

WILSON SCHOOL DISTRICT
FINANCIAL AND COMPLIANCE REPORT
Year Ended June 30, 2006

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To the Board of School Directors
Wilson School District
West Lawn, Pennsylvania

Independent Auditor's Report

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Wilson School District's management. Our responsibility is to express opinions on these basic 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 audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 Wilson School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006 on our consideration of the Wilson School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis and Budgetary Comparison Schedule for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Wilson School District's basic financial statements. The schedules on pages 42 through 46 are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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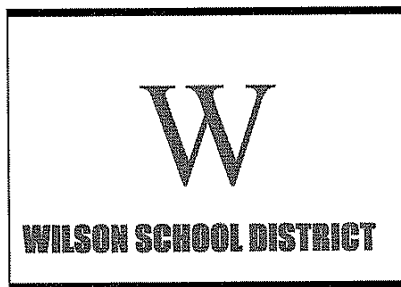
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Management's Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Wilson School District's annual financial performance during the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- The District continued to sustain financial growth during the 2005-06 fiscal year. In total, net assets increased by \$6,996,930. Net assets of governmental activities (which includes the general fund, the capital projects fund and the capital reserve fund) increased by \$6,833,254 which represents a 13.13% increase from 2005. Net assets of business-type activities (which includes the food service fund and child care) increased by \$163,676 which represents a 16.88% increase from 2005.
- General revenues in the form of property and other taxes along with state subsidies accounted for \$54.3 million or 82% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$11.7 million or 18% of total revenues.
- The District had total expenses of \$59 million of which \$56 million was for governmental activities and \$3 million was for business-type activities.

- The excess of revenue over expenditures in the general fund was transferred into the capital reserve account to insure funds were available to maintain the District's physical plant and to help pay for future construction projects. The District has a long-range replacement plan in place for its transportation, maintenance and building and grounds fleets as well as construction. All plans are reviewed at a minimum on a yearly basis.
- At the beginning of the 2005-2006 fiscal year, the Green Valley Elementary school project was complete and students were welcomed into the building. Due to anticipated increases in student enrollment, the District continues with capital projects. Cornwall Terrace Elementary is currently under construction and the District has begun planning for a new Junior High building to be constructed next to Green Valley Elementary with an anticipated completion date of August 2009. After completion of the new Junior High the plan is to begin major renovations on the High School campus which will include joining Central Junior High as part of its facilities.
- The District issued General Obligation Bond Series 2005 on August 23, 2005 in the amount of \$20,500,000 to provide funds for the Cornwall Terrace renovations, the new Junior High project, and other capital improvement projects.
- During the 2005-2006 fiscal year the teachers were working without a contract. On September 8, 2006 the collective bargaining agreement was signed for the period July 1, 2005 through June 30, 2010. All wage adjustments for the 2005-2006 school year, although paid in October 2006, were appropriately accrued back into the appropriate fiscal year and are reflected in the attached financial statements.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements include two district-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are the fund financial statements that focus on individual parts of the District – reporting the District's operations in more detail than the district-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services and child care. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure 1 shows how the various parts of this annual report are arranged and related to one another.

Figure 1

Organization of Wilson School District Annual Financial Report

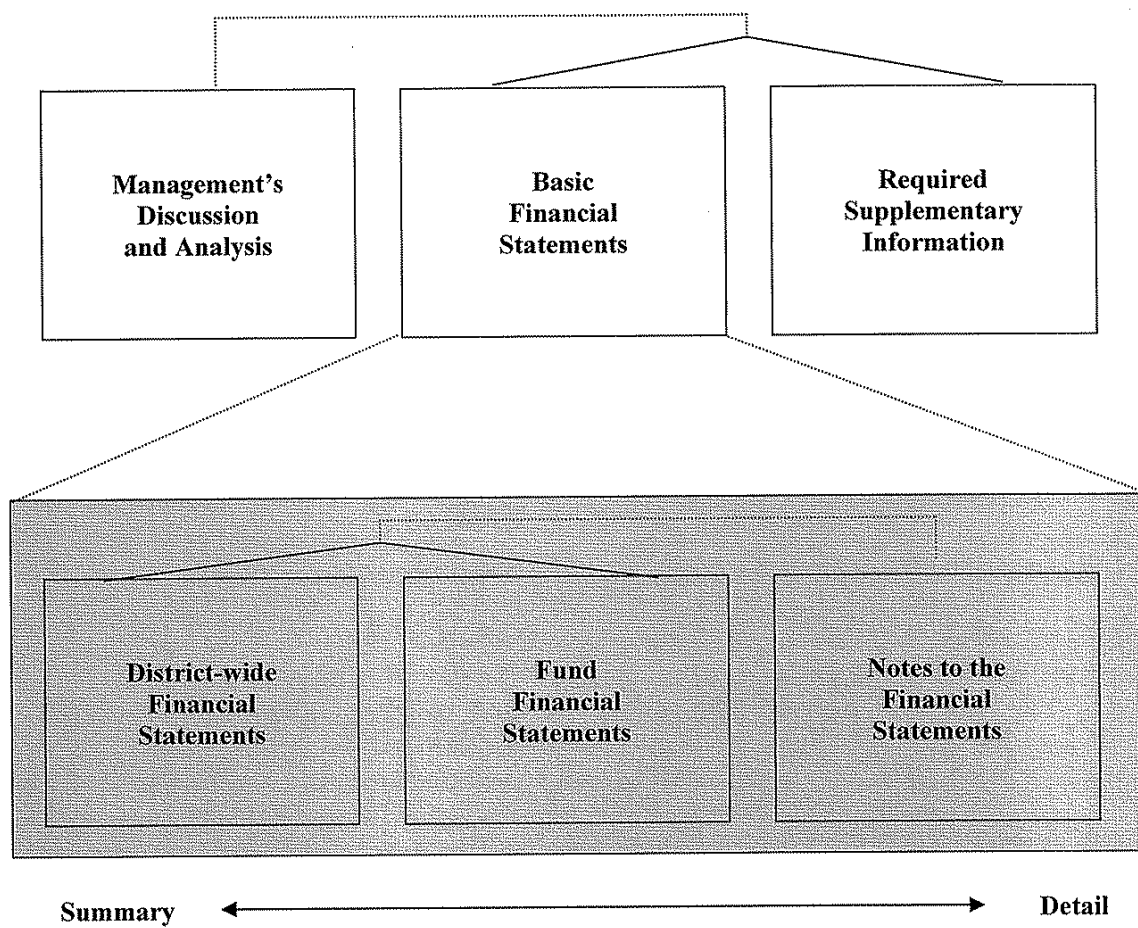


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure 2

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

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the District assets and liabilities. The Statement of Activities includes all the current year revenue and expenses regardless of when cash is received or paid.

The Statement of Net Assets presents all the District's assets and liabilities with the difference reported as "net assets". Over time, increases and decreases in net assets measure whether the District's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods: uncollected taxes, retirement incentives, and unused vacation leave.

Both statements report two activities:

- **Governmental Activities** – Most of the District's basic services such as regular and special education, maintenance and operation of plant services are reported under this category. Taxes, state subsidies, and state and federal grants generally finance these programs.
- **Business-type Activities** – The District charges fees to cover the costs of business type services it provides. For food service operations these consist of charges for meal purchases, federal and state subsidies and in-district catering. The child care program is funded by charges for services and federal and state subsidies.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories – (1) governmental, (2) proprietary, and (3) fiduciary.

- **Governmental Funds** – Most of the district's basic services are included in governmental funds that focus on how money flows into and out of these funds and the balances left at the year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statement, additional information at the bottom of the governmental funds statements explain the relationship (and differences) between them.

- Proprietary Funds (Enterprise) – Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method - the same method used by private sector businesses.
- Fiduciary Funds – The District acts as a trustee of fiduciary for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

Financial Analysis of the District as a Whole

The Statement of Net Assets contains information about what the District owns, owes, i.e., assets and liabilities, and what is left after assets are used to satisfy liabilities. The following table is a comparative summary of the District's net assets for the fiscal years ended June 30, 2005 and June 30, 2006.

Figure 3
Condensed Statement of Net Assets

Fiscal Years Ended June 30, 2005 and June 30, 2006						
	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$31,486,200	\$43,374,277	\$615,924	\$884,726	\$32,102,124	\$44,259,003
Capital assets	104,020,192	117,049,113	427,063	412,883	104,447,255	117,461,996
Total Assets	135,506,392	160,423,390	1,042,987	1,297,609	136,549,379	161,720,999
Current liabilities	12,703,245	14,191,117	73,194	164,140	12,776,439	14,355,257
Long-term liabilities	71,259,293	87,920,165	0	0	71,259,293	87,920,165
Total Liabilities	83,962,538	102,111,282	73,194	164,140	84,035,732	102,275,422
Net Assets:						
Invested in capital assets, net of related debt	37,875,086	44,729,954	427,063	412,883	38,302,149	45,142,837
Restricted	5,714,698	8,610,634	0	0	5,714,698	8,610,634
Unrestricted	7,954,070	4,971,520	542,730	720,586	8,496,800	5,692,106
Total Net Assets	\$51,543,854	\$58,312,108	\$969,793	\$1,133,469	\$52,513,647	\$59,445,577

The District's combined net assets increased over the course of the fiscal year by \$7 million. Most of the improvement in the District's financial position came from its governmental activities, the net assets of which grew by \$6.8 million. The net assets of the District's business-type activities increased \$163,676.

