



WILSON SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 8 to the financial statements, effective July 1, 2014, the Wilson School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, pension and other postemployment benefit information on pages 73 through 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilson School District's basic financial statements. The individual fund financial schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

The individual fund financial schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.
Reading, Pennsylvania
November 16, 2015



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, 2015. 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 District's financial performance.

Financial Highlights

Thomas (Rudy) Ruth, Ed.D.
Superintendent
Ext. 1115

Cindy Mierzejewski, Ed.D.
Assistant Superintendent
Ext. 1143

Amy Flannery, Ed.D.
Director of Curriculum
Ext. 1143

Drew Kaufmann
Director of Athletics
Ext. 1142

Kristin Kramer
Director of Public Information
Ext. 1111

Erin Goodhart Kurtz
Director of Aquatics/
Non-Athletic Extracurriculars
Ext. 3072

Lori Lillis
Director of Human Resources
Ext. 1167

Kate Long, Ed.D.
Director of Pupil Services
Ext. 1124

Diane Richards, CPA, M.Ed.
Director of Finance &
Support Services
Ext. 1158

Christopher A. Trickett
Director of Technology
Ext. 1103

Kyle Zeiber
Director of Operations
Ext. 1240

Wilson's Mission:
Empowering Our Students to
Create Their Own Future.

- The District continued to sustain financial growth during the 2014-15 fiscal year. District-wide revenues of \$96.8 million exceeded expenses of \$94.3 million by \$2.5 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$78.5 million or 81% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$18.3 million or 19% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$69.5 million or 74% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$24.8 million or 26% of total expenses.
- Effective July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, to be in conformity with generally accepted accounting principles. Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments. Statement No. 71 establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability. The adoption of Statements No. 68 and No. 71 resulted in the District restating beginning net position, deferred outflows of resources and liabilities as of July 1, 2014. Net position was restated by \$122.2 million, with a decrease of \$118.0 million and \$4.2 million in governmental activities and business-type activities, respectively. This created a deficiency in net position as of July 1, 2014 of \$14.9 million and \$2.8 million in governmental and business-type activities, respectively. Deferred outflows of resources were restated by \$6.6 million with an increase in deferred outflows of pension contributions of \$6.4 million and \$0.2 million in governmental and business-type activities, respectively. Liabilities were restated by \$128.8 million, with an increase in net pension liability of \$124.4 million and \$4.4 million in governmental activities and business-type activities, respectively.
- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property tax cap annually. For fiscal year 2014-15, that cap was 2.5%, or 0.6 mills. The District increased millage by .25 to 24.25 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.

- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2014-15 Homestead and Farmstead Exclusion Resolution in June 2014 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2014 real estate tax bills of \$6,070 each, which resulted in a \$147.20 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1,366,208 as well as \$15,650 of Philadelphia tax credit reimbursement funds totaling \$1,381,858 available during the current year for real estate tax reduction.
- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option, in which three equal installments are due August 31, October 31, and December 31. Approximately 6% of District real estate taxpayers elected the installment method for the 2014-15 fiscal year, consistent with the prior year.
- As a member of the Berks County School District Health Trust, the District experienced a 3% increase in health insurance premiums over the prior year.
- The collective bargaining agreement between the District and the Wilson Education Association provided for a salary freeze during 2014-15.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 16.93% to 21.4% for 2014-15, with additional rate increases projected in future years. As of June 30, 2015, \$4.8 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- During 2014-15, net capital additions totaled \$4.1 million, including renovations and improvements to buildings, athletic fields and pool facilities, new equipment, and an energy savings performance contract. Commitments remaining on construction contracts as of June 30, 2015 total \$0.6 million.
- On July 1, 2014, the District issued two General Obligation Notes: Series B of 2014 in the amount of \$100,000 and Series C of 2014 in the amount of \$90,000. The proceeds from the notes were used to pay debt issuance costs and will mature in 2016.

