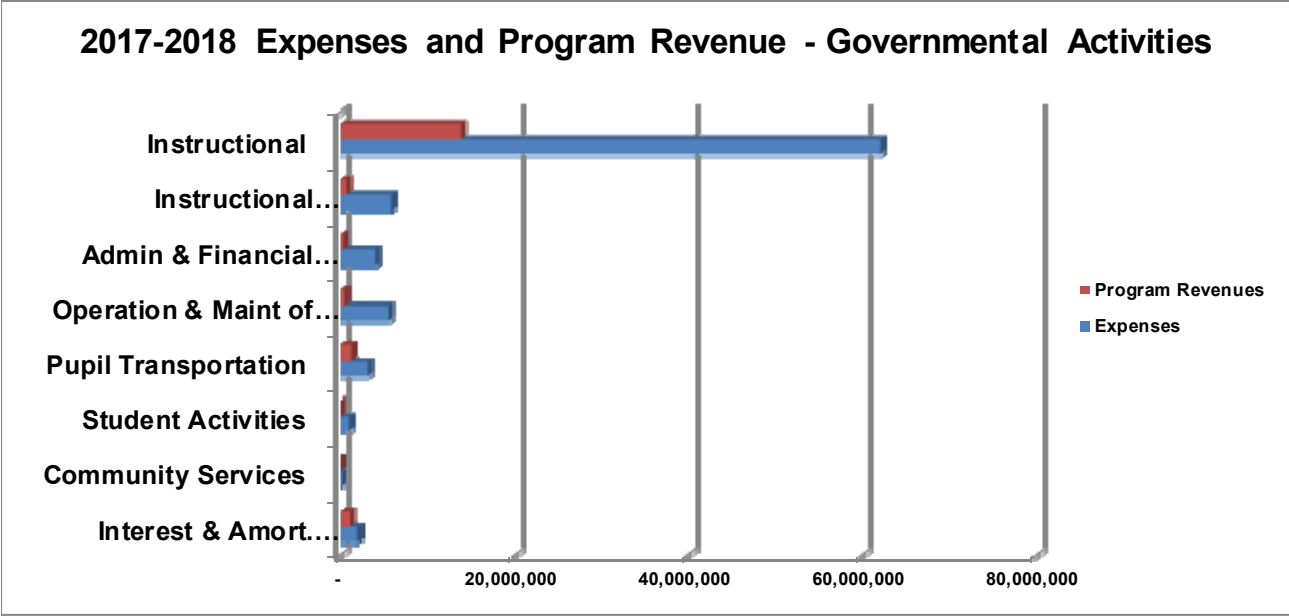
During 2017-2018, the District's financial position decreased by \$9,280,183, in part due to increased medical costs and pension contributions, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing whose growth has slowed in recent years. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

WYOMING VALLEY WEST SCHOOL DISTRICT

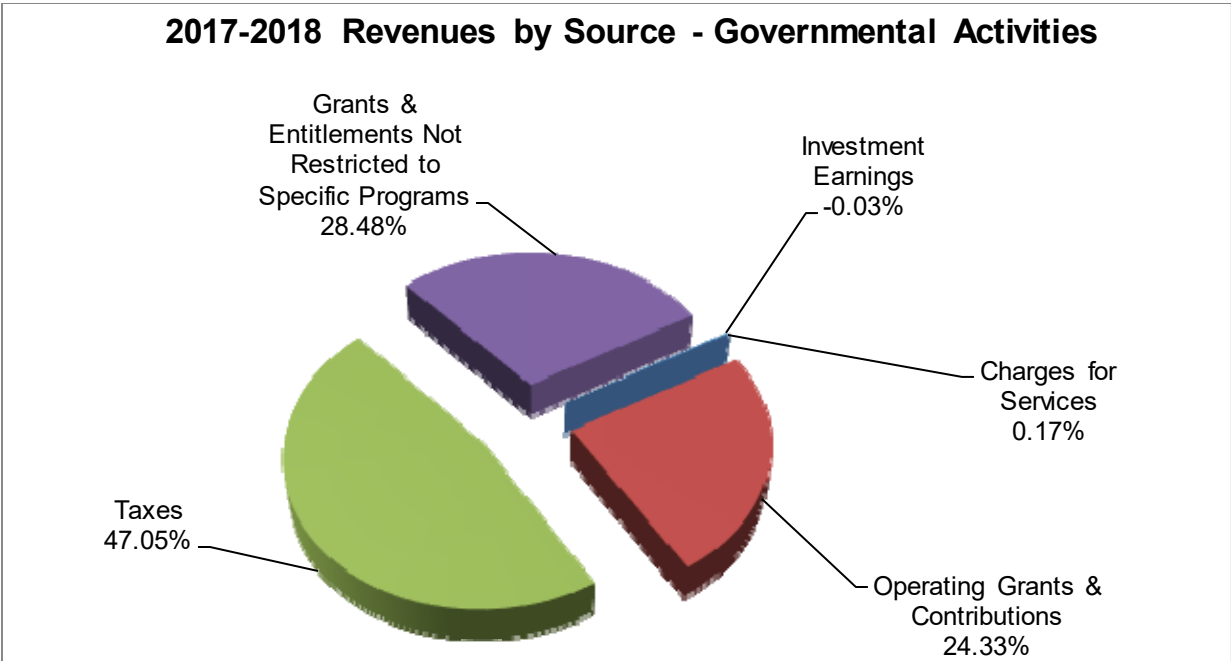
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

GOVERNMENTAL FUNDS

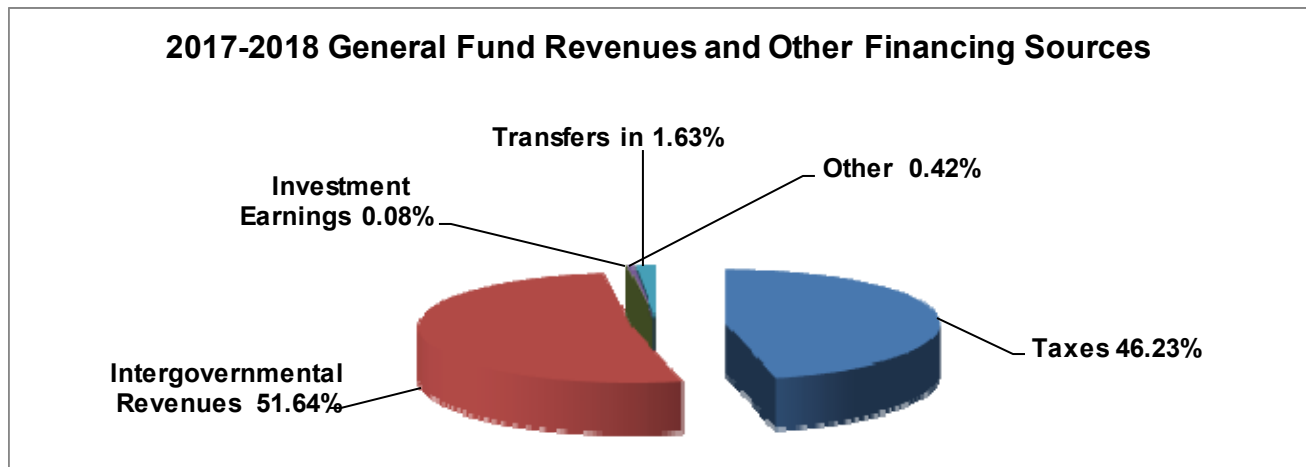
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2018, the District's governmental funds reported a combined fund balance of \$9,882,087 which is a decrease of \$2,373,865 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2018 and 2017 and the total 2018 change in governmental fund balances.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Fund	\$ 71,916	\$ 1,879,207	\$(1,807,291)
Capital Projects Fund	2,813,482	4,299,349	(1,485,867)
Debt Service Fund	<u>6,996,689</u>	<u>6,077,396</u>	<u>919,293</u>
	<u>\$9,882,087</u>	<u>\$12,255,952</u>	<u>\$(2,373,865)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2017-2018 fiscal year, the General Fund fund balance was \$71,916 representing a decrease of \$1,807,291 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2017-2018 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 46.23% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$35,283,652	\$34,024,013	\$ 1,259,639	3.70
Intergovernmental revenues	39,412,779	40,498,224	(1,085,445)	(2.68)
Investment earnings	61,187	21,547	39,640	183.97
Other	322,044	297,203	24,841	8.36
Transfers in	<u>1,245,191</u>	<u>-</u>	<u>1,245,191</u>	<u>100.00</u>
	<u>\$76,324,853</u>	<u>\$74,840,987</u>	<u>\$ 1,483,866</u>	<u>1.98</u>