The significant changes in current and other assets, capital assets and long-term liabilities are the result of recent capital projects the District has undertaken. In August 2005 the District issued General Obligation Bonds Series 2005 in the amount of \$20,500,000. This bond was to pay the remaining costs of the Cornwall Terrace renovations and costs for the new Junior High building. The proceeds of the bond are appropriately reflected in the current assets and the liability is appropriately recorded in the long-term liabilities. The capital assets increased \$13,014,741 which reflects work on the following capital projects: Green Valley Elementary, Whitfield Elementary, Cornwall Terrace, and the new Junior High School.

The increase in net assets of \$6.9 million is a direct result of the repayment of bond principal of \$5.6 million. The new bond issue of \$20 million had no direct affect on the District's net assets since the same amount was added to assets and also added to liabilities.

Restricted Net Assets are for the purpose of capital projects. Unrestricted Net Assets will be used at the discretion of the Board of Directors and represent 8% of the District's total budget.

The results of this year's operations as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net assets for the periods ending June 30, 2005 and June 30, 2006. Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. General revenues include the Basic Education Subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs.

Figure 4
Changes in Net Assets from Operating Results

Fiscal Years Ended June 30, 2005 and June 30, 2006						
	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues						
Program Revenues						
Charges for services	\$1,339,474	\$1,279,352	\$2,414,108	\$2,452,796	\$3,753,582	\$3,732,148
Operating grants and contributions	5,843,262	6,188,843	563,909	680,702	6,407,171	6,869,545
Capital grants and contributions	752,297	1,125,242	0	0	752,297	1,125,242
General Revenues						
Property taxes and other taxes levied for general purposes	43,970,742	46,697,610	0	0	43,970,742	46,697,610
State formula aid	5,033,941	5,293,338	0	0	5,033,941	5,293,338
Other	1,421,277	2,418,369	(85,140)	(28,119)	1,336,137	2,390,250
Total Revenues	58,360,993	63,002,754	2,892,877	3,105,379	61,253,870	66,108,133
Expenses						
Instruction	32,242,808	\$33,557,362	0	0	32,242,808	33,557,362
Instructional student support	6,478,286	6,229,574	0	0	6,478,286	6,229,574
Administrative and financial support services	4,024,001	4,456,655	0	0	4,024,001	4,456,655
Operation and maintenance of plant services	4,802,098	4,877,924	0	0	4,802,098	4,877,924
Pupil transportation	1,420,425	1,333,151	0	0	1,420,425	1,333,151
Other	5,486,752	5,714,834	2,819,536	2,941,703	8,306,288	8,656,537
Total Expense	54,454,370	56,169,500	2,819,536	2,941,703	57,273,906	59,111,203
Increase (Decrease) in Net Assets	\$3,906,623	\$6,833,254	\$73,341	\$163,676	\$3,979,964	\$6,996,930

Figure 5
Sources of Revenues for Fiscal Year 2006

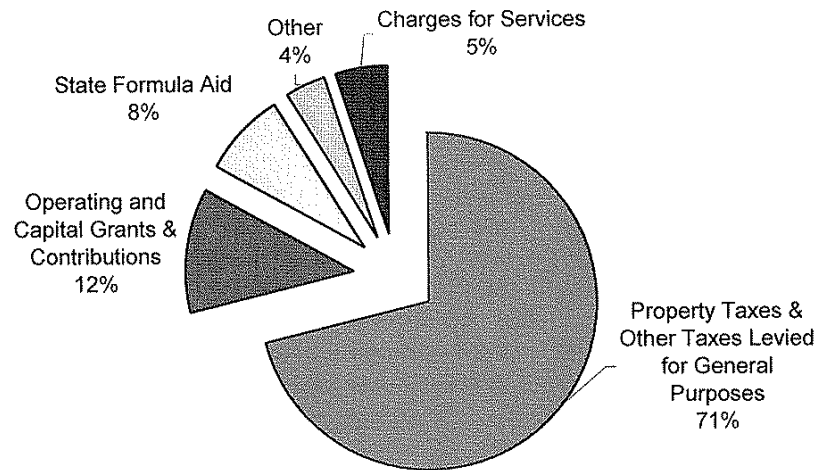
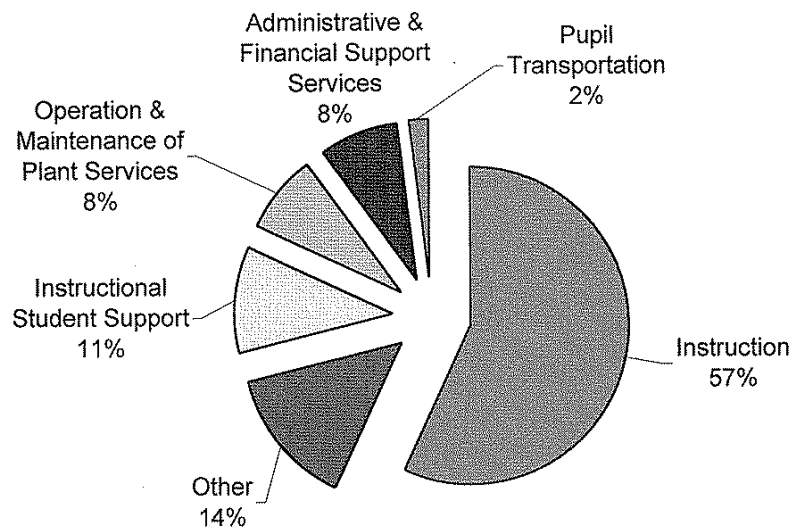


Figure 6
Expenses for Fiscal Year 2006



The District's good financial position is the product of several factors. In the governmental activities, growth of the tax base and a collection rate of about 98%, a one mill real estate increase, a vigilant effort in recording new businesses in the realm of business privilege tax collections, real estate transfer taxes, and increase investment earnings were significant contributors.

The District carefully monitors real estate trends, especially within the business sector, and aggressively pursues all real estate tax appeals filed with the County. Considerations to these filings are conservatively reflected in the annually approved general fund budget. New home and commercial construction still occurred during the 2005-2006 fiscal year. However, if energy costs continue to rise and mortgage rates continue to increase, new construction is expected to level out.

Figure 7 represents the cost of six major District activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activities net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). General revenue supports 85% of costs and program revenue supports 15% of costs.

Figure 7
Net Cost of Governmental Activities

Fiscal Years Ended June 30, 2005 and June 30, 2006				
	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2,006
Instruction	\$32,242,808	\$33,557,362	\$26,523,578	\$28,062,154
Instructional Student Support	6,478,286	6,229,574	6,149,110	5,475,263
Administrative and Financial Support Services	4,024,001	4,456,655	3,878,772	4,304,031
Operation and Maintenance of Plant Services	4,802,098	4,877,924	4,688,208	4,763,808
Pupil Transportation	1,420,425	1,333,151	855,716	728,392
Other	5,486,752	5,714,834	4,423,953	4,242,415
Total	\$54,454,370	\$56,169,500	\$46,519,337	\$47,576,063

The following figure reflects the activities of the Business-Type Activities.

Figure 8
Net Costs of Business-Type Activities

Fiscal Years Ended June 30, 2005 and June 30, 2006				
	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2006
Food Services	\$1,979,541	\$2,084,266	\$68,482	(\$103,693)
Child Care	839,995	857,437	89,999	(88,102)
Total	\$2,819,536	\$2,941,703	\$158,481	(\$191,795)

Financial Analysis of the District's Funds

Fund Balances

Total Governmental Funds which includes the General Fund, Capital Reserve Fund, Capital Projects Fund, and other Non-Major Funds had total revenues of \$63 million, expenditures of \$75 million, and other financing sources of \$22 million. The District's governmental funds reported combined fund balances of \$34 million which is \$10 million more than last year's total of \$24 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2005 and June 30, 2006.

	Fund Balance June 30, 2005	Fund Balance June 30, 2006	Increase (Decrease)
General Fund	\$5,425,645	\$5,425,645	\$0
Capital Reserve	\$2,997,380	\$6,191,393	\$3,194,013
Capital Projects	\$15,694,854	\$22,532,262	\$6,837,408
Non-Major Funds	\$59,731	\$94,272	\$34,541
TOTAL	\$24,177,610	\$34,243,572	\$10,065,962

The General Fund did not have an increase or decrease because the Board authorized the entire excess of revenues over expenses to be transferred to the Capital Reserve Fund for use in future capital purchases or building projects.

The Capital Reserve fund increase was due to the transfer from the general fund of \$3,092,200.

The Capital Projects fund had a \$6.8 million increase due to the 2005 general obligation bond that was issued in the amount of \$20.5 million. The actual deficiency of revenues over expenses in the capital projects fund before bond proceeds was \$14.7 million.

The Non-Major fund increase of \$34,541 was the result of athletic revenues exceeding expenditures.

Capital Asset and Debt Administration

Capital Assets

In total net assets increased \$13,014,741. Total depreciation expense for the year amounted to \$2,770,322 which is an increase over the prior year of \$330,995. Both increases can be attributed to the opening of Green Valley Elementary. The building value moved from construction in progress to building and building improvements and the building started being depreciated in August 2005. The projects reflected in the construction in progress account are Whitfield (completed in August 2006), Cornwall Terrace renovations, and costs associated with planning for the new Junior High School.