- As of June 30, 2015, fund balances of governmental funds (which includes the general fund, capital projects fund, and debt service fund) totaled \$20.5 million. The general fund balance of \$10.3 million consisted of \$4.8 million in committed fund balance for anticipated increases in PSERS contributions, \$1.0 million in assigned fund balance which represents the 2015-16 budgeted deficit, and unassigned fund balance of \$4.5 million. The capital projects fund had \$10.3 million in restricted fund balance, consisting primarily of reserve funds for capital expenditures.
- Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (OPEB), requires the financial statements to reflect an expense and corresponding liability for the normal cost of postemployment benefits (the present value of benefits allocated to the year) and amortization of the unfunded actuarial accrued liability. Based on an actuarial study performed with the valuation date of January 1, 2014, the District's actuarial accrued liability for postemployment benefits other than pensions was \$7.6 million. The District has not funded this liability, but rather pays these benefits as they become due. Based on an amortization period not to exceed thirty years, the calculated annual OPEB cost totaled \$0.9 million for the fiscal year ended June 30, 2015. This annual cost, less the District's actuarial determined contribution of \$0.4 million resulted in an additional liability and expense of \$0.4 million as of and for the year ended June 30, 2015, included in the Statement of Net Position and Statement of Activities, respectively.

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 the Wilson School District Annual Financial Report

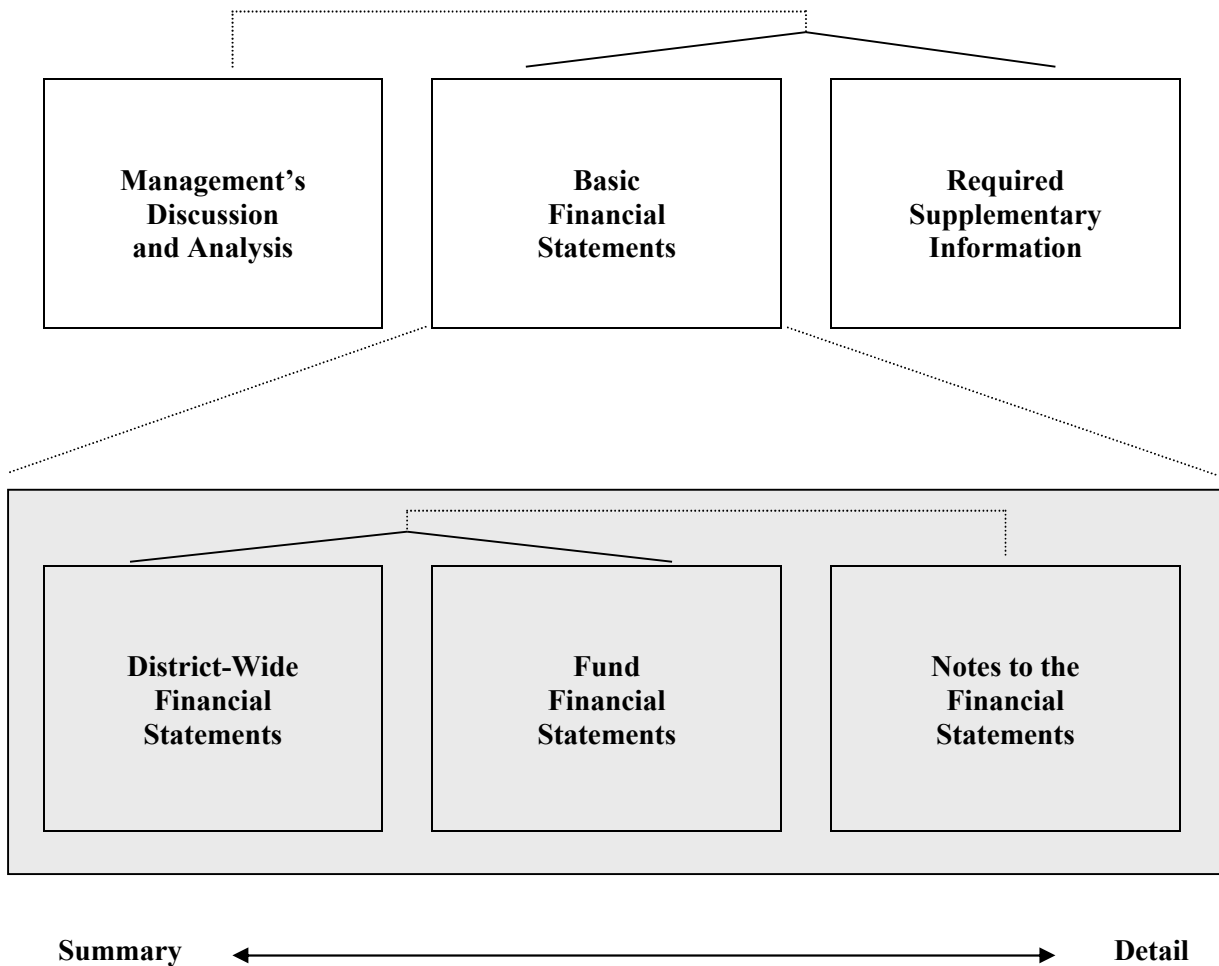


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each 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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent	All assets and liabilities, both current and noncurrent; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

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

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position 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, accrued interest expense, retirement incentives, and unused sick 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 state subsidies and state grants.