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

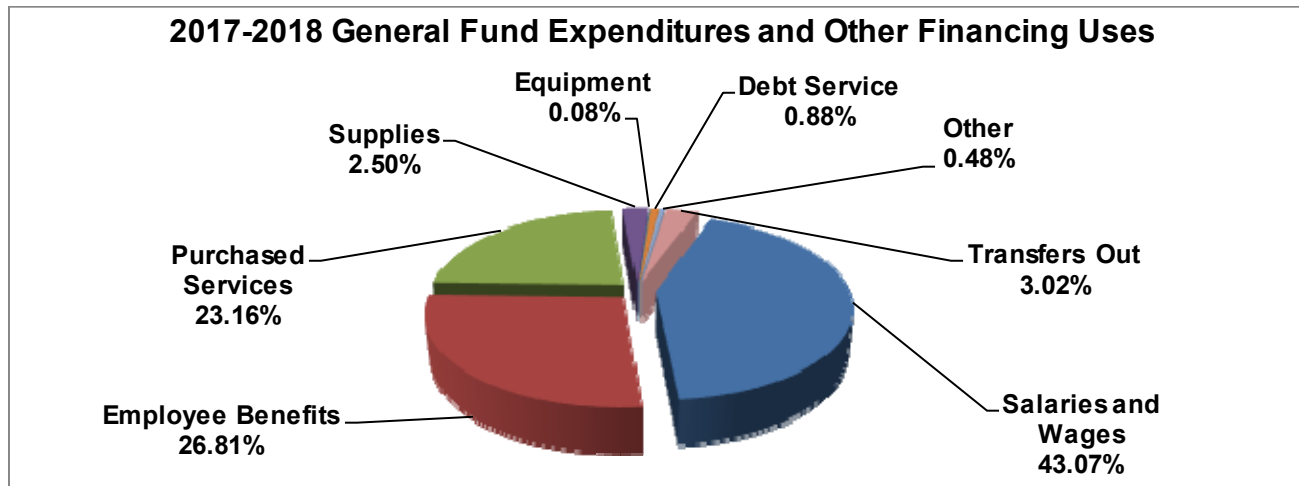
June 30, 2018

Net tax revenues increased by \$1,259,639 or 3.70% primarily due to an increase in the real estate tax millage to 15.99 mills or 3.50% in 2017-2018 compared to 15.45 mills in 2016-2017 and increased delinquent real estate and earned income taxes in 2017-2018 compared to 2016-2017.

Intergovernmental revenues decreased primarily due to the prior year, 2016-2017, including the deferred one-time subsidies related to the state program to reimburse costs associated with construction projects ("*Plancon*"), which was offset by an increase in the state retirement subsidy which increased commensurate with the employer annual contribution percentage.

Transfers in for 2017-2018 represents reimbursement for capital expenditures incurred by the General Fund in prior years.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	2018	2017	\$ Change	% Change
Salaries and wages	\$33,654,962	\$32,393,284	\$1,261,678	3.89
Employee benefits	20,943,075	19,276,011	1,667,064	8.65
Purchased services	18,098,481	17,587,918	510,563	2.90
Supplies	1,950,531	1,961,598	(11,067)	(0.56)
Equipment	59,749	202,962	(143,213)	(70.56)
Other	377,689	338,397	39,292	11.61
Debt service	686,228	641,491	44,737	6.97
Transfers out	2,361,429	2,533,192	(171,763)	(6.78)
	<u>\$78,132,144</u>	<u>\$74,934,853</u>	<u>\$3,197,291</u>	<u>4.27</u>

Salaries and wages increased by \$1,261,678 or 3.89% in 2017-2018 compared to 2016-2017 as a result of scheduled salary increases within the District's negotiated collective bargaining agreements as well as increases for other staff.

Employee benefits increased by \$1,667,064 or 8.65% primarily due to an increase in the required annual retirement contribution to 32.57% from 30.03% which represents an 8.46% increase from the prior year coupled with an increase in costs associated with health insurance.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

Purchased services increased by \$510,563 or 2.90% in 2017-2018 compared to 2016-2017 primarily related to an increase in tuition for cyber and charter schools and contracted services for special education and transportation.

Transfers out consist of transfers to the Debt Service Fund which were consistent with debt service maturities.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2017-2018, the Capital Projects Fund reported a decrease in its fund balance of \$1,485,867 due to transfers to the General Fund from reimbursement of capital outlay and current year capital expenditures. As of June 30, 2018, the Capital Projects Fund had a fund balance of \$2,813,482 which is restricted for capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for the interest and principal payments due on the District's outstanding general obligation debt. Transfers are made during the year from the General Fund to finance debt service payments as they become due.

Pursuant to loan agreements with the State Public School Building Authority under its Qualified School Construction Bonds program, the District established a Debt Sinking Fund. The District is required to make deposits annually into the Debt Sinking Fund. The deposits and investment earnings on the deposits are available for payment of maturities under the loan agreement.

As of June 30, 2018, the fund balance in the Debt Service Fund was \$6,996,689 and is restricted for future debt service expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Budgeted amounts in the General Fund used \$2,427,955 of fund balance as of June 30, 2017 to balance the 2017-2018 General Fund budget. Actual results during 2017-2018 resulted in a decrease of \$1,807,291 to the General Fund fund balance for a positive variance of \$620,664. Total General Fund revenues and other financing sources were \$897,685 or 1.19% more than budgeted amounts and total General Fund expenditures and other financing uses were \$277,021 or 0.36% more than budgeted amounts.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2017-2018, the net position of the business-type activities and Food Service Fund increased by \$45,775. As of June 30, 2018, the business-type activities and Food Service Fund had net position of \$1,122,459.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$29,561,845 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$1,029,012 or 3.36%. The decrease was the result of current year depreciation expense in excess of current year capital additions. Current year capital additions were \$394,526 and depreciation expense was \$1,423,538.