Figure 9
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2005 and June 30, 2006						
	Governmental Activities		Business-type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Land	\$6,633,400	\$6,633,400	\$0	\$0	\$6,633,400	\$6,633,400
Site Improvements	1,049,209	867,998	0	0	1,049,209	867,998
Building and Building Improvements	79,783,088	94,333,546	0	0	79,783,088	94,333,546
Fixtures and Equipment	1,760,885	2,097,501	427,063	412,883	2,187,948	2,510,384
Construction in progress	14,793,610	13,116,668	0	0	14,793,610	13,116,668
Total	\$104,020,192	\$117,049,113	\$427,063	\$412,883	\$104,447,255	\$117,461,996

Long-term Debt

During the year the District issued the General Obligation Bonds Series 2005 in the amount of \$20,500,000 and also made bond principal payments in the amount of \$5,630,000 for a total net change of \$14,870,000. The increase in the long-term portion for compensated absences is attributed to fewer retirements, staff changes and changes made to the teachers bargaining agreement.

Figure 10
Outstanding Long-Term Debt

For Fiscal Years Ended June 30, 2005 and June 30, 2006

	<u>Totals</u>		<u>Change</u>
	<u>2005</u>	<u>2006</u>	
General Obligation Bonds	\$78,780,000	\$93,650,000	\$14,870,000
Long-Term Portion of Compensated Absences	<u>763,618</u>	<u>838,095</u>	<u>74,477</u>
Total	<u>\$79,543,618</u>	<u>\$94,488,095</u>	<u>\$14,944,477</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- On June 27, 2006 the Governor signed into law the Taxpayer Relief Act of 2006 or more commonly referred to as Act 1. Effective with the 2007-2008 fiscal year, Districts will be subject to a real estate property tax cap. That cap for 2007-08 is 3.4%. This means that the District's current millage of 17.59 cannot be increased beyond the 3.4% increase or 18.19 mills. If the District anticipates needing to exceed the cap it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. In order to accommodate this new process, the timeline for the District's budget process has been accelerated by several months. The District's preliminary budget must be adopted by February 14, 2007 instead of the normal May timeframe.

Another major change with Act 1 is the need for the District to propose a front-end referendum question on the May 2007 ballot. This question will ask the voters if they would like to increase the earned income tax or implement a personal income tax in exchange for getting a real estate assessment reduction. By law a local tax study commission was appointed to make a recommendation to

the Board as to what the referendum question should be.

Act 1 also requires each District to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. At this time the actual installment options have not been established but will occur sometime during the months of July through December. While installment payments may help the taxpayer, it will have an affect on the normal cash flow of the District by decreasing interest earnings.

- The District's market value aid ratio continues to increase along with student population indicative of a shift in demographics in the District and requiring greater capital outlays to physically accommodate the increased number of students. The Pennsylvania Economy League study commissioned by the Wilson Board indicates large increases in student population which would increase total enrollment from the current 5,600 students to over 7,000 students by the year 2012.
- With the impending enrollment increases, the Board has been planning additional construction projects. The first project will be a new Junior High School adjacent to the Green Valley Elementary School. Site plans are currently being reviewed with tentative plans to begin construction during the fall of 2007 and the opening of the building in August 2009. Rough estimates for this project are \$55 million. Once the new Junior High is complete the Board would then like to renovate the High School campus and create additional space by connecting the current high school building with the Central Junior High building and renovate the pool and auditorium. The Board will seek additional financing for the new Junior High School as early as July 2007.
- On September 8, 2006 the teacher's collective bargaining agreement was signed. This agreement which is effective from July 1, 2005 through June 30, 2010 provides for a 4.4% salary increase each year.
- The required District contribution to the Pennsylvania School Employees Retirement System continues to rise. The rate for 2005-06 was 4.69%, the current rate for 2006-07 is 6.46%, and the projected rate for 2007-08 is 7.76%.
- As with all employers, the increasing cost of health insurance will continue to impact the District's finances. The current contract with Capital Blue Cross is set to expire on June 30, 2007 and renewal rates are currently being sought.
- Energy cost increases will affect not only maintenance expenditures, but also the cost of construction.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Director of Finance, Wilson School District, 2601 Grandview Blvd, West Lawn, PA 19609.

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WILSON SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business- Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$37,224,033	\$738,444	\$37,962,477
Investments	3,035,415	0	3,035,415
Taxes Receivable, Net	1,168,997	0	1,168,997
Internal Balances	6,306	(6,306)	0
Intergovernmental Receivables	883,718	74,488	958,206
Other Receivables, Net	87,888	12,801	100,689
Inventories	67,263	58,299	125,562
Prepaid Expenses	0	7,000	7,000
TOTAL CURRENT ASSETS	42,473,620	884,726	43,358,346
CAPITAL ASSETS			
Land	6,633,400	0	6,633,400
Site Improvements, Net of Depreciation	867,998	0	867,998
Building and Building Improvements, Net of Depreciation	94,333,546	0	94,333,546
Fixtures and Equipment, Net of Depreciation	2,097,501	412,883	2,510,384
Construction in Progress	13,116,668	0	13,116,668
TOTAL CAPITAL ASSETS	117,049,113	412,883	117,461,996
OTHER - Unamortized Bond Issuance Costs	900,657	0	900,657
TOTAL ASSETS	\$160,423,390	\$1,297,609	\$161,720,999

See accompanying notes.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Intergovernmental Payables	\$331,161	\$0	\$331,161
Accounts Payable	2,923,555	55,349	2,978,904
Accrued Salaries and Benefits	4,331,831	58,049	4,389,880
Accrued Interest	450,236	0	450,236
Deferred Revenue	36,010	50,742	86,752
Current Portion of Compensated Absences	59,370	0	59,370
Current Portion of Long-Term Obligations	6,005,000	0	6,005,000
Other Current Liabilities	53,954	0	53,954
TOTAL CURRENT LIABILITIES	14,191,117	164,140	14,355,257
NONCURRENT LIABILITIES			
Bonds Payable	87,645,000	0	87,645,000
Bond Discount, Net of Amortization	(43,454)	0	(43,454)
Bond Premium, Net of Amortization	2,562,656	0	2,562,656
Unamortized Bond Interest	(3,022,762)	0	(3,022,762)
Long-Term Portion of Compensated Absences	778,725	0	778,725
TOTAL NONCURRENT LIABILITIES	87,920,165	0	275,165
TOTAL LIABILITIES	102,111,282	164,140	14,630,422
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	44,729,954	412,883	45,142,837
Restricted for Capital Projects	8,610,634	0	8,610,634
Unrestricted	4,971,520	720,586	5,692,106
TOTAL NET ASSETS	58,312,108	1,133,469	59,445,577
TOTAL LIABILITIES AND NET ASSETS	\$160,423,390	\$1,297,609	\$74,075,999

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$25,160,413	\$8,873	\$2,024,481	\$0
Special	5,492,935	936,952	2,156,205	0
Vocational	1,727,815	0	62,307	0
Other Instructional Programs	1,176,199	35,250	271,140	0
Total Instructional Services	33,557,362	981,075	4,514,133	0
Support Services:				
Pupil Personnel	1,945,234	0	419,872	0
Instructional Staff	3,799,965	0	202,843	0
Administration	3,788,797	0	124,897	0
Pupil Health	484,375	0	131,596	0
Business Services	667,858	0	27,727	0
Operation of Plant and Maintenance Services	4,877,924	2,873	111,243	0
Student Transportation Services	1,333,151	0	604,759	0
Central	209,278	0	846	0
Other Support Services	186,186	0	0	0
Total Support Services	17,292,768	2,873	1,623,783	0
Non-instructional Services:				
Student Activities	1,405,644	261,560	49,302	0
Community Services	72,309	33,844	1,625	0
Interest on Long-Term Debt	3,841,417	0	0	1,125,242
Total Non-instructional Services	5,319,370	295,404	50,927	1,125,242
Total Governmental Activities	56,169,500	1,279,352	6,188,843	1,125,242
Business-Type Activities:				
Food Services	2,084,266	1,601,968	585,991	0
Child Care	857,437	850,828	94,711	0
Total Primary Government	\$59,111,203	\$3,732,148	\$6,869,545	\$1,125,242

General Revenues and Transfers:

Taxes:

Property Taxes, Levied for General Purposes
 Public Utility Realty, Earned Income and Mercantile
 Taxes Levied for General Purposes, Net
 Grants, Subsidies, and Contributions Not Restricted
 Investment Earnings
 Miscellaneous Income
 Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* Beginning net assets reflects \$65,000 decrease due to additional long-term liabilities from prior years.