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 statements, an explanation of the relationship (and differences) between the fund statements and district-wide statements is provided on the reconciliations following the fund statements.

- **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 or fiduciary for assets that belong to others, such as scholarship funds or student activities 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 Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2014 (restated for comparison purposes due to the implementation of GASB Statements No. 68 and No. 71) and June 30, 2015.

Figure 3
Condensed Statements of Net Position

Fiscal Years Ended June 30, 2014 and June 30, 2015						
	Governmental Activities		Business-Type Activities		Total	
	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)	2015
Current and other assets	\$ 33,373,144	\$ 32,213,928	\$ 1,309,121	\$ 1,420,855	\$ 34,682,265	\$ 33,634,783
Capital assets	189,938,910	188,109,904	339,738	353,382	190,278,648	188,463,286
Total Assets	223,312,054	220,323,832	1,648,859	1,774,237	224,960,913	222,098,069
Deferred Outflows of Resources	9,641,639	10,750,721	144,321	302,199	9,785,960	11,052,920
Current liabilities	20,442,020	19,946,111	165,005	242,831	20,607,025	20,188,942
Noncurrent liabilities	227,462,522	217,066,661	2,878,026	4,464,735	230,340,548	221,531,396
Total Liabilities	247,904,542	237,012,772	3,043,031	4,707,566	250,947,573	241,720,338
Deferred Inflows of Resources	-	6,435,097	-	230,085	-	6,665,182
Net Investment in Capital Assets	84,943,002	91,337,199	339,738	353,382	85,282,740	91,690,581
Restricted for Capital Projects	10,557,437	10,262,730	-	-	10,557,437	10,262,730
Unrestricted	(110,451,288)	(113,973,245)	(3,129,957)	(3,214,597)	(113,581,245)	(117,187,842)
Total Net Position (Deficit)	\$ (14,950,849)	\$ (12,373,316)	\$ (2,790,219)	\$ (2,861,215)	\$ (17,741,068)	\$ (15,234,531)

Total assets decreased by \$2.9 million from the prior year primarily due to the depreciation of capital assets net of additions, as well as a decrease in cash for bond principal and interest payments. Deferred outflows of resources increased by \$1.3 million due to a \$2.0 million increase in deferred pension contributions made subsequent to the measurement date and prior to the District's year end, net of \$0.7 million deferred charge on bond refunding amortization. The overall decrease in liabilities of \$9.2 million is primarily the result of bond principal payments of \$8.3 million, net of a \$0.2 million issuance of General Obligation Notes, Series B and C of 2014, a \$1.5 million decrease in net pension liability, net of a \$0.4 million increase in postemployment benefit other than pension obligations. As a result of the implementation of GASB Statements No. 68 and No. 71 during the 2014-15 fiscal year, deferred inflows of resources, specifically deferred pension expense, increased over the prior year by \$6.7 million.

District revenues exceeded expenses by \$2.5 million, which effectively decreased the net deficit for the year ended June 30, 2015. Governmental activities' net deficit decreased by \$2.6 million from the combined result of a .25 millage increase with a collection rate of approximately 97% and strong fiscal control over expenditures. Net deficit in business-type activities increased by \$0.1 million, which resulted from the combined net income of the food service and child care funds before operating transfers of \$0.1 million, less \$0.2 million of operating transfers to the general fund.

The results of operations for the fiscal year ended June 30, 2015 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ending June 30, 2014 and June 30, 2015.

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. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. 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. District-wide revenues totaled \$96.8 million, an increase of \$3.5 million or 3.7% over the prior year, of which governmental activities' revenue increased \$3.3 million or 3%, while business-type activities' revenue increased by \$0.2 million or 4%. Figure 5 depicts the 2014-15 sources of revenues as of percentage of district-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2014-15 district-wide expenses. District-wide expenses totaled \$94.3 million, an increase of \$6.2 million or 7% over the prior year, over half of which was due to the \$3.2 million increase in pension expense related to the implementation of GASB Statements No. 68 and No. 71 in 2014-15, which is not reflected in 2013-14. In addition, increased required pension contributions of \$2.0 million, a \$0.5 million increase in depreciation, and a \$0.5 million net increase in overall operational expenses accounted for the increase in expenses over the prior year.

