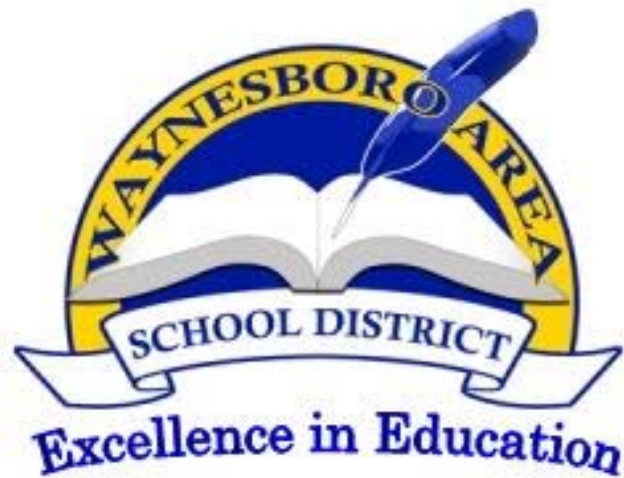


Audited
Financial
Statements

June 30,
2017



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waynesboro Area School District
Waynesboro, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Waynesboro Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 the Waynesboro Area School District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the OPEB schedule of funding progress on page 52, budgetary comparison schedule on page 53, schedule of the School District's proportionate share of the net pension liability - PSERS on page 54, and the schedule of the School District's contributions - PSERS on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waynesboro Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and also 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 6, 2018 on our consideration of the Waynesboro Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waynesboro Area School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Smith & Elliott Beams & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
February 6, 2018

WAYNESBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The Management's Discussion and Analysis (MD&A) of the Waynesboro Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The MD&A is to provide the reader with insight into the financial results through management's analysis of the financial statements. This MD&A looks at the School District's financial performance as a whole, although readers should review the Independent Auditor's Report, as well as the financial statements and notes to the financial statements, to augment their understanding of the School District's financial performance.

BACKGROUND

GASB 34 requires accounting for capital assets and long-term liabilities, proper combination of multiple funds, and the use of full accrual accounting, including depreciation expense, as part of the Statements of Net Position and Activities. A condensed comparative analysis of financial statements to the previous year is required and included.

Certain statements (not all-inclusive) required under GASB 34 are:

- ❖ Statement of Net Position
- ❖ Statement of Activities
- ❖ Balance Sheet - Governmental Funds
- ❖ Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- ❖ Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ❖ Budgetary Comparison Schedule - General Fund

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Waynesboro Area School District, only Food Service is structured as a business activity, subject to a business-type activity classification. The Medical Insurance Fund is allocated between governmental and business-type activities.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two categories of program and general. It identifies program revenue as charges for services, operating grants and capital grants, and then allocates them to particular expense categories where appropriate.

Both the Statement of Net Position and Statement of Activities are presented using the full accrual basis of accounting.

WAYNESBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the statements by outlining the accounting differences that result from presenting the government-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

Funds analyzed in this audit (see footnote number 1 for a detailed description) include:

- ❖ Major Governmental Funds:
 - General Fund
 - Capital Reserve Fund
 - Capital Projects Fund
- ❖ Proprietary Funds:
 - Food Service Fund (Enterprise Fund)
 - Medical Insurance Fund (Internal Service Fund)
- ❖ Fiduciary Funds:
 - Private Purpose Trust Funds
 - Agency Fund – Student Activity Accounts

FINANCIAL HIGHLIGHTS

As with all Pennsylvania school districts, GASB 68 required each district to report the long-term pension liabilities associated with the state-required pension fund titled PSERS. The reporting of these liabilities does not change the fiscal health or continued financial stability of the School District; however, due to the underfunded pension plan, WASD proportionate share of the net pension obligation increased our long-term liabilities by \$ 13.4 million. This resulted in an increase in the School District's negative Total Net Position presumably the same as all other Pennsylvania school districts.

Additionally, for the 2016-17 fiscal year, WASD completed the expansion of the middle school to provide room for the transition of 6th grade students, currently educated at the elementary buildings. This move, to occur in 2017-18, will create room for elementary and middle school growth across the School District. Utilizing bond proceeds and residual one-time funds, the School District completed the \$ 11.4 million project in August 2017.

Key financial highlights for the year ending June 30, 2017, are as follows:

- ❖ Total net position for the Governmental Activities of **(\$ 39,433,701)**.
 - Decrease in Net Position of Governmental Activities of **(\$ 1,460,432)**.
- ❖ Total fund balance of all governmental funds equaled **\$ 4,174,359**.
- ❖ Fund balance of the general fund equaled **\$ 3,257,471**.
- ❖ The School District's Food Service Fund experienced a decrease in net position of **(\$ 45,723)**.

WAYNESBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

ANALYSIS OF OVERALL FINANCIAL POSITION

Table 1 summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School District at June 30, 2017 and 2016.

Table 1

	June 30, 2017			Restated June 30, 2016			Comparative Analysis	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Variance Governmental	Variance Business-Type
Assets								
Current Assets	\$ 18,164,463	\$ 349,233	\$ 18,513,696	\$ 22,521,442	\$ 810,527	\$ 23,331,969	\$ (4,356,979)	\$ (461,294)
Noncurrent Assets	68,314,309	915,706	69,230,015	64,024,998	377,223	64,402,221	4,289,311	538,483
Deferred Outflows of Resources	17,609,042	599,386	18,208,428	7,434,496	229,446	7,663,942	10,174,546	369,940
Total Assets and Deferred Outflows of Resources	<u>\$ 104,087,814</u>	<u>\$ 1,864,325</u>	<u>\$ 105,952,139</u>	<u>\$ 93,980,936</u>	<u>\$ 1,417,196</u>	<u>\$ 95,398,132</u>	<u>\$ 10,106,878</u>	<u>\$ 447,129</u>
Liabilities								
Current Liabilities	\$ 11,900,971	\$ 56,499	\$ 11,957,470	\$ 10,839,537	\$ 86,338	\$ 10,925,875	\$ 1,061,434	\$ (29,839)
Long-Term Liabilities	130,449,484	2,547,365	132,996,849	120,127,372	2,066,898	122,194,270	10,322,112	480,467
Total Liabilities	<u>142,350,455</u>	<u>2,603,864</u>	<u>144,954,319</u>	<u>130,966,909</u>	<u>2,153,236</u>	<u>133,120,145</u>	<u>11,383,546</u>	<u>450,628</u>
Deferred Inflows of Resources	1,171,060	31,583	1,202,643	987,296	26,647	1,013,943	183,764	4,936
Net Position								
Net Investment in Capital Assets	20,783,690	318,838	21,102,528	22,608,532	377,223	22,985,755	(1,824,842)	(58,385)
Restricted	916,888	-	916,888	290,570	-	290,570	626,318	-
Unrestricted	(61,134,279)	(1,089,960)	(62,224,239)	(60,872,371)	(1,139,910)	(62,012,281)	(261,908)	49,950
Total Net Position	<u>\$ (39,433,701)</u>	<u>\$ (771,122)</u>	<u>\$ (40,204,823)</u>	<u>\$ (37,973,269)</u>	<u>\$ (762,687)</u>	<u>\$ (38,735,956)</u>	<u>\$ (1,460,432)</u>	<u>\$ (8,435)</u>

RESULTS OF OPERATIONS OVER THE PAST FISCAL YEAR

Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2017 and 2016.