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$32,759,089 consisting of \$11,075,000 in bonds payable, \$3,124,814 in notes payable, and \$18,789,000 in qualified school construction bonds net of bond discounts of \$229,725. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$240,553 or 0.74% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$32,759,089 is within the current debt limitation of the District which was \$162,157,739 as of June 30, 2018.

The District maintains an AA stable outlook rating from Standard & Poor's Global Ratings.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$122,285,691 as of June 30, 2018. The District's net pension liability increased by \$4,835,691 or 4.12% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$24,055,191 as of June 30, 2018. The District's OPEB liability increased by \$752,310 or 3.23% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for capital leases, compensated absences, accrued termination benefits and a collateralized borrowing repayable from pledged delinquent real estate tax revenues, which totaled \$5,863,346 as of June 30, 2018. These liabilities increased by \$362,236 or 6.58% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District adopted a balanced 2018-2019 budget totaling \$80,276,468 in which the real estate tax millage was increased to 16.75 mills or 4.76% in comparison to the 2017-2018 real estate tax millage rate.
- The District's enrollment is not expected to change significantly over the next several fiscal years.
- The District's collective bargaining agreement with the Wyoming Valley West Education Association expires at the conclusion of the 2019-2020 school year, while the collective bargaining agreement with the Wyoming Valley West Educational Support Personnel Association expired at the conclusion of the 2016-2017 school year and is currently under negotiation.
- The volatility of special education and charter school expenses continue to be a concern in terms of planning and forecasting of future expenditures.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increased real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:

WYOMING VALLEY WEST SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2018

- ♦ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (3.40% for Wyoming Valley West School District for 2018-2019), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
- ♦ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ♦ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders.
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law will not take effect until July of 2019. The law will change the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2019-2020 is projected at 34.79%. Currently, the employer contribution rate for 2018-2019 is 33.43%.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Wyoming Valley West School District, 450 N. Maple Avenue, Kingston, Pennsylvania 18704.

WYOMING VALLEY WEST SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash	\$ 7,858,827	\$ 627,083	\$ 8,485,910
Taxes receivable	3,777,708	-	3,777,708
Due from other governments	5,011,491	342,684	5,354,175
Internal balances	97,600	(97,600)	-
Other receivables	39,189	13,277	52,466
Inventories	-	43,056	43,056
Total current assets	<u>16,784,815</u>	<u>928,500</u>	<u>17,713,315</u>
NONCURRENT ASSETS			
Restricted assets			
Cash held by fiscal agent	2,054	-	2,054
Investments held by fiscal agent	6,994,635	-	6,994,635
Capital assets, net	<u>29,135,522</u>	<u>426,323</u>	<u>29,561,845</u>
Total noncurrent assets	<u>36,132,211</u>	<u>426,323</u>	<u>36,558,534</u>
Total assets	<u>52,917,026</u>	<u>1,354,823</u>	<u>54,271,849</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on proportionate share of pension - PSERS	28,491,016	-	28,491,016
Deferred charges OPEB - single employer	1,337,330	-	1,337,330
Deferred charges on proportionate share of OPEB - PSERS	<u>467,934</u>	<u>-</u>	<u>467,934</u>
Total deferred outflows of resources	<u>30,296,280</u>	<u>-</u>	<u>30,296,280</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	1,371,941	194,244	1,566,185
Accrued salaries, payroll withholdings and benefits	9,086,457	-	9,086,457
Accrued interest payable	149,745	-	149,745
Other liabilities	175,489	-	175,489
Unearned revenues	-	38,120	38,120
Total current liabilities	<u>10,783,632</u>	<u>232,364</u>	<u>11,015,996</u>
NONCURRENT LIABILITIES			
Due within one year	1,125,888	-	1,125,888
Due in more than one year	<u>183,837,429</u>	<u>-</u>	<u>183,837,429</u>
Total noncurrent liabilities	<u>184,963,317</u>	<u>-</u>	<u>184,963,317</u>
Total liabilities	<u>195,746,949</u>	<u>232,364</u>	<u>195,979,313</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred credits on proportionate share of pension - PSERS	6,629,000	-	6,629,000
Deferred credits on proportionate share of OPEB - PSERS	<u>235,000</u>	<u>-</u>	<u>235,000</u>
Total deferred inflows of resources	<u>6,864,000</u>	<u>-</u>	<u>6,864,000</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	3,095,514	426,323	3,521,837
Restricted	2,813,482	-	2,813,482
Unrestricted (deficit)	<u>(125,306,639)</u>	<u>696,136</u>	<u>(124,610,503)</u>
Total net position (deficit)	<u>\$ (119,397,643)</u>	<u>\$ 1,122,459</u>	<u>\$ (118,275,184)</u>

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

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		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses						
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 62,237,840	\$ 86,543	\$ 13,744,632	\$ -	\$ (48,406,665)	\$ -	\$ (48,406,665)
Instructional student support services	5,913,098	-	797,569	-	(5,115,529)	-	(5,115,529)
Administrative and financial support services	4,029,687	-	427,824	-	(3,601,863)	-	(3,601,863)
Operation and maintenance of plant services	5,618,821	-	591,366	-	(5,027,455)	-	(5,027,455)
Pupil transportation	3,121,975	-	1,386,247	-	(1,735,728)	-	(1,735,728)
Student activities	1,093,475	40,712	77,107	-	(975,656)	-	(975,656)
Community services	244,513	-	-	-	(244,513)	-	(244,513)
Interest and amortization expense related to noncurrent liabilities	2,064,269	-	1,225,281	-	(838,988)	-	(838,988)
Total governmental activities	84,323,678	127,255	18,250,026	-	(65,946,397)	-	(65,946,397)
BUSINESS-TYPE ACTIVITIES							
Food service	2,840,229	734,992	2,151,012	-	-	45,775	45,775
Total primary government	\$ 87,163,907	\$ 862,247	\$ 20,401,038	\$ -	(65,946,397)	45,775	(65,900,622)
GENERAL REVENUES							
Property taxes levied for general purposes					29,155,528	-	29,155,528
Earned income taxes levied for general purposes					4,093,345	-	4,093,345
Other taxes levied for general purposes					2,034,779	-	2,034,779
Grants and entitlements not restricted to specific programs					21,357,541	-	21,357,541
Investment earnings					(20,754)	-	(20,754)
Total general revenues					56,620,439	-	56,620,439
CHANGE IN NET POSITION (DEFICIT)					(9,325,958)	45,775	(9,280,183)
NET POSITION (DEFICIT)							
Beginning of year					(110,071,685)	1,076,684	(108,995,001)
End of year					\$ (119,397,643)	\$ 1,122,459	\$ (118,275,184)