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$23,127,059)	\$0	(\$23,127,059)
(2,399,778)	0	(2,399,778)
(1,665,508)	0	(1,665,508)
(869,809)	0	(869,809)
(28,062,154)	0	(28,062,154)
(1,525,362)	0	(1,525,362)
(3,597,122)	0	(3,597,122)
(3,663,900)	0	(3,663,900)
(352,779)	0	(352,779)
(640,131)	0	(640,131)
(4,763,808)	0	(4,763,808)
(728,392)	0	(728,392)
(208,432)	0	(208,432)
(186,186)	0	(186,186)
(15,666,112)	0	(15,666,112)
(1,094,782)	0	(1,094,782)
(36,840)	0	(36,840)
(2,716,175)	0	(2,716,175)
(3,847,797)	0	(3,847,797)
(47,576,063)	0	(47,576,063)
0	103,693	103,693
0	88,102	88,102
(47,576,063)	191,795	(47,384,268)
38,929,022	0	38,929,022
7,768,588	0	7,768,588
5,293,338	0	5,293,338
2,312,723	25,881	2,338,604
51,646	0	51,646
54,000	(54,000)	0
54,409,317	(28,119)	54,381,198
6,833,254	163,676	6,996,930
51,478,854 *	969,793	52,448,647
<u>\$58,312,108</u>	<u>\$1,133,469</u>	<u>\$59,445,577</u>

WILSON SCHOOL DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS****June 30, 2006**

	<u>General</u>	<u>Capital Reserve</u>
ASSETS		
Cash and Cash Equivalents	\$12,123,759	\$3,099,193
Investments	0	0
Taxes Receivable, Net	1,181,510	0
Interfund Receivables	6,306	3,092,200
Intergovernmental Receivables	883,718	0
Other Receivables, Net	81,325	0
Inventories	67,263	0
TOTAL ASSETS	<u><u>\$14,343,881</u></u>	<u><u>\$6,191,393</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Interfund Payable	\$3,092,200	\$0
Accounts Payable	507,030	0
Intergovernmental Payables	331,161	0
Accrued Salaries and Benefits	4,391,201	0
Deferred Revenues	542,690	0
Other Current Liabilities	53,954	0
TOTAL LIABILITIES	8,918,236	0
FUND BALANCES		
Reserve for Capital Projects	0	0
Reserve for Inventory	67,263	0
Unreserved, Designated for Healthcare	100,000	0
Unreserved/Undesignated Fund Balances:		
General Fund	5,258,382	0
Capital Reserve Fund	0	6,191,393
Athletic Fund	0	0
TOTAL FUND BALANCES	<u><u>5,425,645</u></u>	<u><u>6,191,393</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$14,343,881</u></u>	<u><u>\$6,191,393</u></u>

See accompanying notes.

Capital Projects	Non-Major Funds	Total Governmental Funds
\$21,945,489	\$55,592	\$37,224,033
2,996,735	38,680	3,035,415
0	0	1,181,510
0	0	3,098,506
0	0	883,718
6,563	0	87,888
0	0	67,263
<u>\$24,948,787</u>	<u>\$94,272</u>	<u>\$45,578,333</u>

\$0	\$0	\$3,092,200
2,416,525	0	2,923,555
0	0	331,161
0	0	4,391,201
0	0	542,690
0	0	53,954

2,416,525	0	11,334,761
-----------	---	------------

22,532,262	0	22,532,262
0	0	67,263
0	0	100,000
0	0	5,258,382
0	0	6,191,393
0	94,272	94,272

<u>22,532,262</u>	<u>94,272</u>	<u>34,243,572</u>
<u>\$24,948,787</u>	<u>\$94,272</u>	<u>\$45,578,333</u>

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WILSON SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS**

June 30, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$34,243,572**

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$151,575,056 and the accumulated depreciation is \$34,525,943. 117,049,113

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 506,680

Establish allowance for doubtful accounts - property taxes receivable (12,513)

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

Bonds Payable	(\$93,650,000)	
Accrued Interest on Bonds	(450,236)	
Unamortized Bond Interest	3,022,762	
Unamortized Bond Premium	(2,562,656)	
Unamortized Bond Issuance Costs	900,657	
Compensated Absences	(778,725)	
Unamortized Bond Discount	43,454	(93,474,744)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$58,312,108**

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2006

	General	Capital Reserve
REVENUES		
Local Sources	\$49,708,773	\$104,813
State Sources	11,150,623	0
Federal Sources	682,257	0
TOTAL REVENUES	61,541,653	104,813
EXPENDITURES		
Instructional Services	31,172,480	0
Support Services	16,861,323	3,000
Operation of Non-instructional Services	1,292,830	0
Capital Outlay	0	0
Debt Service		
Principal	0	0
Interest	0	0
Refund of Prior Years Revenues	3,289	0
TOTAL EXPENDITURES	49,329,922	3,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,211,731	101,813
OTHER FINANCING SOURCES (USES)		
Bond Proceeds	0	0
Bond Premium	0	0
Operating Transfers In	54,000	3,092,200
Operating Transfers Out	(12,265,731)	0
TOTAL OTHER FINANCING SOURCES (USES)	(12,211,731)	3,092,200
NET CHANGE IN FUND BALANCES	0	3,194,013
FUND BALANCES - BEGINNING	5,425,645	2,997,380
FUND BALANCES - ENDING	\$5,425,645	\$6,191,393

* - \$3,574 transferred to the trust and agency funds.

See accompanying notes.

Capital Projects	Non-Major Funds	Total Governmental Funds
\$1,135,152	\$207,766	\$51,156,504
0	1,517	11,152,140
0	0	682,257
1,135,152	209,283	62,990,901
322,490	0	31,494,970
2,069,563	0	18,933,886
0	174,742	1,467,572
13,548,363	0	13,548,363
0	5,630,000	5,630,000
(21,217)	3,539,957	3,518,740
0	0	3,289
15,919,199	9,344,699	74,596,820
(14,784,047)	(9,135,416)	(11,605,919)
20,500,000	0	20,500,000
1,121,455	0	1,121,455
0	9,169,957	12,316,157
0	0	(12,265,731) *
21,621,455	9,169,957	21,671,881
6,837,408	34,541	10,065,962
15,694,854	59,731	24,177,610
\$22,532,262	\$94,272	\$34,243,572

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2006

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$10,065,962**

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

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

Capital Outlays	\$15,728,698	
Less: Depreciation Expense	<u>(2,699,777)</u>	13,028,921

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased (decreased) by this amount during the year. (38,858)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is shown below:

Bond Proceeds	(20,500,000)	
Repayment of Bond Principal	5,630,000	
Bond Issuance Costs, Net of Amortization	161,055	
Bond Premium	<u>(1,121,455)</u>	(15,830,400)

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2006

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here.

(322,677)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

(69,694)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$6,833,254

WILSON SCHOOL DISTRICT**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS****June 30, 2006**

	<u>Enterprise Fund Food Service</u>	<u>Non-Major Fund (Child Care)</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$551,798	\$186,646	\$738,444
Intergovernmental Receivables	69,623	4,865	74,488
Other Receivables, Net	12,801	0	12,801
Inventories	58,299	0	58,299
Prepaid Expenses	<u>0</u>	<u>7,000</u>	<u>7,000</u>
TOTAL CURRENT ASSETS	692,521	198,511	891,032
NONCURRENT ASSETS			
Machinery and Equipment, Net	<u>376,616</u>	<u>36,267</u>	<u>412,883</u>
TOTAL ASSETS	<u><u>\$1,069,137</u></u>	<u><u>\$234,778</u></u>	<u><u>\$1,303,915</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Interfund Payables	\$3,511	\$2,795	\$6,306
Accounts Payable	55,349	0	55,349
Accrued Salaries and Benefits	20,379	37,670	58,049
Deferred Revenues	<u>50,742</u>	<u>0</u>	<u>50,742</u>
TOTAL LIABILITIES	129,981	40,465	170,446
NET ASSETS			
Invested in Capital Assets	376,616	36,267	412,883
Unrestricted	<u>562,540</u>	<u>158,046</u>	<u>720,586</u>
TOTAL NET ASSETS	<u>939,156</u>	<u>194,313</u>	<u>1,133,469</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,069,137</u></u>	<u><u>\$234,778</u></u>	<u><u>\$1,303,915</u></u>

See accompanying notes.

WILSON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Enterprise Fund Food Service	Non-Major Fund (Child Care)	Totals
OPERATING REVENUES			
Food Service Revenue	\$1,601,968	\$0	\$1,601,968
Charges for Services	0	850,828	850,828
TOTAL OPERATING REVENUES	1,601,968	850,828	2,452,796
OPERATING EXPENSES			
Salaries	772,923	663,098	1,436,021
Employee Benefits	187,246	116,919	304,165
Other Operating Expenses	59,184	71,991	131,175
Supplies	999,796	0	999,796
Depreciation	65,117	5,429	70,546
TOTAL OPERATING EXPENSES	2,084,266	857,437	2,941,703
OPERATING LOSS	(482,298)	(6,609)	(488,907)
NON-OPERATING REVENUES			
Local Sources - Earnings on Investments	17,789	8,092	25,881
State Sources	113,370	40,371	153,741
Federal Sources	472,621	54,340	526,961
TOTAL NON-OPERATING REVENUES	603,780	102,803	706,583
INCOME BEFORE OPERATING TRANSFERS	121,482	96,194	217,676
Operating Transfers Out	(30,000)	(24,000)	(54,000)
CHANGE IN NET ASSETS	91,482	72,194	163,676
TOTAL NET ASSETS - BEGINNING	847,674	122,119	969,793
TOTAL NET ASSETS - ENDING	\$939,156	\$194,313	\$1,133,469

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2006

	Enterprise Fund Food Service	Non-Major Fund (Child Care)	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$1,602,819	\$0	\$1,602,819
Cash Received from Assessments Made to Other Funds	0	850,828	850,828
Cash Payments to Employees for Services	(938,852)	(765,940)	(1,704,792)
Cash Payments to Suppliers for Goods and Services	(851,392)	0	(851,392)
Cash Payments for Other Operating Expenses	(59,184)	(76,265)	(135,449)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(246,609)	8,623	(237,986)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
State Sources	104,377	40,605	144,982
Federal Sources	319,352	54,340	373,692
Operating Transfers Out	(30,000)	(24,000)	(54,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	393,729	70,945	464,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Equipment	(44,545)	(11,821)	(56,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	17,789	8,092	25,881
NET INCREASE IN CASH AND CASH EQUIVALENTS	120,364	75,839	196,203
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	431,434	110,807	542,241
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$551,798</u>	<u>\$186,646</u>	<u>\$738,444</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED**

For the Year Ended June 30, 2006

	Enterprise Fund Food Service	Non-Major Fund (Child Care)	Totals
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$482,298)	(\$6,609)	(\$488,907)
Adjustments to Reconcile Operating Loss to Net Cash From Net Operating Activities:			
Depreciation	65,117	5,429	70,546
Donated Commodities Used	101,017	0	101,017
Changes in Assets and Liabilities:			
Accounts Receivable	(1,553)	0	(1,553)
Inventories	3,701	0	3,701
Prepaid Expenses	0	(7,000)	(7,000)
Interfund Payables	2,875	2,726	5,601
Accounts Payable	43,683	0	43,683
Accrued Salaries and Benefits	18,443	14,077	32,520
Deferred Revenue	2,406	0	2,406
Total Adjustments	235,689	15,232	250,921
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(\$246,609)	\$8,623	(\$237,986)

Noncash, Noncapital Financing Activities:

During the year the District used \$101,017 of food commodities from the Department of Agriculture.