Table 2

	Year Ended June 30, 2017			Year Ended June 30, 2016			Comparative Analysis	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Variance From Previous Year Governmental	Variance From Previous Year Business-Type
Program Revenues								
Charges for Services	\$ 3,002,836	\$ 806,023	\$ 3,808,859	\$ 2,423,298	\$ 922,718	\$ 3,346,016	\$ 579,538	\$ (116,695)
Operating Grants and Contributions	11,572,835	1,464,828	13,037,663	10,713,771	1,435,496	12,149,267	859,064	29,332
Capital Grants and Contributions	599,480	6,600	606,080	2,257,397	-	2,257,397	(1,657,917)	6,600
General Revenues								
Property Taxes	26,084,244	-	26,084,244	25,459,915	-	25,459,915	624,329	-
Grants and Entitlements	13,847,370	-	13,847,370	13,559,473	-	13,559,473	287,897	-
Investment Earnings	152,371	681	153,052	73,543	569	74,112	78,828	112
Other	55,509	2,083	57,592	41,980	-	41,980	13,529	2,083
Total Revenues	<u>\$ 55,314,645</u>	<u>\$ 2,280,215</u>	<u>\$ 57,594,860</u>	<u>\$ 54,529,377</u>	<u>\$ 2,358,783</u>	<u>\$ 56,888,160</u>	<u>\$ 785,268</u>	<u>\$ (78,568)</u>
Program Expenses								
Instruction	\$ 38,827,207	\$ -	\$ 38,827,207	\$ 37,730,975	\$ -	\$ 37,730,975	\$ 1,096,232	\$ -
Instructional Student Support	3,948,908	-	3,948,908	3,379,427	-	3,379,427	569,481	-
Administrative and Financial Support Services	5,015,574	-	5,015,574	4,973,163	-	4,973,163	42,411	-
Operation and Maintenance	3,877,609	-	3,877,609	4,102,163	-	4,102,163	(224,554)	-
Pupil Transportation	2,817,912	-	2,817,912	2,786,115	-	2,786,115	31,797	-
Student Activities	1,011,238	-	1,011,238	1,005,671	-	1,005,671	5,567	-
Community Services	7,189	-	7,189	5,931	-	5,931	1,258	-
Interest	1,269,440	-	1,269,440	1,236,748	-	1,236,748	32,692	-
Food Service	-	2,288,650	2,288,650	-	2,206,576	2,206,576	-	82,074
Total Expenses	<u>\$ 56,775,077</u>	<u>\$ 2,288,650</u>	<u>\$ 59,063,727</u>	<u>\$ 55,220,193</u>	<u>\$ 2,206,576</u>	<u>\$ 57,426,769</u>	<u>\$ 1,554,884</u>	<u>\$ 82,074</u>
Increase (Decrease) in Net Position Before Transfers	<u>\$ (1,460,432)</u>	<u>\$ (8,435)</u>	<u>\$ (1,468,867)</u>	<u>\$ (690,816)</u>	<u>\$ 152,207</u>	<u>\$ (538,609)</u>	<u>\$ (769,616)</u>	<u>\$ (160,642)</u>

WAYNESBORO AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Balance Sheet/Fund Balances – Total fund balance of all Governmental funds equaled **\$ 4,174,359**. These balances consist of:

- ❖ General Fund – Total fund balance equaled **\$ 3,257,471**, of which \$ 467,616 is committed for future retirement expense and \$ 652,081 is assigned for maintenance projects. The amount of \$ 1,689,973 is unassigned to any specific area.
- ❖ Capital Projects Fund– **\$ 728,066** – This fund balance is a result of bond proceeds that will be used to complete the middle school expansion project.
- ❖ Capital Reserve Funds – **\$ 188,822** – These funds are used for projects including those items intended to maintain the quality and safety of the buildings and equipment.

As of June 30, 2017, the School District held the following other assets and net position:

- ❖ Ending cash and cash equivalents in its Proprietary Fund (Food Service) of **\$ 761,890**.
- ❖ Private Purpose Trust Fund net position of **\$ 142,470**.
- ❖ Internal Service Fund (Medical Insurance) net position of **\$ 4,159,845** which is an increase of **\$ 1,199,506** over the 2015-16 fiscal year. This increase reflected the results of an increase to the funding from the general fund.
 - This fund accounts for resources derived primarily from premiums collected from other funds and for payment of medical claims reported by the insurance carrier, which also acts as the third-party claims processor.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had a net balance of \$ 69,102,721 invested in a broad range of capital assets, including land, buildings, and furniture and equipment in the governmental activities and business-type activities. This amount represents a net increase (including additions, deletions, and depreciation) of \$ 4,700,500, or 7.3% from last year. Total depreciation expense for the year was \$ 2,617,229. More detailed information about the Capital Assets is included in Note 7 to the financial statements.

Debt Administration

As of June 30, 2017, the School District had total outstanding bond principal of \$ 47,385,000. This amount represents a decrease of \$ 2,495,000 from last year, due to normal bond debt payments throughout the year. Other obligations include accrued vacation leave, accrued sick leave conversion to health benefits, and accrued retirement stipend. More detailed information about our long-term liabilities is included in Note 9 to the financial statements.

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2016

Budget Variances

For the 2016-2017 fiscal year, revenues were \$ 2,300,223 higher than the final adjusted budget. The primary reasons for these increases is due to local revenues for property and transfer taxes, as well as payments for Abraxas, an institution housing students located within the School District. State revenues for pension, transportation and bond reimbursements being higher than budgeted. Revenues for the School District derive from three major sources for the 2016-17 fiscal year, and were received as follows: state subsidies and grants were 42.9%, local monies comprised 54.9% and federal monies made up 2.2% of the total revenue. The local percentage is up 0.7% from the 2015-16 fiscal year calculation of 54.2%. The School District continues to rely heavily on local sources to support its operations, which primarily consist of stable property tax revenues.

Expenditures, excluding transfers but including the budgetary reserve, were above the budgeted amount by \$ 1,323,056. As stated above, the bulk of these additional expenditures were comprised of additional costs for Abraxas (which is a net zero in/out for revenues and expenses). Salaries and benefits continue to be the largest areas of expense in the budget. For the 2016-2017 fiscal year, salaries and benefits comprised 67.6% of the budget.

Currently Known Facts, Decisions, or Conditions

Future Economic Factors

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

- ❖ The Pennsylvania School Employees Retirement System (PSERS) continues to garner much publicity and speculation as to what the percentages will be in the coming fiscal years. The School District has committed fund balance of \$ 467,616 for use in offsetting future retirement increases. This reserve will allow the School District to help minimize the potential impact on the operational budget.
- ❖ For the 2017-18 fiscal year, the School District's adjusted index is 3.4%, which allows for maximum millage increase of 3.035. The School District was able to approve the 2017-18 budget with a tax increase less than the adjusted index.

Contacting the School District Financial Management

Our financial reporting is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. Tod Kline, Superintendent, at Waynesboro Area School District, 210 Clayton Avenue, Waynesboro, Pennsylvania 17268.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 9,283,067	\$ 894,810	\$ 10,177,877
Investments	990,103	-	990,103
Receivables:			
Taxes	1,332,442	-	1,332,442
Intergovernmental	5,856,732	14,012	5,870,744
Other	82,171	11,623	93,794
Internal balances	596,868	(596,868)	-
Prepaid items	23,080	716	23,796
Inventories	-	24,940	24,940
Total current assets	<u>18,164,463</u>	<u>349,233</u>	<u>18,513,696</u>
Noncurrent Assets			
Prepaid bond insurance	127,294	-	127,294
Capital assets not being depreciated			
Land	2,993,119	-	2,993,119
Construction in progress	7,906,377	559,750	8,466,127
Capital assets being depreciated			
Land improvements	1,123,422	-	1,123,422
Buildings and improvements	54,612,116	-	54,612,116
Equipment furniture and fixtures	1,551,981	355,956	1,907,937
Total noncurrent assets	<u>68,314,309</u>	<u>915,706</u>	<u>69,230,015</u>
Total assets	<u>86,478,772</u>	<u>1,264,939</u>	<u>87,743,711</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	17,092,078	599,386	17,691,464
Deferred charge on bond refunding	516,964	-	516,964
Total deferred outflows of resources	<u>17,609,042</u>	<u>599,386</u>	<u>18,208,428</u>
Total assets and deferred outflow of resources	<u>\$ 104,087,814</u>	<u>\$ 1,864,325</u>	<u>\$ 105,952,139</u>
LIABILITIES			
Current liabilities			
Intergovernmental payables	\$ 2,766,273	\$ -	\$ 2,766,273
Accounts payable	1,457,684	17,854	1,475,538
Accrued salaries, benefits, and withholdings	4,616,658	4,595	4,621,253
Accrued interest	189,261	-	189,261
Unearned revenue	-	30,484	30,484
Portion due or payable within one year:			
General obligation bonds and notes payable	2,678,744	-	2,678,744
Compensated absences/retirement stipend	192,351	3,566	195,917
Total current liabilities	<u>11,900,971</u>	<u>56,499</u>	<u>11,957,470</u>
Noncurrent liabilities			
Portion due or payable after one year:			
General obligation bonds and notes payable	44,904,094	-	44,904,094
OPEB Liability	738,285	38,005	776,290
Compensated absences/retirement stipend	511,518	30,943	542,461
Net pension obligation	84,295,587	2,478,417	86,774,004
Total noncurrent liabilities	<u>130,449,484</u>	<u>2,547,365</u>	<u>132,996,849</u>
Total liabilities	<u>142,350,455</u>	<u>2,603,864</u>	<u>144,954,319</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	1,171,060	31,583	1,202,643
NET POSITION			
Net investment in capital assets	20,783,690	318,838	21,102,528
Restricted	916,888	-	916,888
Unrestricted	(61,134,279)	(1,089,960)	(62,224,239)
Total net position	<u>(39,433,701)</u>	<u>(771,122)</u>	<u>(40,204,823)</u>
Total liabilities and net position	<u>\$ 104,087,814</u>	<u>\$ 1,864,325</u>	<u>\$ 105,952,139</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	38,827,207	\$ 2,931,094	\$ 8,374,736	\$ -	\$ (27,521,377)	\$ -	\$ (27,521,377)
Instructional student support	3,948,908	-	754,769	-	(3,194,139)	-	(3,194,139)
Administrative and financial support services	5,015,574	-	441,326	-	(4,574,248)	-	(4,574,248)
Operation and maintenance of plant services	3,877,609	10,130	299,023	-	(3,568,456)	-	(3,568,456)
Pupil transportation	2,817,912	-	1,599,206	-	(1,218,706)	-	(1,218,706)
Student activities	1,011,238	61,612	98,486	13,179	(837,961)	-	(837,961)
Community services	7,189	-	5,289	-	(1,900)	-	(1,900)
Interest on long-term debt	1,269,440	-	-	586,301	(683,139)	-	(683,139)
Total governmental activities	56,775,077	3,002,836	11,572,835	599,480	(41,599,926)	-	(41,599,926)
Business-type activities							
Food services	2,288,650	806,023	1,464,828	6,600	-	(11,199)	(11,199)
Total primary government	\$ 59,063,727	\$ 3,808,859	\$ 13,037,663	\$ 606,080	\$ (41,599,926)	\$ (11,199)	\$ (41,611,125)
General revenues and transfers:							
Property taxes (levied for general purposes), public utility realty tax, earned income tax, occupation tax and per capita tax					\$ 26,084,244	\$ -	\$ 26,084,244
Grants, subsidies and contributions not restricted					13,847,370	-	13,847,370
Investment earnings					152,371	681	153,052
Miscellaneous income					55,509	2,083	57,592
Total general revenues and transfers					40,139,494	2,764	40,142,258
Change in net position					(1,460,432)	(8,435)	(1,468,867)
Net position - beginning, as restated					(37,973,269)	(762,687)	(38,735,956)
Net position - ending					\$ (39,433,701)	\$ (771,122)	\$ (40,204,823)