Figure 4
Changes in Net Position from Operating Results

Fiscal Years Ended June 30, 2014 and June 30, 2015						
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for services	\$ 1,180,025	\$ 1,330,227	\$ 2,554,926	\$ 2,682,196	\$ 3,734,951	\$ 4,012,423
Operating grants and contributions	10,404,975	11,572,211	1,272,908	1,304,933	11,677,883	12,877,144
Capital grants and contributions	1,383,474	1,405,554	-	-	1,383,474	1,405,554
General Revenues						
Property taxes and other taxes levied for general purposes	67,877,009	69,802,257	-	-	67,877,009	69,802,257
Grants, Subsidies, and Contributions Not Restricted	8,361,170	8,373,867	-	-	8,361,170	8,373,867
Other	424,635	486,704	(194,223)	(191,323)	230,412	295,381
Total Revenues	89,631,288	92,970,820	3,633,611	3,795,806	93,264,899	96,766,626
Expenses						
Instruction	52,623,443	57,321,741	-	-	52,623,443	57,321,741
Instructional student support	8,540,555	9,265,772	-	-	8,540,555	9,265,772
Administrative and financial support services	7,139,173	7,589,057	-	-	7,139,173	7,589,057
Operation and maintenance of plant services	7,578,526	7,249,111	-	-	7,578,526	7,249,111
Pupil transportation	2,675,442	2,916,783	-	-	2,675,442	2,916,783
Other	5,968,271	6,050,823	3,561,256	3,866,802	9,529,527	9,917,625
Total Expense	84,525,410	90,393,287	3,561,256	3,866,802	88,086,666	94,260,089
Change in Net Position	\$ 5,105,878	\$ 2,577,533	\$ 72,355	\$ (70,996)	\$ 5,178,233	\$ 2,506,537