WILSON SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS**

June 30, 2006

	<u>Expendable Trust Funds Scholarship</u>	<u>Agency Funds Student Activities</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	<u>\$30,997</u>	<u>\$186,710</u>
TOTAL ASSETS	<u><u>\$30,997</u></u>	<u><u>\$186,710</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	<u>\$0</u>	<u>\$186,710</u>
TOTAL LIABILITIES	<u><u>\$0</u></u>	<u><u>\$186,710</u></u>
NET ASSETS		
Held in Trust for Scholarships	<u><u>\$30,997</u></u>	

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2006

	<u>Expendable Trust Funds Scholarship</u>
ADDITIONS	
Contributions	\$25,153
Earnings on Investments	<u>1,403</u>
TOTAL ADDITIONS	26,556
DEDUCTIONS	
Scholarships	<u>24,000</u>
CHANGE IN NET ASSETS	2,556
NET ASSETS - BEGINNING OF YEAR	<u>28,441</u>
NET ASSETS - END OF YEAR	<u><u>\$30,997</u></u>

See accompanying notes.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

Wilson School District (the "District") is located in Berks County, Pennsylvania. The District tax base consists of the Borough of West Lawn, Sinking Spring, Spring Township, Lower Heidelberg and a portion of the Wyomissing Borough.

The District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wilson School District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. Proprietary Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District's financial statements. In accordance with GASB Statement No. 14, the District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or improve specific financial burden on the District. Additionally, the primary government is required to consider 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 statement to be misleading or incomplete.

Based on these criteria, the District has no component units.

Joint Venture: The District participates in a joint venture. See Note K for details of involvement and financial information of the joint venture.

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

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

Basis of Presentation

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges and child care tuition charges. Operating expenses for the District's enterprise fund include food production costs, salaries and benefits, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

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

GOVERNMENTAL FUNDS - These funds are used to account for most of the District finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination. The following are the District's major governmental funds:

1. **General Fund** - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund.
2. **Special Revenue Fund** - This fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District's Capital Reserve Fund is accounted for in this type as required by Section 2932 of the Municipal Code.
3. **Capital Projects Fund** - This fund is used to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUND - This fund accounts for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (Economic resources measurement focus).

1. **Enterprise Fund** - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The food service fund is major and accounts for all revenues, food purchases, and costs and expenses for the food service program.

FIDUCIARY FUNDS - These funds are used to account for assets held by the District as trustee or agent.

1. **Private Purpose Trust Funds** - These funds are used to account for scholarship monies contributed to the District for student scholarships.
2. **Agency Funds** - These funds account for the receipts and disbursements of monies from student activity organizations. These organizations exist with the explicit approval and are subject to revocation of the District governing body. This accounting reflects the District's agency relationship with the student activity organizations. The agency fund is purely custodial and therefore, does not require measurement of results of operations.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. 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 assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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.

Investments and Cash Equivalents

The District complies with GASB Statement No. 31 "Auditing and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires most investments to be reported at fair value. The value used by the District was the quoted market price.

Cash equivalents in the basic financial statements include all highly-liquid investments with an original maturity of three months or less.

Receivables/Payables

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

Inventories

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

Inventories of governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2006.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories of the food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2006, consist of the following:

Purchased food	\$22,713
Supplies	13,393
Donated commodities	<u>22,193</u>
	<u>\$58,299</u>

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 or greater depending upon the class of the asset and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	20
Building and improvements	15 - 30
Fixtures and equipment	5 - 15

Proprietary fund equipment purchases are capitalized in the proprietary funds at cost and depreciated on a straight-line basis over estimated useful lives (5 to 12 years).

Budgetary Data

On or before February 1 of each year, all school principals submit requests for appropriation to the Business Office so that a budget may be prepared. The budget is prepared by fund, function and activity. The Districts' administration presents a proposed budget to the Board for review in April and May.

Before May 30, the proposed budget is presented to the District's school board for review. The school board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the District's business manager. The revenue estimates must be changed by an affirmative vote of a majority of the school board.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

The District's cash and investments at June 30, 2006 are as follows:

Cash	\$10,356,830
Investments	3,035,415
Pooled cash	27,821,359
Petty cash	<u>1,995</u>
Total	<u>\$41,215,599</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

Cash

Custodial Credit Risk - Deposit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2006, \$10,265,809 of the District's bank balance of \$10,453,592 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>10,265,809</u>
	<u><u>\$10,265,809</u></u>

Reconciliation to Financial Statements

Uncollateralized amount above	\$10,265,809
Plus: insured amount	187,783
Less: outstanding checks	<u>(96,762)</u>
Carrying amount bank balances	10,356,830
Plus: pooled cash equivalents	27,821,359
petty cash	<u>1,995</u>
Total Cash	<u><u>\$38,180,184</u></u>

Investments

As of June 30, 2006, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	6 - 12 months	\$38,680
PA School District Liquid Asset Fund		22,408,109
PA School District Max		5,073,260
PA Invest		339,990
FHLMC Notes	1 - 12 months	1,000,935
Federal Farm Credit Bank	1 - 12 months	<u>1,995,800</u>
Total Investments		<u><u>\$30,856,774</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2006, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
FHLMC Notes	AAA
Federal Farm Credit Bank	AAA
PA Invest	AAA
PA School District Liquid Asset Fund	AAA
PA School District Max	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are in FHLMC Notes and Federal Farm Credit Bank. These investments are 66.3% and 33.2%, respectively, of the District's total investments. More than 5% of the Capital Projects Fund's investments are in FHLMC Notes and Federal Farm Credit Notes. These investments are 66.3% and 33.2% of the Capital Projects Fund's total investments.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total investments above	\$30,856,774
Less: Deposits in investment pool considered cash equivalents	<u>(27,821,359)</u>
Total Investments Per Financial Statements	<u>\$3,035,415</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE C - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$2,296,847,100. The tax rate for the year was \$16.59 per \$1,000 of assessed valuation.

The property tax calendar is as follows:

July 1	-	Full year tax assessed for current year.
July 1 - August 31	-	Discount period during which a 2% discount is allowed.
September 1 - October 31	-	Face amount of tax is due.
November 1 - January 31	-	A 10% penalty is added to all payments.
January 15	-	All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

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

The balances at June 30, 2006 are as follows:

	Gross Taxes Receivable	Allowance Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real estate/Interims	\$625,608	\$12,512	\$613,096	\$106,416	\$506,680
Mercantile	427,529	0	427,529	427,529	0
Transfer tax	128,373	0	128,373	128,373	0
	<u>\$1,181,510</u>	<u>\$12,512</u>	<u>\$1,168,998</u>	<u>\$662,318</u>	<u>\$506,680</u>

The deferred revenue balance in the General Fund of \$542,690 consists of deferred real estate taxes of \$506,680, deferred revenue from summer school tuition of \$35,849 and deferred revenue from federal grants of \$161.

WILSON SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED****June 30, 2006****NOTE D - INTERGOVERNMENTAL RECEIVABLES / PAYABLES**

The following schedule represents net intergovernmental receivables at June 30, 2006:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Proprietary</u>	
		<u>Food Service</u>	<u>Child Care</u>
Commonwealth of PA - Retirement	\$288,700	\$0	\$0
Commonwealth of PA - Social Security	131,499	0	0
Commonwealth of PA - Homebound	48	0	0
Commonwealth of PA - Sectn 1305-1306	3,085	0	0
Commonwealth of PA - National School Lunch	0	10,432	0
Federal Subsidies - Title II	25,121	0	0
Federal Subsidies - Title II Education Technology	410	0	0
Federal Subsidies - Access	60,000	0	0
Federal Subsidies - National School Lunch	0	59,191	0
Berks County Intermediate Unit	<u>374,855</u>	<u>0</u>	<u>4,865</u>
	<u>\$883,718</u>	<u>\$69,623</u>	<u>\$4,865</u>

The following schedule represents intergovernmental payables at June 30, 2006:

<u>Name of Government Unit</u>	<u>General Fund</u>
Berks County Intermediate Unit	\$104,668
Other Local Education Agencies	<u>226,493</u>
	<u>\$331,161</u>

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WILSON SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006