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

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,119,068	\$ 692,161	\$ 188,822	\$ 5,000,051
Investments	-	990,103	-	990,103
Taxes receivable, net of allowance for uncollectible taxes	1,332,442	-	-	1,332,442
Due from other funds	149,067	-	-	149,067
Intergovernmental receivables	5,849,582	7,150	-	5,856,732
Other receivables	82,171	-	-	82,171
Due from other funds - long-term	447,801	-	-	447,801
Total assets	<u>\$ 11,980,131</u>	<u>\$ 1,689,414</u>	<u>\$ 188,822</u>	<u>\$ 13,858,367</u>
LIABILITIES				
Accounts payable	\$ 224,874	\$ 961,348	\$ -	\$ 1,186,222
Intergovernmental payables	2,766,273	-	-	2,766,273
Accrued salaries, benefits and withholdings	4,616,658	-	-	4,616,658
Total liabilities	<u>7,607,805</u>	<u>961,348</u>	<u>-</u>	<u>8,569,153</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	1,114,855	-	-	1,114,855
Total deferred inflows of resources	<u>1,114,855</u>	<u>-</u>	<u>-</u>	<u>1,114,855</u>
FUND BALANCES				
Nonspendable fund balance	447,801	-	-	447,801
Restricted fund balance	-	728,066	188,822	916,888
Committed fund balance	467,616	-	-	467,616
Assigned fund balance	652,081	-	-	652,081
Unassigned fund balance	1,689,973	-	-	1,689,973
Total fund balances	<u>3,257,471</u>	<u>728,066</u>	<u>188,822</u>	<u>4,174,359</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,980,131</u>	<u>\$ 1,689,414</u>	<u>\$ 188,822</u>	<u>\$ 13,858,367</u>

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

Total fund balances - governmental funds \$ 4,174,359

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	108,169,487	
Accumulated depreciation	<u>(39,982,472)</u>	68,187,015

Certain taxes receivable are not available to pay current period expenditures and therefore are deferred in the fund balance sheet. 1,114,855

An internal service fund is used by management to reimburse the medical insurance carrier for claims filed by school district employees. The portion of net position of the internal service fund related to governmental funds are included in governmental activities in the statement of net position. 4,034,634

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset. 127,294

Deferred charge on bond refunding is reported as a deferred outflow of resources in the Statement of Net Position. 516,964

Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(47,582,838)	
Net Other Post Employment Benefits (OPEB) obligation	(738,285)	
Net pension liability	(84,295,587)	
Deferred outflows related to pension liability	17,092,078	
Deferred inflows related to pension liability	(1,171,060)	
Accrued interest on bonds	(189,261)	
Compensated absences/retirement stipend	<u>(703,869)</u>	<u>(117,588,822)</u>

Net position of governmental activities in the Statement of Net Position \$ (39,433,701)

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

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 26,231,129	\$ -	\$ -	\$ 26,231,129
Investment earnings	107,471	44,673	227	152,371
Revenue from intermediate sources	733,495	-	-	733,495
Other	3,064,501	361	-	3,064,862
State sources	24,271,009	-	-	24,271,009
Federal sources	1,194,850	-	-	1,194,850
Total revenues	<u>55,602,455</u>	<u>45,034</u>	<u>227</u>	<u>55,647,716</u>
EXPENDITURES				
Instruction	35,819,559	-	-	35,819,559
Support services	13,962,162	6,946	101,975	14,071,083
Operation of noninstructional services	942,422	-	-	942,422
Facilities acquisition, construction and improvements	136,935	6,919,845	-	7,056,780
Debt service	3,764,710	-	-	3,764,710
Total expenditures	<u>54,625,788</u>	<u>6,926,791</u>	<u>101,975</u>	<u>61,654,554</u>
Excess (deficiency) of revenues over expenditures	<u>976,667</u>	<u>(6,881,757)</u>	<u>(101,748)</u>	<u>(6,006,838)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	6,662	-	-	6,662
Interfund transfers	559,750	(559,750)	-	-
Total other financing sources (uses)	<u>566,412</u>	<u>(559,750)</u>	<u>-</u>	<u>6,662</u>
Net change in fund balances	<u>1,543,079</u>	<u>(7,441,507)</u>	<u>(101,748)</u>	<u>(6,000,176)</u>
Fund balances - beginning	<u>1,714,392</u>	<u>8,169,573</u>	<u>290,570</u>	<u>10,174,535</u>
Fund balances - ending	<u>\$ 3,257,471</u>	<u>\$ 728,066</u>	<u>\$ 188,822</u>	<u>\$ 4,174,359</u>

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

Net change in fund balances - total governmental funds \$ (6,000,176)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differs from depreciation expense in the period.

Capital outlays	6,739,537	
Depreciation expense	<u>(2,577,520)</u>	4,162,017

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount during the year. (339,733)

The repayment of principal of long term obligations consumes the current financial resources of governmental funds. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and deferred charges on bond refundings when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. Repayment of bond principal is an expenditure and other financing use in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

Repayment of general obligation bonds	2,495,000	
Amortization of prepaid bond insurance, bond discounts, bond premiums, and deferred charges on bond refundings	<u>(45,259)</u>	2,449,741

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net change applicable to governmental activities is. 1,162,218

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension liability and related deferred outflows and inflows	(2,914,328)
Accrued interest	34,601
OPEB liability	(130,828)
Compensated absences/retirement stipend	<u>116,056</u>

Change in net position of governmental activities \$ (1,460,432)

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2017

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
	<u>Food Service Fund</u>	<u>Medical Insurance Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 761,890	\$ 4,415,936
Governmental receivables	14,012	-
Other receivables	11,601	745
Prepaid expenses	-	23,796
Inventory	24,940	-
Total current assets	<u>812,443</u>	<u>4,440,477</u>
Noncurrent Assets		
Construction in progress	559,750	-
Furniture, equipment and vehicles	947,228	-
Accumulated depreciation	<u>(591,272)</u>	<u>-</u>
Total noncurrent assets	<u>915,706</u>	<u>-</u>
Total assets	<u>1,728,149</u>	<u>4,440,477</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liability	<u>599,386</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,327,535</u>	<u>\$ 4,440,477</u>
LIABILITIES		
Current Liabilities		
Accounts payable/accrued insurance claims	\$ 9,407	\$ 280,632
Due to other funds	149,067	-
Accrued salaries, benefits and withholdings	4,595	-
Unearned revenue	30,484	-
Compensated absences	<u>3,566</u>	<u>-</u>
Total current liabilities	<u>197,119</u>	<u>280,632</u>
Noncurrent Liabilities		
Due to other funds	447,801	-
OPEB Liability	38,005	-
Net pension liability	2,478,417	-
Compensated absences	<u>30,943</u>	<u>-</u>
Total noncurrent liabilities	<u>2,995,166</u>	<u>-</u>
Total liabilities	<u>3,192,285</u>	<u>280,632</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	<u>31,583</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	318,838	-
Unrestricted	<u>(1,215,171)</u>	<u>4,159,845</u>
Total net position	<u>(896,333)</u>	<u>4,159,845</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,327,535</u>	<u>\$ 4,440,477</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Net position above	\$ (896,333)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of medical insurance (internal service) fund are included with business-type activities.	<u>125,211</u>	
Net position of business-type activities	<u>\$ (771,122)</u>	