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds			Total
	General Fund	Capital Projects Fund	Debt Service Fund	
ASSETS				
Cash	\$ 3,485,442	\$ 4,373,385	\$ -	\$ 7,858,827
Restricted assets				
Cash held by fiscal agent	-	-	2,054	2,054
Investments held by fiscal agent	-	-	6,994,635	6,994,635
Taxes receivable	3,777,708	-	-	3,777,708
Due from other funds	1,657,503	-	-	1,657,503
Due from other governments	5,011,491	-	-	5,011,491
Other receivables	39,189	-	-	39,189
Total assets	\$ 13,971,333	\$ 4,373,385	\$ 6,996,689	\$ 25,341,407
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,371,941	\$ -	\$ -	\$ 1,371,941
Due to other funds	-	1,559,903	-	1,559,903
Accrued salaries, payroll withholdings and benefits	9,586,892	-	-	9,586,892
Other liabilities	175,489	-	-	175,489
Total liabilities	11,134,322	1,559,903	-	12,694,225
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	2,765,095	-	-	2,765,095
FUND BALANCES				
Restricted for				
Capital projects	-	2,813,482	-	2,813,482
Debt service	-	-	6,996,689	6,996,689
Unassigned	71,916	-	-	71,916
Total fund balances	71,916	2,813,482	6,996,689	9,882,087
Total liabilities, deferred inflows of resources and fund balances	\$ 13,971,333	\$ 4,373,385	\$ 6,996,689	\$ 25,341,407

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$ 9,882,087
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	29,135,522
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	2,765,095
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	23,432,280
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(184,462,882)
Accrued interest payable on noncurrent liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(149,745)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$(119,397,643)</u>

WYOMING VALLEY WEST SCHOOL DISTRICT

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

Year ended June 30, 2018

	Major Funds			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
REVENUES				
Local sources	\$ 35,666,883	\$ 49,037	\$ (68,421)	\$ 35,647,499
State sources	35,360,644	-	-	35,360,644
Federal sources	4,052,135	-	-	4,052,135
Total revenues	<u>75,079,662</u>	<u>49,037</u>	<u>(68,421)</u>	<u>75,060,278</u>
EXPENDITURES				
Current				
Instruction	56,442,967	298,418	-	56,741,385
Support services	17,412,606	216,955	3,355	17,632,916
Operation of noninstructional services	1,163,720	-	-	1,163,720
Facilities acquisition, construction and improvement services	-	314,712	-	314,712
Debt service	686,228	-	3,960,552	4,646,780
Total expenditures	<u>75,705,521</u>	<u>830,085</u>	<u>3,963,907</u>	<u>80,499,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(625,859)</u>	<u>(781,048)</u>	<u>(4,032,328)</u>	<u>(5,439,235)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(65,194)	25,000	-	(40,194)
Issuance of debt - refunding	-	9,930,000	-	9,930,000
Payment of debt - refunding	-	(9,586,212)	-	(9,586,212)
Bond discounts	-	(126,834)	-	(126,834)
Proceeds from extended term financing	-	298,418	-	298,418
Proceeds from collateralized borrowing	-	-	2,590,192	2,590,192
Transfers in	1,245,191	-	2,361,429	3,606,620
Transfers out	(2,361,429)	(1,245,191)	-	(3,606,620)
Total other financing sources (uses)	<u>(1,181,432)</u>	<u>(704,819)</u>	<u>4,951,621</u>	<u>3,065,370</u>
NET CHANGE IN FUND BALANCES	<u>(1,807,291)</u>	<u>(1,485,867)</u>	<u>919,293</u>	<u>(2,373,865)</u>
FUND BALANCES				
Beginning of year	<u>1,879,207</u>	<u>4,299,349</u>	<u>6,077,396</u>	<u>12,255,952</u>
End of year	<u>\$ 71,916</u>	<u>\$ 2,813,482</u>	<u>\$ 6,996,689</u>	<u>\$ 9,882,087</u>

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ (2,373,865)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 361,950	
Depreciation expense	<u>(1,345,253)</u>	(983,303)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	496,595	
Proceeds from bonds payable - refunding	(9,930,000)	
Repayment of bonds payables - refunding	9,075,000	
Payment of bond discounts	126,834	
Amortization of bond discounts	(8,982)	
Proceeds from collateralized borrowing	(2,590,192)	
Repayment of collateralized borrowing	2,547,164	
Proceeds from extended-term financing	(298,418)	
Repayment of extended-term financing	<u>134,186</u>	(447,813)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	(10,046)	
Current year change in accrued termination benefits	43,182	
Current year change in compensated absences	(40,154)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	(5,688,872)	
Current year change in OPEB liability - single employer and deferred outflows and inflows	148,591	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>26,322</u>	<u>(5,520,977)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ (9,325,958)</u>
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See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2018

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 627,083
Due from other governments	342,684
Other receivables	13,277
Inventories	<u>43,056</u>
Total current assets	<u>1,026,100</u>
NONCURRENT ASSETS	
Capital assets, net	<u>426,323</u>
Total assets	<u>1,452,423</u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	194,244
Due to other funds	24,400
Unearned revenues	<u>38,120</u>
Total current liabilities	<u>256,764</u>
NONCURRENT LIABILITIES	
Due to other funds	<u>73,200</u>
Total liabilities	<u>329,964</u>
 NET POSITION	
Net investment in capital assets	426,323
Unrestricted	<u>696,136</u>
Total net position	<u>\$ 1,122,459</u>

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

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

Year ended June 30, 2018

	<u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 734,992
OPERATING EXPENSES	
Purchased professional and technical services	395
Purchased property services	177,427
Other purchased services	1,372,678
Supplies	1,188,536
Depreciation	78,285
Other	<u>22,908</u>
Total operating expenses	<u>2,840,229</u>
Operating loss	<u>(2,105,237)</u>
NONOPERATING REVENUES	
State sources	99,256
Federal sources	<u>2,051,756</u>
Total nonoperating revenues	<u>2,151,012</u>
CHANGE IN NET POSITION	45,775
NET POSITION	
Beginning of year	<u>1,076,684</u>
End of year	<u>\$ 1,122,459</u>

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2018

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 755,190
Cash payments to suppliers for goods and services	<u>(2,666,690)</u>
Net cash used for operating activities	<u>(1,911,500)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	97,145
Federal sources	<u>1,884,873</u>
Net cash provided by noncapital financing activities	<u>1,982,018</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of amounts due to other funds	(24,400)
Acquisition of capital assets	<u>(32,576)</u>
Net cash used by capital and related financing activities	<u>(56,976)</u>
Net increase in cash	13,542
CASH	
Beginning of year	<u>613,541</u>
End of year	<u>\$ 627,083</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:	
Operating loss	\$ (2,105,237)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	78,285
Donated commodities used	164,842
(Increase) decrease in	
Other receivables	20,545
Inventories	4,699
Increase (decrease) in	
Accounts payable	(93,591)
Unearned revenue	<u>18,957</u>
Net cash used for operating activities	<u>\$ (1,911,500)</u>
SUPPLEMENTAL DISCLOSURE	
Noncash noncapital financing activity	
USDA donated commodities	<u>\$ 164,842</u>

See accompanying notes

WYOMING VALLEY WEST SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUND

June 30, 2018

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 218,494</u>
LIABILITIES	
Due to student groups	<u>\$ 218,494</u>

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wyoming Valley West School District (the "***District***") operates five elementary schools, a middle school, a high school and a cyber school to provide education and related services to the residents in the Boroughs of Courtdale, Edwardsville, Forty Fort, Kingston, Larksville, Luzerne, Plymouth, Pringle and Swoyersville. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include salaries and wages, employee benefits, purchased services, supplies and other costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of the students in the District. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 29 and are payable in the following periods:

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

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2017-2018 was 15.99 mills (\$15.99 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 15
Installment Three	- November 30

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been met.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,500. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years and furniture; site improvements – 15-20 years; and furniture and equipment – 5-20 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2018.