NOTE E - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$6,633,400	\$0	\$0	\$6,633,400
Construction in progress	14,793,610	12,550,468	(14,227,410)	13,116,668
Capital assets being depreciated:				
Land improvements	3,624,215	0	0	3,624,215
Buildings and building improvements	105,970,890	16,626,838	0	122,597,728
Furniture and fixtures	4,824,243	778,802	0	5,603,045
Totals at historical cost	114,419,348	17,405,640	0	131,824,988
Less accumulated depreciation for:				
Land improvements	2,575,006	181,211	0	2,756,217
Buildings and building improvements	26,187,802	2,076,380	0	28,264,182
Furniture and fixtures	3,063,358	442,186	0	3,505,544
Total accumulated depreciation	31,826,166	2,699,777	0	34,525,943
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	82,593,182	14,705,863	0	97,299,045
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$104,020,192	\$27,256,331	(\$14,227,410)	\$117,049,113
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$968,104	\$56,365	\$0	\$1,024,469
Accumulated depreciation for:				
Equipment	541,041	70,545	0	611,586
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$427,063	(\$14,180)	\$0	\$412,883

Depreciation expense was charged to functions/program of primary government as follows:

Instruction, Regular	\$2,056,959
Instruction, Special	1,526
Support Services	637,405
Non-instructional Services	3,887

**TOTAL DEPRECIATION EXPENSE -
GOVERNMENTAL ACTIVITIES** \$2,699,777

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE F - LONG-TERM LIABILITIES

Long-term liabilities except for compensated absences:

General Obligation Bond - Series of 2005:

The District is liable for general obligation bonds dated August 23, 2005 in the original principal amount of \$20,550,000. Principal maturities occur on May 15 through the year 2020. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 2.95% to 5.00%. The proceeds of this Bond will be used for capital improvement projects and to pay debt issuance costs.

\$20,500,000

General Obligation Bond - Series of 2004:

The District is liable for general obligation bonds dated February 15, 2004 in the original principal amount of \$9,995,000. Principal maturities occur on May 15 through the year 2010. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 1.20% to 3.85%. The proceeds of this Bond were used to currently refund the General Obligation Bonds - Series of 1998 and to pay debt issuance costs.

9,985,000

General Obligation Bond - Second Series of 2003:

The District is liable for general obligation bonds dated December 1, 2003 in the original principal amount of \$14,995,000. Principal maturities occur on May 15 through the year 2014. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 1.00% to 5.00%. The proceeds of this Bond will be used for capital improvement projects and to pay debt issuance costs.

13,345,000

General Obligation Bond - Series of 2003:

The District is liable for general obligation bonds dated February 15, 2003, in the original principal amount of \$14,835,000. Principal maturities occur on May 15 through the year 2008. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 1.5% to 4.0%. The proceeds of this Bond were used to currently refund a portion of the General Obligation Bonds - Series of 1993 and to pay debt issuance costs.

5,495,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE F - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bond - Second Series of 2002:

The District is liable for general obligation bonds dated July 1, 2002, in the original principal amount of \$27,690,000. Principal maturities occur on May 15 through the year 2016. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 1.9% to 5.375%. The proceeds of this Bond were used to advance refund a portion of the General Obligation Bonds - Series of 1997, fund the new Elementary School Project and various other capital improvement projects of the District and paying debt issuance costs.

27,650,000

General Obligation Bond - Series of 2002:

The District is liable for general obligation bonds dated April 15, 2002, in the original principal amount of \$3,215,000. Principal maturities occur on May 15 through the year 2010. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 1.5% to 4.0%. Proceeds were used to currently refund the General Obligation Bonds - Series B of 1997.

1,465,000

General Obligation Bond - Series of 1998:

The District is liable for general obligation bonds dated December 15, 1998, in the original principal amount of \$9,850,000. Principal maturities occur on May 15 through the year 2017. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 4.10% to 4.625%. This bond issue was partially refunded by proceeds from the General Obligation Bonds - Series of 2004.

10,000

General Obligation Bond - Series of 1997:

The District is liable for general obligation bonds dated May 15, 1997, in the original principal amount of \$33,960,000. Principal maturities occur on May 15 through the year 2017. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 4.75% to 5.50%. A portion of the principal balance of this Bond was advance refunded in an amount of \$13,690,000 by the General Obligation Bonds - Second Series of 2002.

1,670,000

General Obligation Bond - Series of 1993:

The District is liable for capital appreciation bonds dated March 1, 1993. The Capital appreciation bonds are due on May 15 from the year 2009 until 2012, with a yield of 5.70% to 5.75% and a stated value at maturity of \$13,530,000. The CAB's do not pay interest currently, but increase in value with all interest due at the time of surrender.

13,530,000

Total Bonds/Notes Payable

\$93,650,000

WILSON SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006

NOTE F - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all outstanding debt, except for compensated absences for the years ending June 30 are as follows:

	General Obligation Bonds, Series of 2005	General Obligation Bonds, Series of 2004	General Obligation Bonds, Second Series of 2003	General Obligation Bonds, Series of 2003
2007	\$225,000	\$5,000	\$830,000	\$2,705,000
2008	185,000	5,000	850,000	2,790,000
2009	20,000	5,000	870,000	0
2010	20,000	120,000	895,000	0
2011	5,000	135,000	925,000	0
2012 - 2016	1,040,000	6,850,000	5,215,000	0
2017 - 2021	19,005,000	2,865,000	3,760,000	0
Total	20,500,000	9,985,000	13,345,000	5,495,000
Less: Unamortized discount on Capital Appreciation Bonds	0	0	0	0
	<u>\$20,500,000</u>	<u>\$9,985,000</u>	<u>\$13,345,000</u>	<u>\$5,495,000</u>

General Obligation Bonds, Second Series of 2002	General Obligation Bonds, Series of 2002	General Obligation Bonds, Series of 1998	General Obligation Bonds, Series of 1997	General Obligation Bonds, Series of 1993	Total General Long-Term Debt	Total Interest
\$35,000	\$525,000	\$10,000	\$1,670,000	\$0	\$6,005,000	\$3,601,888
1,855,000	525,000	0	0	0	6,210,000	3,381,170
1,915,000	210,000	0	0	3,275,000	6,295,000	3,131,438
2,000,000	205,000	0	0	3,280,000	6,520,000	3,017,748
2,075,000	0	0	0	3,500,000	6,640,000	2,894,523
19,770,000	0	0	0	3,475,000	36,350,000	2,556,753
0	0	0	0	0	25,630,000	11,169,891
27,650,000	1,465,000	10,000	1,670,000	13,530,000	93,650,000	<u>\$29,753,411</u>
0	0	0	0	(3,022,726)	(3,022,726)	
<u>\$27,650,000</u>	<u>\$1,465,000</u>	<u>\$10,000</u>	<u>\$1,670,000</u>	<u>\$10,507,274</u>	<u>\$90,627,274</u>	

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE F - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt Bonds and Notes Payable	\$78,780,000	\$20,500,000	\$5,630,000	\$93,650,000	\$6,005,000
Other Liabilities:					
Compensated Absences	763,618	316,417	241,940	838,095	59,370
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	<u>\$79,543,618</u>	<u>\$20,816,417</u>	<u>\$5,871,940</u>	<u>\$94,488,095</u>	<u>\$6,064,370</u>
Business-Type Activities					
Other Liabilities:					
Compensated Absences	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by several of the governmental funds. Total interest paid during the year ended June 30, 2006 was \$3,518,740.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE G - EMPLOYEE RETIREMENT PLAN

Plan Description:

The District contributes to a governmental cost-sharing multiple-employer defined pension plan administered by the Commonwealth of Pennsylvania Public School Employees Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code ("the Code") and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, PO Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy:

The contribution policy is set by the Code and requires contributions by active employees, participating employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 contribute at 7.50% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2006, the rate of employer contributions was 4.69% of covered payroll. The 4.69% rate is composed of a pension contribution, 4.0% of pension benefits and .69% for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2006, 2005 and 2004 were \$1,451,997, \$1,287,511, and \$846,762, respectively. Those amounts are equal to the required contribution for each year.

NOTE H - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the School District provides post-retirement health care benefits to certain employees who retire from the District and who have met certain age and service requirements. The age and service requirements vary depending upon the employee's classification. The District will pay \$135 per month towards the cost of major medical and prescription drug coverage until eligible for Medicare or death for the teachers and assume the full cost of hospitalization, major medical and prescription drug coverage until age 65 for the support staff. The cost of retirees' health care benefits is recognized as an expenditure as paid.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE I - SPECIAL TERMINATION BENEFITS

a. Retirement Bonuses

The District pays retirement bonuses to certain long-term employees based on years of service and employee classification. These bonuses vary from \$200 - \$340 per year for every year of service that exceeds the service requirement. Service requirements vary from 10 to 17 years. An accrual of the expense has been made to the government wide statements.

b. Unused Sick Leave

The District reimburses certain employees for unused accumulated sick leave. Reimbursement varies from \$10 - \$38 per day with a maximum of 25 or 100 days, depending upon employment classification. An accrual of the expense has been made to the government wide statements (see Note F), with an estimated current portion of \$59,370 expensed in the general fund.

c. Retirement Incentive

Administrators receive retirement incentives from the District if they meet all of the following requirements: 20 years of employment by the Commonwealth in education, 10 years of employment in administration by Wilson School District and have attained at least age 52 before retirement. Incentives range from \$5,000 - \$18,000 based upon certain criteria. The cost of this benefit is recognized as expenditure in the year of termination limited to \$80,000 in any one fiscal year for all administrative retirees.