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

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
	<u>Food Service Fund</u>	<u>Medical Insurance Fund</u>
OPERATING REVENUE		
Charges for services/insurance premiums	\$ 806,023	\$ 6,319,442
OPERATING EXPENSES		
Food and milk purchases	910,193	-
Salaries	642,632	-
Employee benefits	547,025	-
Supplies	67,868	-
Depreciation	39,709	-
Purchased services	48,515	-
Repairs and maintenance	39,375	-
Miscellaneous expense	30,621	-
Medical insurance claims	-	4,336,204
Stop loss premiums	-	414,536
Administrative fee	-	371,665
Total operating expenses	<u>2,325,938</u>	<u>5,122,405</u>
Operating income (loss)	<u>(1,519,915)</u>	<u>1,197,037</u>
NONOPERATING REVENUES (EXPENSES)		
Federal subsidies	1,281,662	-
State subsidies	183,166	-
Gain on sale of capital asset	2,083	-
Interest income	681	2,469
Total nonoperating revenues (expenses)	<u>1,467,592</u>	<u>2,469</u>
Income (loss) before capital grants	(52,323)	1,199,506
Capital grants	<u>6,600</u>	<u>-</u>
Change in net position	(45,723)	1,199,506
Total net position - beginning	<u>(850,610)</u>	<u>2,960,339</u>
Total net position - ending	<u>\$ (896,333)</u>	<u>\$ 4,159,845</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES		
Change in net position, above	\$ (45,723)	
Some amounts reported for business-type activities in the statement of net position are different because a portion of the net change of the medical insurance (internal service) fund is reported with business-type activities.	<u>37,288</u>	
Change in net position of business-type activities	<u>\$ (8,435)</u>	

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017

	<u>ENTERPRISE</u>	<u>INTERNAL</u>
	<u>Food</u>	<u>SERVICE</u>
	<u>Service Fund</u>	<u>Medical</u>
		<u>Insurance Fund</u>
Cash flows from operating activities		
Cash received from food sales/insurance premiums	\$ 807,622	\$ 6,464,309
Cash payments to suppliers for goods	(876,540)	-
Cash payments to and on behalf of employees	(1,113,162)	-
Cash payments for services	(62,463)	(5,272,763)
Net cash provided (used) by operating activities	<u>(1,244,543)</u>	<u>1,191,546</u>
Cash flows from capital and related financing activities		
Grants received	6,600	-
Proceeds from the sale of assets	4,590	-
Purchase of equipment	(20,949)	-
Net cash (used) by capital and related financing activities	<u>(9,759)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Federal subsidies	1,085,510	-
State subsidies	183,166	-
Net cash provided by noncapital financing activities	<u>1,268,676</u>	<u>-</u>
Cash flows from investing activities		
Earnings on investments	681	2,469
Net increase in cash and cash equivalents	15,055	1,194,015
Cash and cash equivalents - beginning	<u>746,835</u>	<u>3,221,921</u>
Cash and cash equivalents - ending	<u>\$ 761,890</u>	<u>\$ 4,415,936</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Cash flows from operating activities:		
Operating income (loss)	\$ (1,519,915)	\$ 1,197,037
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	185,521	-
Depreciation	39,709	-
(Increase) decrease in:		
Other receivables	1,599	144,867
Inventory	6,827	-
Prepaid expenses	-	11,311
(Decrease) increase in:		
Unearned revenue	6,657	-
Accounts payable	(34,779)	(161,669)
Interfund payable	(48,597)	-
Net pension liabilities and related items	112,997	-
OPEB liability	2,796	-
Accrued salaries and benefits	2,642	-
Total adjustments	<u>275,372</u>	<u>(5,491)</u>
Net cash provided (used) by operating activities	<u>\$ (1,244,543)</u>	<u>\$ 1,191,546</u>

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

	Agency Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 82,440	\$ 141,467
Investments	-	1,003
Total assets	<u>\$ 82,440</u>	<u>\$ 142,470</u>
LIABILITIES		
Due to student groups	<u>\$ 82,440</u>	<u>\$ -</u>
Total liabilities	<u>82,440</u>	<u>-</u>
NET POSITION		
Held in trust for scholarships	<u>-</u>	<u>142,470</u>
Total net position	<u>-</u>	<u>142,470</u>
Total liabilities and net position	<u>\$ 82,440</u>	<u>\$ 142,470</u>

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017

	Private Purpose Trust Fund
DEDUCTIONS	
Scholarships and awards/grants	\$ 2,947
Total deductions	<u>2,947</u>
Change in net position	(2,947)
Net position - beginning	<u>145,417</u>
Net position - ending	<u>\$ 142,470</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Waynesboro Area School District (School District) operates a public school system which is comprised of the Boroughs of Waynesboro and Mont Alto and Townships of Quincy, Washington, and part of Guilford in Franklin County, Pennsylvania.

The School District consists of Waynesboro Area Senior High School; Waynesboro Area Middle School; and the Summitview, Fairview Avenue, Hooverville, and Mowrey Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Waynesboro Area School District.

GASB Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the above criteria, the School District is not included in any other governmental reporting entity and there are no component units of the School District.

Joint Ventures

The following joint ventures are not component units of Waynesboro Area School District and are not included in this report.

Franklin County Career and Technology Center - is a separate legal entity organized by five local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the Center's operations.

Franklin Learning Center - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the Center's operations.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures (Continued)

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, occupation taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a legally budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Projects Fund

Capital Projects Funds are used to account for financial resources obtained for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

The School District reports the following non-major governmental fund:

a. Capital Reserve Fund

A capital reserve fund was created under Article XI, Municipal Law Code Section 1432, for the sole purpose of funding capital improvements to facilities, deferred maintenance, and purchasing educational equipment and school buses. Funding is provided by surplus monies of the general fund.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

2. Proprietary Funds

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

a. Food Service Fund (an enterprise fund)

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

b. Medical Insurance Fund (an internal service fund)

This fund is used to account for resources derived primarily from insurance premiums collected from other funds and for payment of medical claims reported by the insurance carrier, which also acts as the third-party claims processor.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Private-purpose trust funds consist of bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs. Operating revenues of the internal service fund consist of premium charges to other funds and participants and insurance proceeds, while operating expenses consist of medical claims paid, premiums for stop loss coverage and administrative fees.

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or the Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2016/2017, the School District overspent the budgeted expenditures of the general fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications to the School District.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with an original maturity of less than 90 days owned by the School District. Investments include certificates of deposit with an original maturity greater than 90 days. Investments in marketable securities are stated at market value. Accrued interest is included with other receivables on the balance sheet and statement of net position.

Inventory

Inventory in the Food Service Fund consists of expendable supplies held for consumption and food and federal government donated commodities that are valued at estimated fair value. The cost of purchased inventories are recorded as an expense when used. The value of donated commodities received is offset by a corresponding expense. The cost of governmental fund inventories are recorded as expenditures when purchased. Governmental fund supplies inventories are not deemed to be significant at June 30.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	50 years	N/A
Equipment, furniture and fixtures	5 - 20 years	5 - 10 years
Vehicles	10 years	5 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension liabilities. These will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources at June 30, 2017 consist of various amounts related to pension liabilities (on the statement of net position) and unavailable tax revenue (on the governmental funds balance sheet).

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

The estimates of the liabilities for “incurred but unreported claims” under the self-insured medical insurance program and other postemployment benefits are significant estimates. It is at least reasonably possible that these estimates could change within the near term.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charges on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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 and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter’s discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Retirement Plans

The School District contributes to the Public School Employees' Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Standards, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences/Retirement Stipend

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. The GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Vacation leave only applies to twelve month employees; only ten days of vacation leave are allowed to be carried over at year end. Vacation leave is lost if the employee terminates employment. Unused vacation leave is accrued at June 30, 2017 in the Statement of Net Position and the change during the year is expensed in the Statement of Activities and in proprietary funds. Sick leave is granted as appropriate, and a provision is made annually in the budget for the cost of substitute personnel. There is no payment for unused sick leave at the time of retirement; however, certain employees may elect to utilize unused sick leave at retirement to fund the premiums for future health benefits. The amount being used for this purpose at retirement is reflected in the Statement of Net Position.