Compensated Absences

District policies permit employees to accumulate earned but unused personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds' financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Finance Manager or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 80 "Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14", GASB Statement No. 81, "Irrevocable Split-Interest Agreements", GASB Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73"; GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishment Issues".

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information ("**RSI**") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 80 amended the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*".

GASB Statement No. 81 required that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 required that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 required that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 had no impact on the financial statements of the District for the year ended June 30, 2018.

GASB Statement No. 82 addressed issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 85 established accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 established standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. GASB Statement No. 86 also amended accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB Statement No. 86 established an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired.

New Accounting Pronouncements

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" will be effective for the District for the year ended June 30, 2019. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations ("**AROs**"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB Statement No. 83.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

GASB Statement No. 84, "*Fiduciary Activities*" will be effective for the District for the year ended June 30, 2019. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2021. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the 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 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2018, the carrying amount of the District's deposits was \$8,706,458 and the bank balance was \$10,279,132. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$941,723 was covered by federal depository insurance and \$9,337,409 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
U.S. Treasury strips	<u>\$6,994,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,892,652</u>	<u>\$1,101,983</u>

U.S. Treasury strips were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2018.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (**See Note 7**). The total carrying amounts and related bank balances of these cash and investment accounts are \$6,996,689 as of June 30, 2018, which are invested in U.S. Treasury securities.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 954,947	\$ -	\$ -	\$ 954,947
Capital assets being depreciated				
Buildings and improvements	47,848,791	-	-	47,848,791
Site improvements	5,269,919	12,725	-	5,282,644
Furniture and equipment	8,238,929	349,225	-	8,588,154
Total capital assets being depreciated	<u>61,357,639</u>	<u>361,950</u>	<u>-</u>	<u>61,719,589</u>
Less accumulated depreciation for				
Buildings and improvements	(23,110,568)	(959,139)	-	(24,069,707)
Site improvements	(2,037,967)	(173,192)	-	(2,211,159)
Furniture and equipment	(7,045,226)	(212,922)	-	(7,258,148)
Total accumulated depreciation	<u>(32,193,761)</u>	<u>(1,345,253)</u>	<u>-</u>	<u>(33,539,014)</u>
Total capital assets being depreciated, net	<u>29,163,878</u>	<u>(983,303)</u>	<u>-</u>	<u>28,180,575</u>
Governmental activities, net	<u>\$ 30,118,825</u>	<u>\$ (983,303)</u>	<u>\$ -</u>	<u>\$ 29,135,522</u>
Business-type activities				
Furniture and equipment	\$ 1,185,091	\$ 32,576	\$ -	\$ 1,217,667
Less accumulated depreciation	(713,059)	(78,285)	-	(791,344)
Business-type activities, net	<u>\$ 472,032</u>	<u>\$ (45,709)</u>	<u>\$ -</u>	<u>\$ 426,323</u>

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

Governmental activities	
Instruction	\$1,168,150
Administrative and financial support services	28,942
Operation and maintenance of plant services	17,273
Student activities	<u>130,888</u>
Total depreciation expense – governmental activities	<u>\$1,345,253</u>
Business-type activities	
Food service	<u>\$ 78,285</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$1,559,903	Capital Projects Fund	\$1,559,903
General Fund	<u>97,600</u>	Food Service Fund	<u>97,600</u>
	<u>\$1,657,503</u>		<u>\$1,657,503</u>

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Interfund balances between General Fund and Capital Projects Fund represents temporary loans recorded at year-end as the result of a final allocation of revenues and expenses. Interfund balances between the General Fund and Food Service Fund represents a loan from the General Fund to be reimbursed by the Food Service Fund for the purchase of food service equipment.

A summary of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	\$1,245,191	Capital Projects Fund	\$1,245,191
Debt Service Fund	<u>2,361,429</u>	General Fund	<u>2,361,429</u>
	<u>\$3,606,620</u>		<u>\$3,606,620</u>

Transfers from the Capital Projects Fund to the General Fund represent transfers to reimburse costs associated with the acquisition of capital assets, while transfers from the General Fund to the Debt Service Fund represent transfers to subsidize costs associated with debt service requirements.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 10,225,000	\$ 9,930,000	\$ 9,080,000	\$ 11,075,000	\$ 10,000
Notes payable	3,616,409	-	491,595	3,124,814	499,124
Qualified school construction bonds	18,789,000	-	-	18,789,000	-
Bond discounts	<u>(111,873)</u>	<u>(126,834)</u>	<u>(8,982)</u>	<u>(229,725)</u>	<u>(12,154)</u>
Total general obligation debt	<u>32,518,536</u>	<u>9,803,166</u>	<u>9,562,613</u>	<u>32,759,089</u>	<u>496,970</u>
Other noncurrent liabilities					
Capital leases	113,376	298,418	134,186	277,608	128,482
Compensated absences	1,724,337	40,154	-	1,764,491	-
Accrued termination benefits	585,902	114,822	-	700,724	500,436
Collateralized borrowing	3,077,495	2,590,192	2,547,164	3,120,523	-
OPEB liability	18,197,927	1,962,966	1,150,334	19,010,559	-
Net OPEB liability – PSERS	5,104,954	-	60,322	5,044,632	-
Net pension liability - PSERS	<u>117,450,000</u>	<u>4,835,691</u>	<u>-</u>	<u>122,285,691</u>	<u>-</u>
Total other noncurrent liabilities	<u>146,253,991</u>	<u>9,842,243</u>	<u>3,892,006</u>	<u>152,204,228</u>	<u>628,918</u>
Total noncurrent liabilities	<u>\$178,772,527</u>	<u>\$19,645,409</u>	<u>\$13,454,619</u>	<u>\$184,963,317</u>	<u>\$1,125,888</u>

Noncurrent liabilities are generally liquidated by the General Fund.

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted resources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program the SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. On June 9, 2011, the District borrowed \$15,000,000 from the SPSBA under the QSCB program. The District is required to deposit \$1,000,000 annually into a sinking fund through the maturity date of September 15, 2026. On November 1, 2011, the District borrowed \$3,789,000 from the SPSBA under the QSCB program. The District is required to deposit \$222,588 annually into a sinking fund through the maturity date of September 15, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements.