NOTE J - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of Interfund Receivables and Payables at June 30, 2006:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$6,306	\$3,092,200
Capital Reserve Fund	3,092,200	0
Enterprise Fund - Food Service	0	3,511
Enterprise Fund - Child Care	0	2,795
	<u>\$3,098,506</u>	<u>\$3,098,506</u>

Interfund receivables/payables are due to shared costs which have not been reimbursed yet.

WILSON SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2006

NOTE J - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows at June 30, 2006:

	Operating Transfers In	Operating Transfers Out
General Fund	\$54,000	\$12,265,731
Capital Reserve	3,092,200	0
Nonmajor Governmental Fund - Debt Service	9,169,957	0
Enterprise Fund - Food Service	0	30,000
Enterprise Fund - Child Care	0	24,000
Agency Fund - Student Activities	3,574	0
	<u>\$12,319,731</u>	<u>\$12,319,731</u>

Transfers are made to cover capital outlay needs, to pay debt service and other long-term liabilities and to cover indirect costs.

NOTE K - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2005/06 year was \$545,866.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds are being used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2005/06 year was \$361,326.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE K - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2005 (most recent available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets	\$41,949,053
Total Liabilities	<u>31,076,001</u>
Total Fund Equity	<u><u>\$10,873,052</u></u>

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

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages of the 2005/06 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE M - CONTINGENT LIABILITIES

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE N - FUND EQUITY

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below:

Reserve for inventories - The reserve for inventories was created to represent the portion of the fund balance that is not available for expenditures because the District expects to use these resources within the next budgetary period.

NOTE O - COMMITMENTS

At June 30, 2006, the District has entered into a number of contracts related to school expansion projects. Contracts awarded and commitments outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
<u>Cornwall Terrace and Whitfield</u>		
Gilbert Architects Inc.	\$745,926	\$111,889
Stuebner, Inc.	3,175,054	2,500
Windsor Service	872,153	115,835
Frey Lutz	1,615,901	18,062
Pagoda Electric	1,750,766	16,187
Eastern Air Balancing	130,000	82,940
Vision Mechanical	442,000	251,254
MBR Construction	1,687,000	869,720
Worth & Company	2,351,000	1,910,782
Lyons Construction	7,672,000	4,740,951
The Quandel Group, Inc.	470,000	348,333
<u>New Jr. High</u>		
KCBA Architects	<u>2,887,224</u>	<u>2,860,822</u>
	<u>\$23,799,024</u>	<u>\$11,329,275</u>

There are sufficient funds in the capital project account at June 30, 2006 to cover remaining commitments.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE P - NEW ACCOUNTING STANDARDS

The Government Accounting Standards Board has issued Insurance Recoveries, Statement No. 43, Financial Reporting for Post-Employment Benefit Plans other than Pension Plans and Statement No. 45, Accounting and Financial Reporting by Employees for Post-Employment Benefit Plans other than Pension Plans all of which are effective in future years. These statements require the District to address impaired assets and estimated post-employment liabilities and their respective accounting treatment. The District is required to implement Statement No. 43 and 45 by the year ended June 30, 2008. The District has not yet determined the full impact that adoption of GASB Statement 43 and 45 will have on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND****For the Year Ended June 30, 2006**

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount	
	Original	Final
REVENUES		
Local Sources	\$47,845,794	\$47,845,794
State Sources	10,819,378	10,819,378
Federal Sources	662,507	662,507
TOTAL REVENUES	59,327,679	59,327,679
EXPENDITURES AND OTHER FINANCING USES		
EXPENDITURES - INSTRUCTION		
Regular Programs - Elementary/Secondary	23,537,289	23,537,289
Special Programs - Elementary/Secondary	5,154,365	5,304,365
Vocational Education Programs	1,739,996	1,739,996
Other Instructional Programs - Elementary/Secondary	1,142,271	1,142,271
TOTAL INSTRUCTION	31,573,921	31,723,921
SUPPORT SERVICES		
Pupil Personnel	2,033,409	2,033,409
Instructional Staff	3,225,194	3,225,194
Administration	3,398,973	3,398,973
Pupil Health	519,214	519,214
Business	657,728	657,728
Operation and Maintenance of Plant Services	5,271,918	5,271,918
Student Transportation Services	1,285,411	1,285,411
Central	333,356	333,356
Other Support Services	208,679	208,679
TOTAL SUPPORT SERVICES	16,933,882	16,933,882
OPERATION OF NONINSTRUCTIONAL SERVICES		
Student Activities	1,292,296	1,292,296
Community Services	93,594	93,594
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,385,890	1,385,890
Refund of prior year revenues	0	0
TOTAL EXPENDITURES	49,893,693	50,043,693
EXCESS OF REVENUES OVER EXPENDITURES	9,433,986	9,283,986

Actual (GAAP) Basis	Variances Final to Actual
\$49,708,773	\$1,862,979
11,150,623	331,245
682,257	19,750
61,541,653	2,213,974
22,789,832	747,457
5,483,223	(178,858)
1,725,395	14,601
1,174,030	(31,759)
31,172,480	551,441
1,938,092	95,317
3,380,842	(155,648)
3,502,024	(103,051)
483,885	35,329
669,442	(11,714)
5,218,818	53,100
1,275,028	10,383
207,006	126,350
186,186	22,493
16,861,323	72,559
1,221,961	70,335
70,869	22,725
1,292,830	93,060
3,289	(3,289)
49,329,922	713,771
12,211,731	2,927,745

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2006

	Budgeted Amount	
	Original	Final
OTHER FINANCING SOURCES (USES)		
Budgetary Reserve	(1,245,464)	(1,095,464)
Transfers from Other Funds	54,000	54,000
Transfers to Other Funds	(9,529,308)	(9,529,308)
TOTAL OTHER FINANCING SOURCES (USES)	(10,720,772)	(10,570,772)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(\$1,286,786)	(\$1,286,786)

FUND BALANCE - JULY 1, 2005

FUND BALANCE - JUNE 30, 2006

<u>Actual (GAAP) Basis</u>	<u>Variances Final to Actual</u>
0	1,095,464
54,000	0
<u>(12,265,731)</u>	<u>(2,736,423)</u>
<u>(12,211,731)</u>	<u>(1,640,959)</u>
0	<u><u>\$1,286,786</u></u>
<u>5,425,645</u>	
<u><u>\$5,425,645</u></u>	

WILSON SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

BUDGETARY DATA

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

CAPITAL RESERVE FUND BUDGET

The board does not formally adopt a capital reserve fund budget, therefore, no budgetary comparison is included.

SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2006

		<u>Fund Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
6000 Revenues from Local Sources				
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$37,379,249	\$37,555,326	\$176,077
6112	Taxes, Interim Real Estate	600,000	751,200	151,200
6113	Public Utility Realty Tax	50,858	68,785	17,927
6114	Taxes, Current, Payments in Lieu of Taxes	338	338	0
6120	Current Per Capita Taxes, Section 679	117,000	117,146	146
6140	Current Act 511 Per Capita Taxes	117,000	117,146	146
6151	Current Act 511 Earned Income Taxes	4,152,000	4,200,864	48,864
6153	Current Act 511 Real Estate Transfer Taxes	750,000	1,462,433	712,433
6155	Current Act 511 Business Privilege Taxes	1,550,000	1,801,874	251,874
6400	Delinquent Taxes (All Levies)	500,000	661,355	161,355
	Total	45,216,445	46,736,467	1,520,022
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	800,000	1,075,595	275,595
6820	Revenue from I.U. - State	0	2,000	2,000
6830	Revenue from I.U. - Federal	22,500	23,804	1,304
6831	Revenue from I.U. - Federal - Special Ed	664,085	718,824	54,739
6910	Rent from School and Other Facilities	12,000	2,873	(9,127)
6920	Donation from Private Source	3,000	21,968	18,968
6940	Tuition from Patrons	984,264	981,076	(3,188)
6960	Services Provided Other LEA's PA	0	(320)	(320)
6980	Community Swim and Physical Fitness	83,500	68,641	(14,859)
6990	Miscellaneous Revenue	60,000	77,845	17,845
	Total	2,629,349	2,972,306	342,957
	TOTAL REVENUES FROM LOCAL SOURCES	47,845,794	49,708,773	1,862,979
7000 Revenues from State Sources				
7110	Basic Instructional Subsidy	4,973,850	5,079,786	105,936
7140	Charter Schools	43,504	43,796	292
7160	Tuition/Court Placed Institutions	110,000	140,883	30,883
7210	Homebound Instruction	350	476	126
7220	Vocational Education	33,000	24,397	(8,603)
7240	Driver Education	5,300	4,900	(400)
7250	Migratory Children Education	84	200	116

WILSON SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2006

		Fund Budget	Actual	Variance Favorable (Unfavorable)
7000 Revenues from State Sources - continued				
7270	Special Education of Exceptional Pupils	1,936,685	1,925,538	(11,147)
7310	Transportation	526,293	558,492	32,199
7320	Rentals and Sinking Fund Payments	978,086	1,125,242	147,156
7330	Medical and Dental Services	106,910	108,931	2,021
7500	Extra Grants	277,316	277,811	495
7810	Social Security	1,123,000	1,145,777	22,777
7820	Retirement	705,000	714,394	9,394
TOTAL REVENUES FROM STATE SOURCES		10,819,378	11,150,623	331,245
8000 Revenues from Federal Sources				
8514	Title I	202,437	200,620	(1,817)
8515	Title II	117,289	130,803	13,514
8516	LEP/Immigrant	32,281	27,930	(4,351)
8518	Title V Innovative	10,500	22,942	12,442
8810	Access Medical Assistance Reimbursement	300,000	299,962	(38)
TOTAL REVENUES FROM FEDERAL SOURCES		662,507	682,257	19,750
9000 Other Financing Sources				
9359	Other Enterprise Fund Transfers	54,000	54,000	0
TOTAL REVENUES AND OTHER FINANCING SOURCES		<u>\$59,381,679</u>	<u>\$61,595,653</u>	<u>\$2,213,974</u>