The School District also pays a retirement stipend to those employees who retire from the School District with at least 10 years of service. The amount of the payment due is based on a formula that factors in salary and years of service, for which a liability is reflected in the government-wide statements. This benefit was effectively frozen as of July 1, 2013.

Payments for vacation, retirees health benefits, and the retirement stipend are expensed as paid in the governmental fund financial statements.

Other Postemployment Benefits Other Than Pensions

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees, or 50% paid for by the administrators. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis. See Note 14 for more information.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

Net Position – Government-Wide/ Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets and related debt also should be included in this component of net position.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Government-Wide/ Proprietary Funds (Continued)

Restricted Net Position: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. Restricted net position of \$ 916,888 as of June 30, 2017 is for future capital expenses.

Unrestricted Net Position: This component of net position is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements (Continued)

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board or a subordinate high-level body, such as the finance committee, superintendent, or business administrator, that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board may make assignments of fund balance and has authorized the business administrator to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the Business Administrator in the case of assigned fund balance.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 defines allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial risk. As of June 30, 2017, the School District has a bank balance of \$ 10,596,329. Of this balance, \$ 460,213 is covered by FDIC insurance and the remaining balance of \$ 10,136,116 was exposed to custodial credit risk because the collateral securities held by or on behalf of the bank are not in the School District's name, but are covered by Pennsylvania Act 72 of 1971.

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

Investments are as follows at June 30, 2017:

	Investment by Maturities (in Years)			Standard and Poors Credit Quality Rating
	Total Fair Value	Less than 1	1-5	
US government obligations	\$ 464,884	\$ 464,884	\$ -	AAA
Negotiable CD's	525,219	525,219	-	Not Rated
	<u>\$ 990,103</u>	<u>\$ 990,103</u>	<u>\$ -</u>	

Interest Rate Risk – Investments

The School District does not have any formal written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District's investments subject to interest rate risk are include in the table previously listed.

Credit Risk - Investments

The School District has no written policy that would limit its investment choices to certain credit ratings. The School District's investments that have a credit quality rating are included in the table above.

Concentrations of Credit Risk – Investments

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2017, 47% of the School District's investments are held in U.S. Government Obligations and 53% are held in negotiable certificates of deposit. Investments in individual issuers representing more than 5% of the total investment portfolio include Federal Farm Credit Bank (44%), Sallie Mae Bank (25%), and Transportation Alliance Bank (25%).

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Negotiable Certificates of Deposit

The fair value of negotiable certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. Such investments are generally classified within Level 2 of the valuation hierarchy.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Government Obligations and Corporate Bonds

Government obligations consisting of U.S. Treasury bonds and notes, agency securities, and mortgage backed securities and corporate debt obligations (bonds) are generally valued at the most recent price of the equivalent yield quotes for such securities, or those of comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

The following table sets forth, by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of June 30, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US government obligations	\$ 464,884	\$ -	\$ 464,884	\$ -
Negotiable CD's	525,219	-	525,219	-
Total investments by fair value category	<u>\$ 990,103</u>	<u>\$ -</u>	<u>\$ 990,103</u>	<u>\$ -</u>

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Waynesboro and Mont Alto and the Townships of Quincy, Washington and part of Guilford in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 4 TAXES RECEIVABLE, DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2017:

Real estate	\$ 1,142,201
Occupation	783,603
Per capita	<u>105,127</u>
Taxes receivable, gross	2,030,931
Reserve for uncollectible accounts	<u>(698,489)</u>
Taxes receivable, net	1,332,442
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(217,587)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 1,114,855</u>

The Waynesboro Area School District provides property tax abatement through resolution under the Local Economic Revitalization Tax Assistance Act of December 1, 1977. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions.

The School District's resolution contains two methods by which the LERTA can be revoked. If the property owner fails to pay the nonexempt real estate taxes by the last day of the time period to pay such taxes in the penalty period (unless a lawful appeal has been filed), the LERTA exemption shall be discontinued. Also, there are minimum employment requirements that must be met during the exemption period, or the LERTA is forfeited.

The School District has not made any commitments as part of the agreements other than to reduce taxes. The School District is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended June 30, 2017, the District abated property taxes totaling \$27,405 under this program. The School District entered into a property tax abatement agreement with a local manufacturing company to stimulate the growth and expansion of a business park within the District through a resolution on August 13, 2013, under the Act. That resolution exempted 100% of the property improvements in the first year (2016-17), with 10% decreasing exemptions per year for the next 9 years. The exemptions would no longer exist after the 10th year, the year ending June 30, 2027.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 5 INTERFUND RECEIVABLE AND PAYABLES AND TRANSFERS

Interfund receivables and payables were as follows at June 30, 2017:

<u>Funds</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 596,868	\$ -
Food Service	-	596,868
	<u>\$ 596,868</u>	<u>\$ 596,868</u>

The Food Service Fund owes the General Fund for its portion of the middle school renovation and for benefits paid on behalf of the Food Service Fund. Of this balance \$ 447,801 will be repaid in more than one year.

Interfund transfers consist of the following for the year ended June 30, 2017:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 559,750	\$ -
Capital Projects	-	559,750
	<u>\$ 559,750</u>	<u>\$ 559,750</u>

The School District made transfers from the Capital Projects Fund to the General Fund for reimbursement of expenditures that were incurred in a previous year before bond proceeds were available.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES (GOVERNMENTAL ACTIVITIES/FUNDS)

Intergovernmental receivables at June 30, 2017 consist of the following:

Local:	Earned income taxes	\$ 675,207
	Deed transfer taxes	55,269
	Other	70,676
	* Abraxas	2,896,747
State:	Social Security	356,025
	Retirement	1,432,030
	Transportation	213,545
Federal:	Various programs	157,233
	Total governmental funds	<u>\$ 5,856,732</u>

Intergovernmental payables consist of:

* Vision Quest	\$ 11,113
* Abraxas	2,755,160
Total	<u>\$ 2,766,273</u>

* Vision Quest and Abraxas operate residential treatment programs within the Waynesboro Area School District. The School District has entered into contracts with Vision Quest and Abraxas to provide educational services, as mandated by the Pennsylvania Department of Education, and to act as a conduit for tuition collected from each child's school district of residence. The School District keeps 5% of the charges for administrative costs for Vision Quest and Abraxas.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2017:

	Beginning Balance (as restated)	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets net being depreciated				
Land	\$ 2,993,119	\$ -	\$ -	\$ 2,993,119
Construction in progress	1,505,001	6,401,376	-	7,906,377
Assets being depreciated				
Land improvements	3,137,722	-	-	3,137,722
Building and improvements	87,169,785	-	-	87,169,785
Equipment, furniture and fixtures	6,624,323	338,161	-	6,962,484
Total cost	<u>101,429,950</u>	<u>6,739,537</u>	-	<u>108,169,487</u>
Less accumulated depreciation				
Land improvements	(1,944,019)	(70,281)	-	(2,014,300)
Building and improvements	(30,506,322)	(2,051,347)	-	(32,557,669)
Equipment, furniture and fixtures	(4,954,611)	(455,892)	-	(5,410,503)
Total accumulated depreciation	<u>(37,404,952)</u>	<u>(2,577,520)</u>	-	<u>(39,982,472)</u>
Capital assets, net	<u>\$ 64,024,998</u>	<u>\$ 4,162,017</u>	<u>\$ -</u>	<u>\$ 68,187,015</u>
Business-Type Activities				
Cost				
Furniture and equipment	\$ 935,165	\$ 20,949	\$ (8,886)	\$ 947,228
Construction in progress (not depreciated)	-	559,750	-	559,750
Total cost	<u>935,165</u>	<u>580,699</u>	<u>(8,886)</u>	<u>1,506,978</u>
Less accumulated depreciation				
Furniture and equipment	(557,942)	(39,709)	6,379	(591,272)
Total accumulated depreciation	<u>(557,942)</u>	<u>(39,709)</u>	<u>6,379</u>	<u>(591,272)</u>
Capital assets, net	<u>\$ 377,223</u>	<u>\$ 540,990</u>	<u>\$ (2,507)</u>	<u>\$ 915,706</u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental functions as follows:

Instruction	\$ 1,803,024
Instructional student support	183,376
Administrative and financial support services	232,909
Operation and maintenance of plant services	180,064
Pupil transportation	130,855
Student activities	46,959
Community service	333
Total	<u>\$ 2,577,520</u>

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 8 ACCRUED SALARIES, BENEFITS, AND WITHHOLDINGS

Accrued salaries and benefits consist of the following as of June 30, 2017:

	General Fund	Food Service Fund
Accrued salaries	\$ 1,871,695	\$ 3,318
Retirement	2,563,177	996
Social Security	145,230	252
Payroll deductions and withholdings	<u>36,556</u>	<u>29</u>
	<u><u>\$ 4,616,658</u></u>	<u><u>\$ 4,595</u></u>