General obligation debt outstanding as of June 30, 2018 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2011	1.75% - 4.50%	\$15,000,000	09/01/2028	\$ 1,145,000
Series of 2017	2.00% - 3.50%	\$9,930,000	09/01/2036	<u>9,930,000</u>
Total general obligation bonds				<u>11,075,000</u>
General obligation notes				
Series of 2014A	1.380%	\$2,181,073	11/15/2019	680,922
Series of 2014B	1.790%	\$2,818,927	11/15/2023	<u>2,443,892</u>
Total general obligation notes				<u>3,124,814</u>
Qualified school construction bonds				
Series of 2011A	5.426%	\$15,000,000	09/15/2026	15,000,000
Series of 2011C	5.088%	\$3,789,000	09/15/2029	<u>3,789,000</u>
Total qualified school construction bonds				<u>18,789,000</u>
Total general obligation debt				<u>\$32,988,814</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2019	\$ 509,124	\$ 1,427,241	\$ 1,222,588	\$ 3,158,953
2020	516,730	1,419,385	1,222,588	3,158,703
2021	525,408	1,410,458	1,222,588	3,158,454
2022	559,847	1,400,519	1,222,588	3,182,954
2023	604,459	1,389,748	1,222,588	3,216,795
2024-2028	16,819,246	5,611,154	(9,887,060)	12,543,340
2029-2033	8,799,000	1,516,854	(3,343,824)	6,972,030
2034-2037	<u>4,655,000</u>	<u>332,939</u>	<u>-</u>	<u>4,987,939</u>
	<u>\$32,988,814</u>	<u>\$14,508,298</u>	<u>\$ (7,117,944)</u>	<u>\$40,379,168</u>

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

General Obligation Bonds, Series of 2017

On December 28, 2017, the District issued \$9,930,000 of general obligation bonds, Series of 2017, the proceeds from which were used to advance refund a portion of the general obligation bonds, Series of 2011, in the amount of \$9,075,000 and to pay for the costs of issuance. The District advance refunded a portion of the general obligation bonds, Series of 2011, to reduce future debt service payments by \$401,823 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$368,163.

In-Substance Defeasance

The District has defeased it's a portion of its general obligation bonds, Series of 2011, by creating a separate irrevocable trust fund. District cash or new debt proceeds have been used to purchase U.S. Government securities that were placed in the trust fund. The investments and earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2018, the amount of defeased outstanding debt was as follows:

<u>Description</u>	<u>Call Date</u>	<u>Interest Rates</u>	<u>Principal Outstanding</u>
General obligation bonds Series of 2011	09/01/2019	4.00% - 4.50%	\$9,075,000

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2018 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$128,482	\$ 9,859	\$138,341
2020	73,318	5,064	78,382
2021	<u>75,808</u>	<u>2,575</u>	<u>78,383</u>
	<u>\$277,608</u>	<u>\$17,498</u>	<u>\$295,106</u>

(9) ACCRUED TERMINATION BENEFITS

The District provides a retirement incentive program for any full-time professional employee who is eligible for early or normal retirement under the Public School Employees Retirement System ("PSERS"), has completed ten years of full-time employment in the District, and who is at least 55 years of age. Any full-time professional employee who is eligible for disability retirement under the PSERS and who has completed ten years of full-time employment in the District shall be eligible for the retirement incentive program regardless of age. Upon retirement, eligible professional employees shall receive an incentive payment at the date of retirement and calculated as a percentage of their last full year's salary according to the following scale:

<u>Years of Service in Public Schools (At Time of Retirement)</u>	<u>Incentive (% of Last Full Year's Salary)</u>
20-29 years	60%
30-34 years	55%
35-37 years	40%

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Retiring employees will normally receive their incentive payments in two equal installments payable before January 31st of each year after the retirement is effective. The District funds its contributions on a pay-as-you-go basis.

(10) COLLATERALIZED BORROWING

The District has pledged future delinquent real estate tax revenues to repay the collateralized borrowing, proceeds of which were deposited into the General Fund. The collateralized borrowing is repayable from the pledged revenues through January 1, 2018. Interest is payable monthly at a variable rate equal to the prime rate plus 1.55% but in no event less than 5.50% nor greater than 8.00%. Principal is paid quarterly on January 1, April 1, July 1 and October 1 through the maturity date in an amount equal to collections of pledged revenues since the prior principal payment date less amounts paid as interest during the period. As additional security for its collateralized borrowing, the District is required to maintain a loan reserve with a bank which is adjusted annually.

Future pledged revenues collections are estimated to be adequate to redeem the collateralized borrowing. In the event that they are not, the District is obligated to pay the deficiency thirty days prior to the maturity date.

The District intends that additional funds will be drawn against the collateralized borrowing each year, at the lien date for unpaid real estate taxes.

(11) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits include a single-employer defined benefit plan that provides for medical and prescription drug coverage until age 65 to all retirees their spouses and dependents. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2016:

Active participants	422
Vested former participants	-
Retired participants	<u>124</u>
Total	<u>546</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, and by rolling forward the liabilities from the July 1, 2016 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$19,010,559, all of which is unfunded. As of June 30, 2018, the OPEB liability of \$19,010,559 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

The District's change in its OPEB liability for the year ended June 30, 2018 was as follows:

Balance as of July 1, 2017	<u>\$18,197,927</u>
Changes for the year:	
Service cost	1,121,326
Interest on total OPEB liability	465,533
Changes in assumptions	376,107
Benefit payments	<u>(1,150,334)</u>
Net changes	<u>812,632</u>
Balance as of June 30, 2018	<u>\$19,010,559</u>

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$148,591. At June 30, 2018, the District had deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in assumptions	\$ 341,915
Contributions subsequent to the measurement date	<u>995,415</u>
	<u>\$1,337,330</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ 34,192
2020	34,192
2021	34,192
2022	34,192
2023	34,192
Thereafter	<u>170,955</u>
	<u>\$341,915</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$16,553,894</u>	<u>\$19,010,559</u>	<u>\$21,985,136</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

	<u>1% Decrease</u> <u>2.13%</u>	<u>Current Discount Rate</u> <u>3.13%</u>	<u>1% Increase</u> <u>4.13%</u>
OPEB Liability	<u>\$20,615,277</u>	<u>\$19,010,559</u>	<u>\$17,519,429</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2018, was determined by rolling forward the OPEB Liability as of July 1, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 3.13% - Standard and Poor's 20 year municipal bond rate. The discount rate changed from 2.49% to 3.13%.
- Salary growth - effective average of 6.25%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00 to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2017 and 5.50% in 2018 through 2023.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$266,934 for the year ended June 30, 2018.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

At June 30, 2018, the District reported a liability of \$5,044,632 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.2476 percent, which was an increase of 0.0106 percent from its proportion measured as of June 30, 2016. As of June 30, 2018, the OPEB liability of \$5,044,632 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$26,322. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$235,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportions	196,000	-
Contributions subsequent to the measurement date	<u>266,934</u>	<u>-</u>
	<u>\$467,934</u>	<u>\$235,000</u>

\$266,934 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2018	\$ (5,000)
2019	(5,000)
2020	(5,000)
2021	(5,000)
2022	(7,000)
Thereafter	<u>(7,000)</u>
	<u>\$(34,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 3.13% - Standard & Poor's 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

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

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.40%	0.60%
Fixed income	23.60%	1.50%
	<u>100.00%</u>	

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

Discount Rate

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

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2017, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2017, calculated using current healthcare cost trends as well as what net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the OPEB liability	<u>\$5,043,315</u>	<u>\$5,044,632</u>	<u>\$5,045,689</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
District's proportionate share of the OPEB liability	<u>\$5,734,406</u>	<u>\$5,044,632</u>	<u>\$4,471,634</u>