Figure 5
Sources of District-Wide Revenues for Fiscal Year 2015

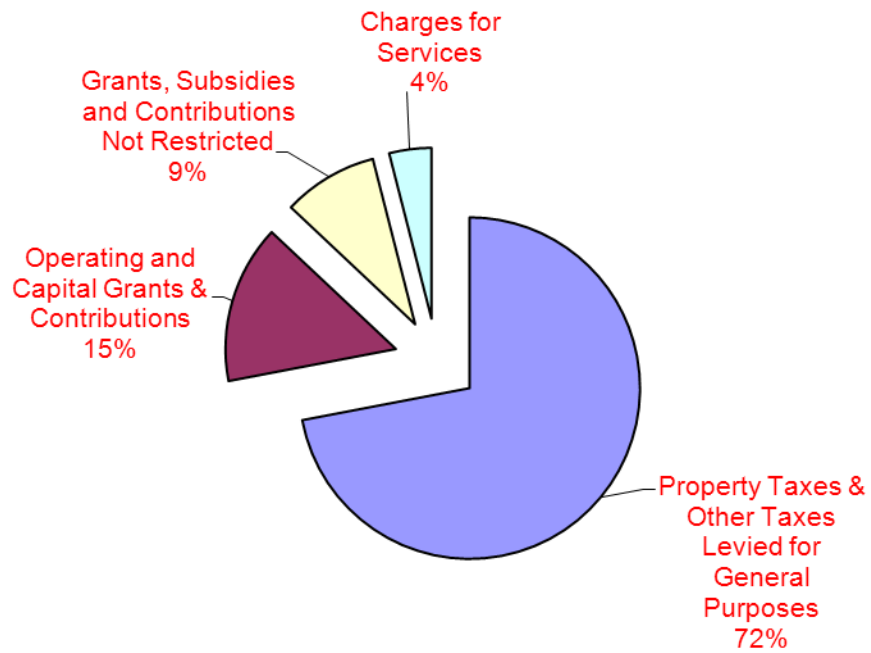


Figure 6
District-Wide Expenses for Fiscal Year 2015

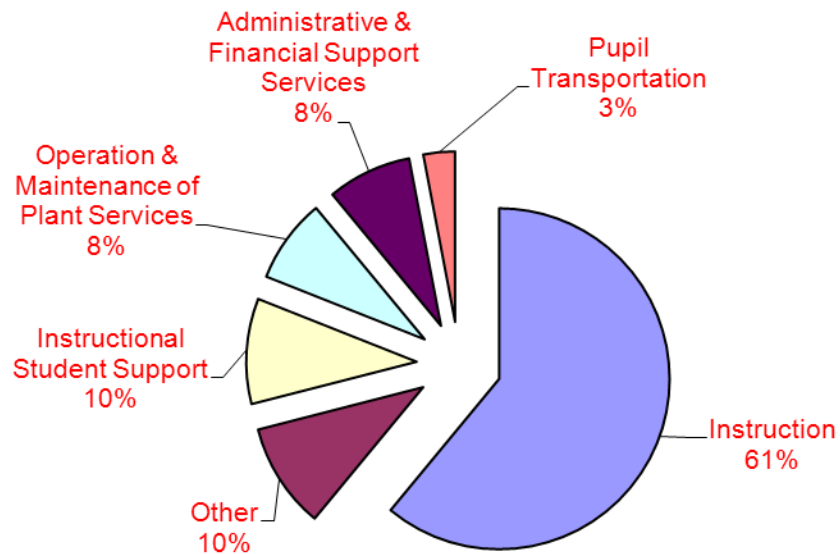


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended, June 30, 2015, general revenue supported 85% of governmental activities' costs, and program revenue supported 15% of governmental activities' costs. The implementation of GASB Statements No. 68 and No. 71 during fiscal year 2014-15, increased net pension expense in the governmental activities by \$3.1 million, which is not reflected in the prior year.

Figure 7
Net Cost of Governmental Activities

Fiscal Years Ended June 30, 2014 and June 30, 2015				
	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
Instruction	\$ 52,623,443	\$ 57,321,741	\$ 44,588,466	\$ 48,146,595
Instructional Student Support	8,540,555	9,265,772	7,834,186	8,410,207
Administrative and Financial Support Services	7,139,173	7,589,057	6,718,164	7,056,106
Operation and Maintenance of Plant Services	7,578,526	7,249,111	7,159,364	6,772,825
Pupil Transportation	2,675,442	2,916,783	1,511,705	1,742,305
Other	5,968,271	6,050,823	3,745,051	3,957,257
Total	\$ 84,525,410	\$ 90,393,287	\$ 71,556,936	\$ 76,085,295

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of child care activities and 98 % of food services for the year ended June 30, 2015. The current year net income from services of \$0.1 million is primarily the result of a 13% increase in child care tuition and fees revenue. The implementation of GASB Statements No. 68 and No. 71 during fiscal year 2014-15, increased net pension expense in the business-type activities by \$0.1 million, which is not reflected in the prior year.

Figure 8
Net Cost (Income) of Business-Type Activities

Fiscal Years Ended June 30, 2014 and June 30, 2015				
	Total Cost of Services		Net Cost (Income) of Services	
	2014	2015	2014	2015
Food Services	\$ 2,645,060	\$ 2,679,460	\$ 3,610	\$ 47,770
Child Care	916,196	1,187,342	(270,188)	(168,097)
Total	\$ 3,561,256	\$ 3,866,802	\$ (266,578)	\$ (120,327)

Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital projects fund, and debt service fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2015.

Figure 9
Fund Balances

For Fiscal Years Ended June 30, 2014 and June 30, 2015

	Fund Balance		Increase (Decrease)
	2014	2015	
General Fund	\$ 10,271,303	\$ 10,271,303	\$ -
Capital Projects Fund	10,604,329	10,265,979	(338,350)
Debt Service Fund	-	-	-
Total	\$ 20,875,632	\$ 20,537,282	\$ (338,350)

The District's governmental funds reported combined fund balances as of June 30, 2015 of \$20.5 million. The decrease of \$0.3 million compared to the prior year is due primarily to capital outlay of \$2.8 million which is accounted for in expenditures, net of general fund current year excess of revenues over expenditures of \$2.5 million transferred to the capital projects fund for future capital purchases and projects.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories—nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2015, general fund balance of \$10.3 million consisted of \$4.8 million in committed fund balance for anticipated increases in PSERS contributions, \$1.0 million in assigned fund balance which represents the 2015-16 budgeted deficit, and unassigned fund balance of \$4.5 million. The capital projects fund had \$10.3 million in restricted fund balance, consisting primarily of reserve funds for capital expenditures.

Governmental Funds' Revenues and Expenditures

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2015, total revenues of \$92.7 million are comprised of local revenues of 78% with state and federal revenues contributing 21% and 1%, respectively. Expenditures of governmental funds totaling \$93.5 million are categorized as current (instructional, support and operation of noninstructional services) representing 84% of the total, with debt service and capital outlay comprising 13% and 3% of total expenditures, respectively. Other Financing Sources (Uses) of \$0.5 million include proceeds from the issuance of two general obligation notes totaling \$0.2 million, proceeds of \$0.1 million from the sale of fixed assets as well as net transfers in of \$0.2 million. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2015.