NOTE 9 LONG-TERM LIABILITIES

The following details activity for the School District's long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
General obligation bonds payable:						
(A) Series of 2012A	\$ 8,835,000	\$ -	\$ (25,000)	\$ 8,810,000	\$ 25,000	\$ 8,785,000
(B) Series of 2012B	7,140,000	-	(530,000)	6,610,000	535,000	6,075,000
(C) Series of 2013	8,015,000	-	(510,000)	7,505,000	530,000	6,975,000
(D) Series of 2015	9,665,000	-	(270,000)	9,395,000	280,000	9,115,000
(E) Series of 2016	6,495,000	-	(515,000)	5,980,000	500,000	5,480,000
(F) Series of 2016A	2,600,000	-	(205,000)	2,395,000	205,000	2,190,000
(G) Series of 2016B	7,130,000	-	(440,000)	6,690,000	580,000	6,110,000
Bond premium	312,437	-	(30,204)	282,233	30,204	252,029
Bond discount	<u>(90,855)</u>	-	<u>6,460</u>	<u>(84,395)</u>	<u>(6,460)</u>	<u>(77,935)</u>
Subtotal - bonds	<u>50,101,582</u>	<u>-</u>	<u>(2,518,744)</u>	<u>47,582,838</u>	<u>2,678,744</u>	<u>44,904,094</u>
Compensated absences/retirement stipend:						
Vacation leave	146,005	-	(8,398)	137,607	137,607	-
Sick leave conversion to health benefits	173,979	-	(62,116)	111,863	54,744	57,119
Retirement stipend	<u>499,941</u>	<u>-</u>	<u>(45,542)</u>	<u>454,399</u>	<u>-</u>	<u>454,399</u>
Subtotal - compensated absences	<u>819,925</u>	<u>-</u>	<u>(116,056)</u>	<u>703,869</u>	<u>192,351</u>	<u>511,518</u>
Total long-term liabilities	<u>\$ 50,921,507</u>	<u>\$ -</u>	<u>\$ (2,634,800)</u>	<u>\$ 48,286,707</u>	<u>\$ 2,871,095</u>	<u>\$ 45,415,612</u>
Business-Type Activities:						
Compensated absences/retirement stipend:						
Vacation leave	\$ 2,786	\$ 780	\$ -	\$ 3,566	\$ 3,566	\$ -
Retirement stipend	<u>31,273</u>	<u>-</u>	<u>(330)</u>	<u>30,943</u>	<u>-</u>	<u>30,943</u>
Total long-term liabilities	<u>\$ 34,059</u>	<u>\$ 780</u>	<u>\$ (330)</u>	<u>\$ 34,509</u>	<u>\$ 3,566</u>	<u>\$ 30,943</u>

The General Fund is used to liquidate the liabilities for bonds payable, compensated absences, and capital leases for the governmental activities.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (A) On September 18, 2012, the School District issued \$ 8,870,000 of general obligations bonds, Series of 2012A, for the costs of acquiring, constructing, and installing repairs, improvements, modifications and equipment to various School District facilities and other capital improvements and to pay the costs of issuing the bonds. The bonds are due in various amounts each November 15 from 2013 through 2030. The outstanding bonds at June 30, 2017 bear interest at rates ranging from 1.25% to 2.75%.
- (B) On October 4, 2012, the School District issued \$ 8,770,000 of general obligation bonds, Series of 2012B, to currently refund the School District's general obligation bonds, Series of 2007 and to pay the costs of issuing the bonds. The bonds are due in various amounts each November 15 from 2012 through 2027. The outstanding bonds at June 30, 2017 bear interest at rates ranging from 2.00% to 2.55%.
- (C) On October 13, 2013, the School District issued \$ 8,715,000 of general obligation bonds, Series of 2013, to currently refund the School District's general obligation bonds, Series of 2008 and to pay the costs of issuing the bonds. The bonds are due in various amounts each November 15 from 2014 through 2028. The outstanding bonds at June 30, 2017 bear interest at rates ranging from 2.00% to 4.00%.
- (D) On September 15, 2015, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2015, to provide funds for the cost of acquiring, constructing and installing repairs, improvements, modifications and equipment to various School District facilities and other capital improvements and the costs of issuing the Bonds. The bonds are due in various amounts each November 15 from 2014 through November 2031. The outstanding bonds at June 30, 2017 bear interest at rates ranging from 2.00% to 2.88%.
- (E) On January 5, 2016, the School District issued a \$ 6,495,000 general obligation note, Series of 2016, to currently refund the School District's general obligation bonds, Series of 2010 and to pay the costs of issuing the note. The note is due in various amounts each September 1 from 2016 through September 2025. The note bears interest at 2.20%.
- (F) On January 5, 2016, the School District issued a \$ 2,600,000 of general obligation note, Series of 2016A, to currently refund the School District's general obligation bonds, Series of 2010A and to pay the costs of issuing the note. The note is due in various amounts each September 1 from 2016 through September 2025. The note bears interest at 2.20%.
- (G) On March 29, 2016, the School District issued \$ 7,130,000 of general obligation bonds, Series of 2016B, to currently refund the School District's general obligation bonds, Series of 2011 and to pay the costs of issuing the bonds. The bonds are due in various amounts each November 15 from 2016 through November 2026. The outstanding bonds at June 30, 2017 bear interest at rates ranging from 0.85% to 4.00%.

The School District covenants to pay the debt service on the bonds by including these payments in its annual budget, and pledging its full faith, credit and taxing power. The bonds are also guaranteed by municipal bond insurance policies.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 9 LONG-TERM DEBT (CONTINUED)

The annual debt requirements for future general obligation bonds, based on the debt outstanding at June 30, 2017 are as follows:

	-- Series of 2012A --		-- Series of 2012B --		-- Series of 2013 --		-- Series of 2015 --	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 25,000	\$ 241,744	\$ 535,000	\$ 137,985	\$ 530,000	\$ 217,658	\$ 280,000	\$ 245,081
2019	20,000	241,313	545,000	127,185	550,000	196,058	285,000	239,431
2020	25,000	240,694	555,000	116,185	565,000	179,408	290,000	233,681
2021	20,000	240,075	570,000	104,935	575,000	168,008	300,000	227,781
2022	10,000	239,663	585,000	93,385	595,000	155,266	305,000	221,731
2023-2027	970,000	1,181,400	3,140,000	272,725	3,240,000	513,323	1,615,000	1,003,741
2028-2032	7,740,000	405,073	680,000	8,670	1,450,000	52,026	6,320,000	656,308
	<u>\$ 8,810,000</u>	<u>\$ 2,789,962</u>	<u>\$ 6,610,000</u>	<u>\$ 861,070</u>	<u>\$ 7,505,000</u>	<u>\$ 1,481,747</u>	<u>\$ 9,395,000</u>	<u>\$ 2,827,754</u>

	-- Series of 2016 --		-- Series of 2016A --		-- Series of 2016B --		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 500,000	\$ 126,060	\$ 205,000	\$ 50,435	\$ 580,000	\$ 165,585	\$ 2,655,000	\$ 1,184,548
2019	630,000	113,630	255,000	45,375	595,000	151,220	2,880,000	1,114,212
2020	650,000	99,550	260,000	39,710	620,000	126,920	2,965,000	1,036,148
2021	665,000	85,085	265,000	33,935	645,000	101,620	3,040,000	961,439
2022	675,000	70,345	270,000	28,050	670,000	82,020	3,110,000	890,460
2023-2027	2,860,000	127,710	1,140,000	50,930	3,580,000	197,770	16,545,000	3,347,599
2028-2032	-	-	-	-	-	-	16,190,000	1,122,077
	<u>\$ 5,980,000</u>	<u>\$ 622,380</u>	<u>\$ 2,395,000</u>	<u>\$ 248,435</u>	<u>\$ 6,690,000</u>	<u>\$ 825,135</u>	<u>\$ 47,385,000</u>	<u>\$ 9,656,483</u>

NOTE 10 LEASES

The School District has entered into noncancelable leases for the use of printers and copiers. Rent expense for 2016-2017 was \$ 99,100. Subsequent to year-end, the School District entered into four lease agreements for copiers, computers, laptops, and tablets. The School District has the following future minimum payments on long-term leases, including those entered into after year-end:

Year Ending June 30	
2018	\$ 255,553
2019	227,376
2020	227,375
2021	145,219
2022	83,124
	<u>\$ 938,647</u>

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 11 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Due from other funds - long term	\$ 447,801	\$ -	\$ -	\$ 447,801
Restricted for:				
Future capital projects	-	728,066	188,822	916,888
Committed for:				
Future retirement expense	467,616	-	-	467,616
Assigned for:				
Future facility needs	652,081	-	-	652,081
Unassigned	<u>1,689,973</u>	<u>-</u>	<u>-</u>	<u>1,689,973</u>
Total fund balances	<u>\$ 3,257,471</u>	<u>\$ 728,066</u>	<u>\$ 188,822</u>	<u>\$ 4,174,359</u>

NOTE 12 AFFILIATES

Payments to fund operating costs of affiliated entities for the year ended 2016/2017 were as follows:

Lincoln Intermediate Unit #12	\$ 1,178,734
Franklin County Career and Technology Center	895,124
Franklin Learning Center	<u>160,401</u>
	<u>\$ 2,234,259</u>

The Franklin County Career and Technology Center (“Tech Center”) has a note in the original amount of \$ 2,360,000 to refinance a previous note that was issued for building improvements. The Tech Center also has bonds in the original amount of \$ 14,090,000 to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district’s share of rental (debt) payments is based on the district’s ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Waynesboro Area School District’s share of debt payments for 2016/2017 was \$ 199,474. Based on the latest market valuation available, Waynesboro Area School District’s share is 16.59%, which represents \$ 2,179,926 of the outstanding debt of the Tech Center as of June 30, 2017.