OPEB Plan Fiduciary Net Position

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

(12) PENSION PLAN

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

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 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.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

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 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,116,016 for the year ended June 30, 2018.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

At June 30, 2018, the District reported a liability of \$122,285,691 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.2476% percent, which was an increase of 0.0106% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,688,872. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,276,000	\$ 739,000
Changes in assumptions	3,322,000	-
Net difference between projected and actual investment earnings	2,834,000	-
Changes in proportions	10,943,000	5,890,000
Contributions subsequent to the measurement date	<u>10,116,016</u>	<u>-</u>
	<u>\$28,491,016</u>	<u>\$6,629,000</u>

\$10,116,016 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 3,642,000
2019	6,056,000
2020	1,479,000
2021	<u>569,000</u>
	<u>\$11,746,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

Discount Rate

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

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

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

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$150,523,050</u>	<u>\$122,285,691</u>	<u>\$98,445,369</u>

Pension Plan Fiduciary Net Position

Detailed information about the 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.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(13) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

West Side Career and Technology Center

The District and four other Luzerne County school districts participate in the West Side Area Career and Technology Center (the "**WSCTC**"). The WSCTC provides vocational-technical training and education to students of the participating school districts. The WSCTC is controlled by a joint board comprised of representative school board members of participating school districts. District oversight of the WSCTC operations is the responsibility of the joint board. The District's share of operating costs for the WSCTC fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2017-2018 was \$3,495,989.

The WSCTC prepares financial statements that are available to the public from their administrative office located at 75 Evans Street, Kingston, Pennsylvania 18704.

Luzerne County Intermediate Unit

The District and eleven other school districts in Luzerne and Wyoming Counties are participating members of the Luzerne County Intermediate Unit (the "**LCIU**"). The LCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual program budget for the LCIU but the participating districts have no ongoing fiduciary interest or responsibility to the LCIU. The LCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services.

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(15) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2017-2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

The District along with fourteen other Pennsylvania public school entities within Northeastern Pennsylvania participate in the Northeast Pennsylvania School District's Health Trust (the "**Trust**"). The Trust is a public entity risk pool designed to provide health and welfare benefits and reimbursement and/or to provide stop-loss coverage for self-funded benefits, and/or to provide death and/or disability benefits through the life or disability insurance on the life of any participant or group coverage for participants. The Trust was established for the sole and exclusive benefit of the employees of the member public school entities. The Trust Agreement permits members to withdraw from the Trust under terms as specified in the agreement. Withdrawing members are required to pay to the Trust Fund all required contributions for claims incurred on behalf of participants and beneficiaries in the Trust Fund who are the employees of the withdrawing public school entity. Each member is assessed an amount based on prior experience of claims. All claims are then paid from the pool with a stop-loss agreement in effect for claims in excess of \$200,000 per claim. If there is a deficiency in the pooled funds, each member is assessed an amount equal to the percentage produced by dividing the member's contributions for the fiscal year by the fiscal year contributions from all members. As of June 30, 2018, the District is not aware of any additional assessments relating to the Trust.

(16) PRIOR PERIOD ADJUSTMENTS

As a result of the implementation of GASB Statement No. 75, the District made a prior period adjustment to record its OPEB obligation and deferred outflows of resources related to employer OPEB contributions. The District also made prior period adjustments to correct errors in previously issued financial statements. These prior period adjustments and their effect on net position at July 1, 2017 are summarized in the following table:

	Governmental Activities	General Fund Fund Balance
Net position (deficit) / fund balance at June 30, 2017, as previously stated	\$ (88,121,154)	\$2,254,207
Prior period adjustment to		
To remove unsubstantiated estimated governmental inventory	(375,000)	(375,000)
To record long-term taxes receivable	2,765,096	-
To record collateralized borrowing related to sale of taxes receivable	(3,077,495)	-
To adjust single employer OPEB obligation to reflect unfunded actuarial liability	(16,801,219)	-
To record deferred outflows of resources related to single employer OPEB obligation	376,107	-
To record PSERS OPEB obligation	(5,104,954)	-
To record deferred outflows of resources related to PSERS OPEB obligation	<u>266,934</u>	<u>-</u>
Net position (deficit) / fund balance at June 30, 2017, as restated	<u><u>\$ (110,071,685)</u></u>	<u><u>\$1,879,207</u></u>

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2019, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in the financial statements.

On October 31, 2018, the District issued \$3,310,000 of general obligation bonds, Series of 2018, the proceeds from which were used to currently refund all of the general obligation notes, Series of 2014A and 2014B. Principal is due in varying amounts on September 1 and the final maturity is September 1, 2030. Interest is payable semi-annually on September 1 and March 1 at rates ranging from 2.00% to 3.625%.

REQUIRED SUPPLEMENTARY INFORMATION

WYOMING VALLEY WEST SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Local sources	\$ 35,067,032	\$ 35,666,883	\$ 599,851
State sources	34,853,136	35,360,644	507,508
Federal sources	4,007,000	4,052,135	45,135
Total revenues	<u>73,927,168</u>	<u>75,079,662</u>	<u>1,152,494</u>
EXPENDITURES			
Instruction			
Regular programs	36,237,463	36,031,772	205,691
Special programs	14,011,062	15,369,411	(1,358,349)
Vocational programs	4,693,906	4,883,472	(189,566)
Other instructional programs	106,088	113,141	(7,053)
Nonpublic school programs	86,078	45,171	40,907
Total instruction	<u>55,134,597</u>	<u>56,442,967</u>	<u>(1,308,370)</u>
Support services			
Pupil support services	2,249,421	2,303,644	(54,223)
Instructional staff services	1,936,185	2,220,325	(284,140)
Administrative services	3,091,582	2,686,216	405,366
Pupil health	1,026,629	902,280	124,349
Business services	557,469	561,528	(4,059)
Operation and maintenance of plant services	5,768,962	5,330,382	438,580
Student transportation services	2,981,363	3,111,512	(130,149)
Support services - central	199,151	224,280	(25,129)
Other support services	80,000	72,439	7,561
Total support services	<u>17,890,762</u>	<u>17,412,606</u>	<u>478,156</u>
Operation of non-instructional services			
Student activities	917,318	919,208	(1,890)
Community services	246,000	244,512	1,488
Total operation of non-instructional services	<u>1,163,318</u>	<u>1,163,720</u>	<u>(402)</u>
Facilities acquisition, construction and improvement services	<u>374,000</u>	<u>-</u>	<u>374,000</u>
Debt service	<u>739,560</u>	<u>686,228</u>	<u>53,332</u>
Total expenditures	<u>75,302,237</u>	<u>75,705,521</u>	<u>(403,284)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,375,069)</u>	<u>(625,859)</u>	<u>749,210</u>
OTHER FINANCING SOURCES (USES)			
Refund of prior year receipts	-	(65,194)	(65,194)
Transfers in	1,500,000	1,245,191	(254,809)
Transfers out	(2,552,886)	(2,361,429)	191,457
Total other financing sources (uses)	<u>(1,052,886)</u>	<u>(1,181,432)</u>	<u>(128,546)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,427,955)</u>	<u>(1,807,291)</u>	<u>\$ 620,664</u>
FUND BALANCE			
Beginning of year		1,879,207	
End of year		<u>\$ 71,916</u>	