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WILSON SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2006

		Budget	Actual	Variance Favorable (Unfavorable)
1000 Instruction				
1100	Regular Programs	\$23,537,289	\$22,789,832	\$747,457
1200	Special Programs	5,304,365	5,483,223	(178,858)
1300	Vocational Education Program	1,739,996	1,725,395	14,601
1400	Other Instructional Programs	1,142,271	1,174,030	(31,759)
	Total Instruction	31,723,921	31,172,480	551,441
2000 Support Services				
2100	Pupil Personnel	2,033,409	1,938,092	95,317
2200	Instructional Staff	3,225,194	3,380,842	(155,648)
2300	Administration	3,398,973	3,502,024	(103,051)
2400	Pupil Health	519,214	483,885	35,329
2500	Business	657,728	669,442	(11,714)
2600	Operation and Maintenance of Plant Services	5,271,918	5,218,818	53,100
2700	Student Transportation Services	1,285,411	1,275,028	10,383
2800	Central	333,356	207,006	126,350
2900	Other Support Services	208,679	186,186	22,493
	Total Support Services	16,933,882	16,861,323	72,559
3000 Operation of Noninstructional Services				
3200	Student Activities	1,292,296	1,221,961	70,335
3300	Community Services	93,594	70,869	22,725
	Total Operation of Noninstructional Services	1,385,890	1,292,830	93,060
5100	Refund of Prior Year Revenues	0	3,289	(3,289)
5000 Other Financing Uses				
5200	Fund Transfers	9,529,308	12,265,731	(2,736,423)
5900	Budgetary Reserve	1,095,464	0	1,095,464
	Total Other Financing Uses	10,624,772	12,265,731	(1,640,959)
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$60,668,465	\$61,595,653	(\$927,188)

WILSON SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006

	<u>Athletic</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Cash and Cash Equivalents	\$55,592	\$0	\$55,592
Investment	<u>38,680</u>	<u>0</u>	<u>38,680</u>
TOTAL ASSETS	<u><u>\$94,272</u></u>	<u><u>\$0</u></u>	<u><u>\$94,272</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$0	\$0
FUND BALANCES			
Debt Service Fund	0	0	0
Athletic	<u>94,272</u>	<u>0</u>	<u>94,272</u>
TOTAL FUND BALANCES	<u><u>94,272</u></u>	<u><u>0</u></u>	<u><u>94,272</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$94,272</u></u>	<u><u>\$0</u></u>	<u><u>\$94,272</u></u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2006

	<u>Athletic</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
REVENUES			
Local Sources	\$207,766	\$0	\$207,766
State Sources	<u>1,517</u>	<u>0</u>	<u>1,517</u>
TOTAL REVENUES	209,283	0	209,283
EXPENDITURES			
Debt Service - Principal	0	5,630,000	5,630,000
Debt Service - Interest	0	3,539,957	3,539,957
Noninstructional Services - Student Activities	<u>174,742</u>	<u>0</u>	<u>174,742</u>
TOTAL EXPENDITURES	<u>174,742</u>	<u>9,169,957</u>	<u>9,344,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,541	(9,169,957)	(9,135,416)
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	<u>0</u>	<u>9,169,957</u>	<u>9,169,957</u>
NET CHANGE IN FUND BALANCES	34,541	0	34,541
FUND BALANCES - BEGINNING	<u>59,731</u>	<u>0</u>	<u>59,731</u>
FUND BALANCES - ENDING	<u><u>\$94,272</u></u>	<u><u>\$0</u></u>	<u><u>\$94,272</u></u>

WILSON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

<u>Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Federal Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>
<u>U.S. Department of Education</u>				
Passed-Through the Commonwealth of Pennsylvania Department of Education:				
Title I Improving Basic Programs	I	84.010	13-06-490	07/01/05-06/30/06
Title I Academic Achievement Awards	I	84.010	77-05-490	07/01/04-06/30/05
Title V Innovative Education	I	84.298	11-06-490	07/01/05-06/30/06
Title V Innovative Education	I	84.298	11-05-490	07/01/04-06/30/05
Title II Improving Teacher Quality	I	84.367	020-06-490	07/01/05-06/30/06
Title II Improving Teacher Quality	I	84.367	020-05-490	07/08/04-09/30/05
Title II Education Technology	I	84.318	55-06-490	07/01/05-06/30/06
Title II Education Technology	I	84.318	55-05-490	07/01/04-06/30/05
Title III Language Instructional LEP	I	84.365	RA010-02-490	11/01/03-09/30/05
Title III Language Instructional LEP	I	84.365	RA010-06-490	10/01/05-09/30/06
Title III Language Instructional LEP	I	84.365	RA010-05-490	10/08/04-09/30/05
Passed-Through the Westmoreland Intermediate Unit:				
Blazing New Trails	I	84.184C		07/01/05-06/30/06
Blazing New Trails	I	84.184C		07/01/04-06/30/05
Passed-Through the Berks County Intermediate Unit:				
Drug Free Schools	I	84.186	100-000814	07/01/05-06/30/06
Individual Disability Education Act	I	84.027	62-01014	07/01/05-06/30/06
Individual Disability Education Act	I	84.027	62-01014	07/01/04-06/30/05
Total U.S. Department of Education				

Program or Award Amount	Total Received for Year	Accrued or (Deferred) Revenue at July 1, 2005	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
\$200,620	\$200,620	\$0	\$200,620	\$200,620	\$0
7,992	7,992	7,992	0	0	0
9,970	9,970	0	9,970	9,970	0
14,470	7,717	(5,255)	12,972	12,972	0
125,604	100,483	0	125,604	125,604	25,121
124,073	16,543	16,543	0	0	0
3,086	2,057	0	2,467	2,467	410
4,231	1,410	(1,322)	2,732	2,732	0
20,812	1,892	198	1,694	1,694	0
26,397	26,397	0	26,235	26,235	(162)
25,304	6,326	6,326	0	0	0
7,500	7,500	0	7,500	7,500	0
15,000	5,250	5,250	0	0	0
16,304	861	0	16,304	16,304	15,443
718,824	359,412	0	718,824	718,824	359,412
610,194	152,549	152,549	0	0	0
	906,979	182,281	1,124,922	1,124,922	400,224

WILSON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2006

<u>Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Federal Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through the Commonwealth of Pennsylvania Department of Education:				
National School Lunch Program - Federal	I	10.555	N/A	07/01/05-06/30/06
National School Lunch Program - Federal	I	10.555	N/A	07/01/04-06/30/05
Special Milk	I	10.556	N/A	07/01/05-06/30/06
Special Milk	I	10.556	N/A	07/01/04-06/30/05
Total Food Cluster				
USDA Commodities	I	10.550	N/A	07/01/05-06/30/06
Total U.S. Department of Agriculture				
TOTAL FEDERAL AWARDS				

<u>Program or Award Amount</u>	<u>Total Received for Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2005</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2006</u>
N/A	311,815	0	371,006	371,006	59,191
N/A	6,845	6,845	0	0	0
N/A	598	0	598	598	0
N/A	94	94	0	0	0
	<u>319,352</u>	<u>6,939</u>	<u>371,604</u>	<u>371,604</u>	<u>59,191</u>
N/A	<u>110,317</u>	<u>(12,893)</u>	<u>101,017</u>	<u>101,017</u>	<u>(22,193)</u>
	<u>429,669</u>	<u>(5,954)</u>	<u>472,621</u>	<u>472,621</u>	<u>36,998</u>
	<u>\$1,336,648</u>	<u>\$176,327</u>	<u>\$1,597,543</u>	<u>\$1,597,543</u>	<u>\$437,222</u>

WILSON SCHOOL DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures and Federal Awards is presented using the accrual basis of accounting, which is the same basis used for the basic financial statements.



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Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of School Directors
Wilson School District
West Lawn, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2006, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated October 13, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wilson School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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We noted certain other matters that we reported to management of Wilson School District in a separate letter dated October 13, 2006.

This report is intended solely for the information and use of management, the Board of School Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Herbein + Company, Inc.

Reading, Pennsylvania
October 13, 2006



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Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of School Directors
Wilson School District
West Lawn, Pennsylvania

Compliance

We have audited the compliance of Wilson School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Wilson 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wilson School District's management. Our responsibility is to express an opinion on Wilson School District's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 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 Wilson 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. Our audit does not provide a legal determination on Wilson School District's compliance with those requirements.

In our opinion, Wilson School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Wilson School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wilson School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of School Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Herbein + Company, Inc.

Reading, Pennsylvania
October 13, 2006

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? yes X no
Reportable condition(s) identified not considered to be
material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes X no
Reportable condition(s) identified not considered to be
material weaknesses? yes X none reported
Type of auditor's report issued on compliance for
major programs: Unqualified
Any audit findings disclosed that are required to be
reported in accordance with Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.556	Food Cluster
10.550	USDA Commodities

Dollar threshold used to distinguish between Type A and Type
B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2006

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

WILSON SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDED COSTS

For the Year Ended June 30, 2006

There were no prior year audit findings.