NOTE 13 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

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

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

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions

Member contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2% 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 from the School District recognized as revenue by the pension plan were \$ 6,407,145 for the year ended June 30, 2017.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2017, the School District recognized revenue of \$ 3,968,080 as reimbursement for its current year pension payments.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 PENSION PLAN (CONTINUED)

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

At June 30, 2017, the School District reported a liability of \$ 86,774,004 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.1751 percent, which was an increase of 0.0058 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense as follows:

Governmental Activities	\$ 9,205,149
Business-Type Activities	\$ 297,956

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 722,823
Changes in assumptions	3,132,353	-
Net difference between projected and actual investment earnings	4,836,385	-
Changes in proportionate share- plan	3,014,593	358,888
Changes in proportionate share- governmental activities/business-type activities	96,854	96,854
Difference between employer contributions and proportionate share of total contributions	135,498	24,078
Contributions subsequent to the measurement date	6,475,781	-
	<u>\$ 17,691,464</u>	<u>\$ 1,202,643</u>

The \$ 6,475,781 reported as deferred outflows of resources related to pension resulting from School 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	\$ 2,111,502
2018	2,111,502
2019	3,469,436
2020	<u>2,320,600</u>
Total	<u>\$ 10,013,040</u>

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2017 included:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 PENSION PLAN (CONTINUED)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)***

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	23%	5.3%
Fixed income	29%	2.1%
Commodities	8%	2.5%
Absolute return	10%	3.3%
Risk parity	10%	3.9%
Infrastructure/MLPs	5%	4.8%
Real estate	12%	4.0%
Alternative investments	15%	6.6%
Cash	3%	0.2%
Financing (LIBOR)	(14%)	0.5%
	100%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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 School District's Proportionate Share of the Net Pension Liability
to Changes in the Discount Rate***

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 106,148,000	\$ 86,774,004	\$ 70,494,000

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 13 PENSION PLAN (CONTINUED)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)***

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2017, the School District had \$ 2,564,173 included in accrued salaries, benefits, and withholdings liability, of which \$ 1,865,563 is for the contractually required contribution for the second quarter of 2017, \$ 560,180 is related to the accrued payroll, and \$ 138,430 is for employee withholdings.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both retiree and spouse. To continue coverage upon retirement, the retirees must reimburse the School District for the full amount of the premiums. Retirees who have built up sick leave balances may apply these balances towards coverage instead of receiving payment for them. The coverage is continued for the retiree and spouse until they are eligible to receive Medicare.

Administrators that attain the age of 55, complete 20 years of service with the School District and retire through PSERS are only required to pay 50% of the premiums. All other retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the School District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the School District. For the fiscal year 2016-2017, the School District's estimated contributions were \$ 150,091 in the form of insurance premium payments for retired employees. Plan members receiving benefits contributed \$ 381,892 towards premium costs.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 294,250
Estimated Interest on Net OPEB Obligation	28,920
Estimated Adjustment to ARC	<u>(39,455)</u>
Annual OPEB cost	283,715
Estimated employer contributions made	<u>(150,091)</u>
Increase in net OPEB obligation	133,624
Net OPEB obligation - beginning of the year	<u>642,666</u>
Net OPEB obligation - end of the year	<u><u>\$ 776,290</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2017, 2016, and 2015 fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 283,715	52.9%	\$ 776,290
6/30/2016	307,962	67.8%	642,666
6/30/2015	309,961	60.7%	543,646

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ -	\$ 2,454,217	\$ 2,454,217	0.00%	\$ 19,900,023	12.33%

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5% investment rate of return (net of administrative expenses), annual salary increases are comprised of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0.25%, and an annual healthcare cost trend rate of 6.5% in 2016, decreasing by 0.5% to a rate of 5.5% in 2018. Rates gradually decrease from there to 5.5% in 2019 to 3.8% in 2075. The actuarial valuation of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees who qualify and elect to participate, which is a cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees' Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary from the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, School District contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. The PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at <http://www.psers.state.pa.us/>.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefits – Pennsylvania State Employees’ Retirement System (PSERS) (Continued)

Participating eligible employees 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 employees must obtain their health insurance through the School District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the School District used to fund the premium assistance was 0.83% for the year ended June 30, 2017.

The information below summarizes the required contributions, the percentage of required contribution contributed and the contribution rate for the current year and two preceding years:

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Contributed	Contribution Rate
2017	\$ 182,121	100.00%	0.83%
2016	189,309	100.00%	0.84%
2015	190,879	100.00%	0.90%

NOTE 15 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on an individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District’s professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments

The School District has signed contracts totaling \$ 9,166,074 for the renovation of the Waynesboro Area Middle School. The total costs incurred on this project as of June 30, 2017 is \$ 8,466,127.

NOTE 16 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and employees' health coverage. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The School District self-insures a portion of their workers' compensation insurance through the School District Insurance Consortium (SDIC). The School District is responsible for claims up to the amount maintained in a self-insurance reserve, which was approximately \$ 16,443 at June 30, 2017. The School District also contributes to the SDIC "Central Fund", which pays claims that exceed the initial claims self-insured by the School District. Net payments to SDIC in 2016/2017 were \$ 205,387.

The School District self-insures the dental/vision costs for employees at varying amounts, the average of which was approximately \$ 828 per employee during the year ended June 30, 2017. Total expenses incurred by the School District were \$ 352,745 under this plan in 2016/2017. The dental/vision reimbursement is limited each year; therefore, there is no liability at June 30, 2017.

The School District uses a "claims-based" funding plan for medical insurance. Under this plan, the School District pays the insurance company based on actual claims paid, or in essence, self-insures. The School District has an internal service fund to account for the revenues and expenses of the program. Transfers are made from the general fund and food service fund and to the internal service fund based on an estimate of expected claims established by the insurance carrier at the beginning of the year. Other sources of revenue are proceeds from stop loss insurance coverage, COBRA payments, and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop loss coverage for claims greater than \$ 250,000 individually.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 16 RISK MANAGEMENT (CONTINUED)

Changes in the self-insured claims liability amounts (including stop loss premiums and administrative charges) for the years ended June 30 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Liability Ending
2017	\$ 442,301	\$ 5,122,405	\$ 5,284,074	\$ 280,632
2016	\$ 110,949	\$ 6,506,674	\$ 6,175,322	\$ 442,301

The ending liability represents the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2017. All expenditures for the School District's risk management are recorded in the internal service fund, general fund, or food service fund.

NOTE 17 RESTATEMENT

During the year ended June 30, 2017, a restatement was necessary related to the capital assets. As a result, the beginning net position amount reflects the changes as of June 30, 2016 resulting from the correction of the capital asset information.