WYOMING VALLEY WEST SCHOOL DISTRICT

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

Year ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2476%	0.2370%	0.2561%	0.2143%
District's proportionate share of the net pension liability	\$ 122,285,691	\$ 117,450,000	\$ 110,930,000	\$ 84,822,000
District's covered-employee payroll	\$ 32,967,314	\$ 30,690,393	\$ 32,947,269	\$ 27,348,936
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371%	383%	337%	310%
Plan fiduciary net position as a percentage of the total pension liability	52%	50%	54%	57%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,470,472	\$ 7,540,008	\$ 6,612,794	\$ 4,269,036
Contributions in relation to the contractually required contribution	<u>9,470,472</u>	<u>7,540,008</u>	<u>6,612,794</u>	<u>4,269,036</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 32,967,314	\$ 30,690,393	\$ 32,947,269	\$ 27,348,936
Contributions as a percentage of covered-employee payroll	29%	25%	20%	16%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 1,121,326
Interest on total OPEB liability	465,533
Changes of assumptions	376,107
Benefit payments	<u>(1,150,334)</u>
Net change in total OPEB liability	812,632
Total OPEB liability, beginning	<u>18,197,927</u>
Total OPEB liability, ending	<u>\$ 19,010,559</u>
Fiduciary net position as a % of total OPEB liability	0.00%
Covered payroll	\$ 27,418,239
Net OPEB liability as a % of covered payroll	69%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	<u>2017</u>
District's proportion of the net OPEB liability	0.2476%
District's proportionate share of the net OPEB liability	\$ 5,044,632
District's covered-employee payroll	\$ 32,967,314
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15%
Plan fiduciary net position as a percentage of the total OPEB liability	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	<u>2017</u>
Contractually required contribution	\$ 273,742
Contributions in relation to the contractually required contribution	<u>273,742</u>
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 32,967,314
Contributions as a percentage of covered-employee payroll	1%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2018</u>	<u>Pass Through to Subrecipients</u>
<u>U.S. Department of Education</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Title I - Improving Basic Programs	I	84.010	013-17-0496	07/01/16-09/30/17	\$1,941,913	\$ 836,270	\$ 731,649	\$ 104,621	\$ 104,621	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-16-0496	08/18/17-09/30/18	2,025,315	1,209,686	-	1,875,376	1,875,376	665,690	-
Total CFDA #84.010						2,045,956	731,649	1,979,997	1,979,997	665,690	-
Title II - Improving Teacher Quality	I	84.367	020-17-0496	07/01/16-09/30/17	280,993	(1,480)	-	(1,480)	(1,480)	-	-
Title II - Improving Teacher Quality	I	84.367	020-18-0496	08/18/17-09/30/18	283,714	142,078	-	283,714	283,714	141,636	-
Total CFDA #84.367						140,598	-	282,234	282,234	141,636	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-17-0496	07/01/16-09/30/17	12,673	4,526	2,789	1,737	1,737	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-18-0496	08/18/17-09/30/18	14,379	6,162	-	14,379	14,379	8,217	-
Total CFDA #84.365						10,688	2,789	16,116	16,116	8,217	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-18-0496	08/18/17-09/30/18	42,567	21,284	-	42,567	42,567	21,283	-
<u>Passed Through the Luzerne County Intermediate Unit</u>											
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/1/17-06/30/18	699,919	699,919	-	699,919	699,919	-	-
Total U.S. Department of Education						2,918,445	734,438	3,020,833	3,020,833	836,826	-
<u>U.S. Department of Health and Human Services</u>											
<u>Passed Through the Pennsylvania Department of Public Welfare</u>											
Medical Assistance Program	I	94	N/A	07/1/16-06/30/17	N/A	17,233	17,233	-	-	-	-
Medical Assistance Program	I	94	N/A	07/1/17-06/30/18	N/A	13,836	-	35,973	35,973	22,137	-
Total U.S. Department of Health and Social Services						31,069	17,233	35,973	35,973	22,137	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2018</u>	<u>Pass Through to Subrecipients</u>
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
Breakfast Program	I	10.553	N/A	07/1/16-06/30/17	N/A	97,389	97,389	-	-	-	-
Breakfast Program	I	10.553	N/A	07/1/17-06/30/18	N/A	457,004	-	563,285	563,285	106,281	-
Total CFDA #10.553						554,393	97,389	563,285	563,285	106,281	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/1/16-06/30/17	N/A	19,541	19,541	-	-	-	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/1/17-06/30/18	N/A	69,424	-	82,114	82,114	12,690	-
Total CFDA #10.582						88,965	19,541	82,114	82,114	12,690	-
National School Lunch Program	I	10.555	N/A	07/1/16-06/30/17	N/A	205,408	205,408	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/1/17-06/30/18	N/A	1,036,107	-	1,241,515	1,241,515	205,408	-
<u>Passed-Through the Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/1/17-06/30/18	N/A	a) 160,274	b) (23,873)	c) 164,842	164,842	d) (19,305)	-
Total CFDA #10.555						1,401,789	181,535	1,406,357	1,406,357	186,103	-
Total U.S. Department of Agriculture						2,045,147	298,465	2,051,756	2,051,756	305,074	-
Total Federal Awards						\$ 4,994,661	\$ 1,050,136	\$ 5,108,562	\$ 5,108,562	\$ 1,164,037	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 1,956,182	\$ 278,924	\$ 1,969,642	\$ 1,969,642	\$ 292,384	\$ -

Source Codes

D - Direct Funding

I - Indirect Funding

S - State Share

Footnotes

a) Total amount of commodities received

b) Beginning inventory July 1

c) Total of commodities used

d) Ending inventory June 30

WYOMING VALLEY WEST SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2017-2018 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was \$113,385.

(5) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2018 was \$881,944.

(6) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2018.

WYOMING VALLEY WEST SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

There were no audit findings for the year ended June 30, 2017.



**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**

**Board of School Directors
Wyoming Valley West School District
Kingston, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wyoming Valley West School District, Kingston, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wyoming Valley West School District's basic financial statements, and have issued our report thereon dated February 28, 2019.

Internal Control Over Financial Reporting

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

BBD, LLP

**Philadelphia, Pennsylvania
February 28, 2019**



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

**Board of School Directors
Wyoming Valley West School District
Kingston, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Wyoming Valley West 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 Wyoming Valley West School District's major federal programs for the year ended June 30, 2018. Wyoming Valley West 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Wyoming Valley West 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 Wyoming Valley West 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 Wyoming Valley West 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.

BBD, LLP

**Philadelphia, Pennsylvania
February 28, 2019**

WYOMING VALLEY WEST SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Wyoming Valley West School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Wyoming Valley West School District are reported in the 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.
3. No instances of noncompliance material to the financial statements of the Wyoming Valley West School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Wyoming Valley West School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as a major programs were:
 - Title I – Improving Basic Programs – CFDA Number 84.010
 - Child Nutrition Cluster
 - Breakfast Program – CFDA Number 10.553
 - National School Lunch Program – CFDA Number 10.555
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Wyoming Valley West School District did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None