	Governmental Activities
Net Position, June 30, 2016, as originally stated	\$ (38,395,156)
Correction to capital assets	<u>421,887</u>
Net Position, June 30, 2016, as restated	<u>\$ (37,973,269)</u>

REQUIRED SUPPLEMENTARY INFORMATION

WAYNESBORO AREA SCHOOL DISTRICT
OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
7/1/2016	\$ -	\$ 2,454,217	\$ 2,454,217	0.00%	\$ 19,900,023	12.33%
7/1/2014	-	2,726,756	2,726,756	0.00%	18,527,364	14.72%
7/1/2012	-	2,562,864	2,562,864	0.00%	19,009,189	13.48%

WAYNESBORO AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017

	Budget		Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources				
Taxes	\$ 25,866,706	\$ 25,866,706	\$ 26,231,129	\$ 364,423
Investment earnings	70,000	70,000	107,471	37,471
Revenue from intermediate other sources	628,355	628,355	733,495	105,140
Other	2,686,176	2,686,176	3,064,501	378,325
State sources	22,864,722	22,864,722	24,271,009	1,406,287
Federal sources	1,186,273	1,186,273	1,194,850	8,577
Total revenues	<u>53,302,232</u>	<u>53,302,232</u>	<u>55,602,455</u>	<u>2,300,223</u>
EXPENDITURES				
Instruction	35,400,134	35,251,974	35,819,559	(567,585)
Support services	12,718,826	13,046,519	13,962,162	(915,643)
Operation of noninstructional services	925,658	925,654	942,422	(16,768)
Facilities acquisition, construction and improvements	70,000	70,000	136,935	(66,935)
Debt service	<u>4,042,260</u>	<u>3,912,731</u>	<u>3,764,710</u>	<u>148,021</u>
Total expenditures	<u>53,156,878</u>	<u>53,206,878</u>	<u>54,625,788</u>	<u>(1,418,910)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	500	500	6,662	6,162
Transfers from (to) other funds	(50,000)	-	559,750	559,750
Budgetary reserve	<u>(95,854)</u>	<u>(95,854)</u>	<u>-</u>	<u>95,854</u>
Total other financing sources and (uses)	<u>(145,354)</u>	<u>(95,354)</u>	<u>566,412</u>	<u>661,766</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543,079</u>	<u>\$ 1,543,079</u>

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability
- Public School Employees' Retirement System
Year Ended June 30, 2017

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.1751%	\$ 86,774,004	\$ 22,673,569	382.71%	50.14%
2016	0.1693%	73,332,818	21,784,104	336.63%	54.36%
2015	0.1654%	65,466,506	21,103,863	310.21%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2017 fiscal year:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of School District's Contributions - Public School Employees'
Retirement System
Year Ended June 30, 2017

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Payroll
2017	\$ 6,407,145	\$ 6,407,145	\$ -	\$ 22,237,542	28.81%
2016	5,634,205	5,634,205	-	22,673,569	24.85%
2015	4,347,808	4,347,808	-	21,784,104	19.96%
2014	3,278,475	3,278,475	-	21,103,863	15.53%
2013	2,385,038	2,385,038	-	21,491,362	11.10%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future

OTHER SUPPLEMENTARY INFORMATION

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable or (Payable) at July 1, 2016	Revenue Recognized	Expenditures Recognized	Receivable or (Payable) at June 30, 2017	Total Pass-Through to Subrecipients
U.S. Department of Education											
Passed through the PA Department of Education											
ESEA Title I	I	84.010	013-16-0465	7/1/15 - 9/30/16	\$ 859,171	\$ 265,161	\$ 234,125	\$ 31,036	\$ 31,036	\$ -	\$ -
ESEA Title I	I	84.010	013-17-0465	7/1/16 - 9/30/17	865,363	736,207	-	865,363	865,363	129,156	-
						<u>1,001,368</u>	<u>234,125</u>	<u>896,399</u>	<u>896,399</u>	<u>129,156</u>	<u>-</u>
Title II - Improving Teacher Quality	I	84.367	020-17-0465	7/1/16 - 9/30/17	135,577	135,577	-	135,577	135,577	-	-
Total passed through PDE						<u>1,136,945</u>	<u>234,125</u>	<u>1,031,976</u>	<u>1,031,976</u>	<u>129,156</u>	<u>-</u>
Passed through Lincoln Intermediate Unit											
I.D.E.A.	I	84.027	N/A	7/1/16 - 6/30/17	686,368	686,368	-	686,368	686,368	-	-
I.D.E.A. - Preschool	I	84.173	N/A	7/1/16 - 6/30/17	14,297	11,029	11,029	14,297	14,297	14,297	-
Passed through Lancaster Lebanon Intermediate Unit											
Special Educations Grants to States	I	84.027	062-17-0-033	7/1/16 - 6/30/17	10,000	10,000	-	10,000	10,000	-	-
Total Special Education Cluster						<u>707,397</u>	<u>11,029</u>	<u>710,665</u>	<u>710,665</u>	<u>14,297</u>	<u>-</u>
Passed through Lincoln Intermediate Unit											
Adult Basic Education	I	84.002	041-15-0038	7/1/15 - 6/30/16	14,071	14,071	14,071	-	-	-	-
Adult Basic Education	I	84.002	N/A	7/1/16 - 6/30/17	22,830	9,050	-	22,830	22,830	13,780	-
Total Adult Basic Education						<u>23,121</u>	<u>14,071</u>	<u>22,830</u>	<u>22,830</u>	<u>13,780</u>	<u>-</u>
Total U.S. Department of Education						<u>1,867,463</u>	<u>259,225</u>	<u>1,765,471</u>	<u>1,765,471</u>	<u>157,233</u>	<u>-</u>
U.S. Department of Agriculture											
Passed through the Pennsylvania Department of Agriculture											
Child Nutrition Cluster											
National School Lunch Program (Commodities)	(U) B	10.555	N/A	7/1/16 - 6/30/17	N/A	185,521	-	185,521	185,521	-	-
Passed through the Pennsylvania Department of Education											
National School Lunch Program (Cash)	I	10.555	N/A	7/1/16 - 6/30/17	N/A	916,267	-	916,267	916,267	-	-
National School Breakfast Program	I	10.553	N/A	7/1/16 - 6/30/17	N/A	169,297	-	169,297	169,297	-	-
Summer Food Program	I	10.559	N/A	7/1/16 - 6/30/17	N/A	6,546	3,381	10,577	10,577	7,412	-
Total passed through Pennsylvania Department of Education						<u>1,092,110</u>	<u>3,381</u>	<u>1,096,141</u>	<u>1,096,141</u>	<u>7,412</u>	<u>-</u>
Total Child Nutrition Cluster						<u>1,277,631</u>	<u>3,381</u>	<u>1,281,662</u>	<u>1,281,662</u>	<u>7,412</u>	<u>-</u>
Child Nutrition Discretionary Grants Limited Availability	I	10.579	N/A	7/1/16 - 6/30/17	N/A	-	-	6,600	6,600	6,600	-
Total passed through Pennsylvania Department of Education						<u>1,092,110</u>	<u>3,381</u>	<u>1,102,741</u>	<u>1,102,741</u>	<u>14,012</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>1,277,631</u>	<u>3,381</u>	<u>1,288,262</u>	<u>1,288,262</u>	<u>14,012</u>	<u>-</u>
U.S. Department of Commerce National Oceanic and Atmospheric Administration											
Passed through the Chesapeake Bay Trust											
Unallied Management Projects	I	11.454	NA12NMF4540218	9/27/16 - 6/1/17	3,658	3,658	-	3,658	3,658	-	-
Total Federal Expenditures						<u>\$ 3,148,752</u>	<u>\$ 262,606</u>	<u>\$ 3,057,391</u>	<u>\$ 3,057,391</u>	<u>\$ 171,245</u>	<u>\$ -</u>

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE 1 REFERENCE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (I) Indirect funding
- (B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted governmental accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payments of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as unearned revenue or a receivable, respectively.

Indirect Cost Rate

The School District has elected not to use the 10% de minimis indirect cost rate for its federal programs.



**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 Directors
Waynesboro Area School District
Waynesboro, 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 Waynesboro Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Waynesboro Area School District's basic financial statements, and have issued our report thereon dated February 6, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THE REPORT

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

A handwritten signature in black ink that reads "Smith & Elliott Keams Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
February 6, 2018



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

Board of Directors
Waynesboro Area School District
Waynesboro, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Waynesboro Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waynesboro Area School District's major federal programs for the year ended June 30, 2017. Waynesboro Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Waynesboro Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Waynesboro Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Waynesboro Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Waynesboro Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waynesboro Area School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chambersburg, Pennsylvania
February 6, 2018

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
	Child Nutrition Cluster
10.555	National School Lunch Program
10.553	National School Breakfast Program
10.559	Summer Food Program

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

Auditee qualified as low-risk auditee? Yes No

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

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

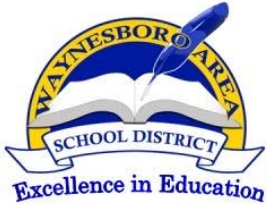
Section III – Federal Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform Guidance by 2 CFR Section 200.516.



Waynesboro Area School District

Summary Schedule of Prior Audit Findings Year Ended June 30, 2017

Findings Related to Financial Statements:

Finding 2016-001 – Proper Recording of Transactions and Reconciliations of Accounts

Condition: There were numerous transactions not properly recorded in the general ledger system.

Status: Monthly reconciliations of all accounts were performed in addition to all journal entries posted. In addition, entries were made as of June 30, 2017 related to the year-end reconciliations.