Figure 10
Sources of Governmental Funds' Revenues for Fiscal Year 2015

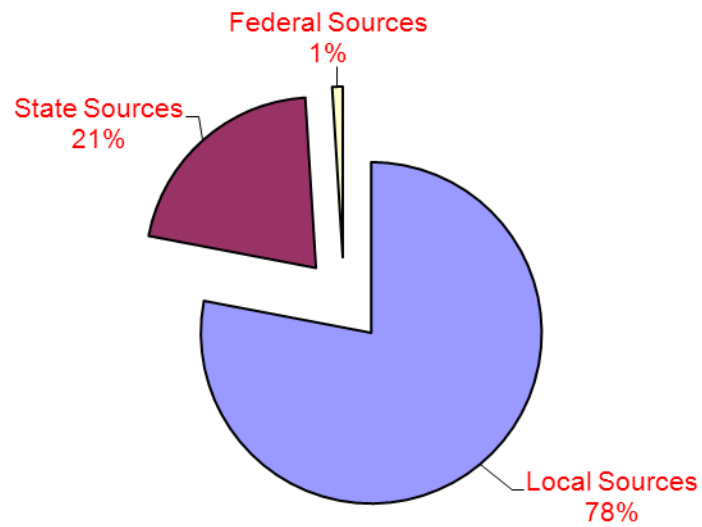
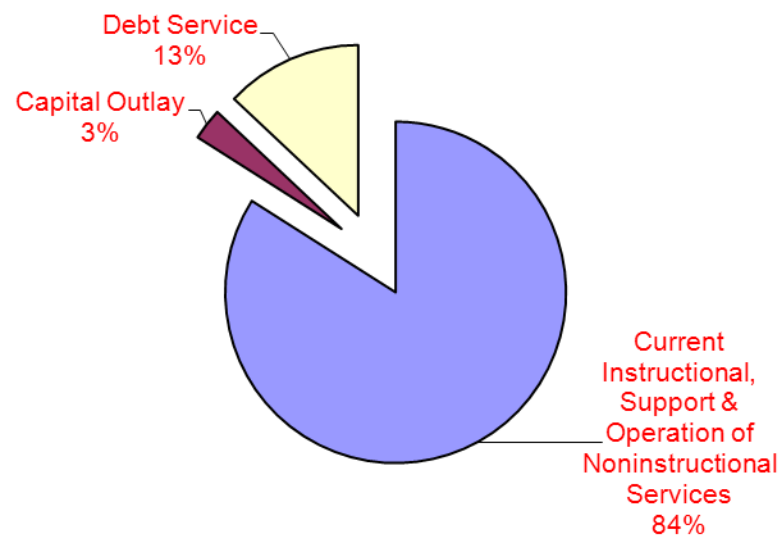


Figure 11
Governmental Funds' Expenditures for Fiscal Year 2015



Capital Assets and Debt Administration

Capital Assets

In total, net capital assets decreased \$1.8 million as a result of \$4.1 million of net capital additions related to renovations and improvements to buildings, athletic fields and pool facilities, new equipment, and an energy savings performance contract, less current year depreciation of \$5.9 million. Contractual commitments related to capital projects total \$0.6 million as of June 30, 2015.

Figure 12
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2014 and June 30, 2015						
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 10,872,388	\$ 10,872,388	\$ -	\$ -	\$ 10,872,388	\$ 10,872,388
Site Improvements	8,698,797	8,003,260	-	-	8,698,797	8,003,260
Building and Building Improvements	156,051,928	163,163,163	191,725	222,082	156,243,653	163,385,245
Machinery and Equipment	4,418,891	4,242,487	148,013	131,300	4,566,904	4,373,787
Vehicles	1,832,790	1,828,606			1,832,790	1,828,606
Construction-in-Progress	8,064,116	-	-	-	8,064,116	-
Total	\$ 189,938,910	\$ 188,109,904	\$ 339,738	\$ 353,382	\$ 190,278,648	\$ 188,463,286

Long-term Debt

Outstanding long-term debt totaling \$95.8 million as of June 30, 2015, consists of general obligation bonds of \$94.6 million with varying maturities through year 2026, general obligation notes of \$0.2 million maturing in 2016 and long-term compensated absences of \$1.0 million. On July 1, 2014, the District issued General Obligation Note, Series B of 2014 in the amount of \$100,000 and General Obligation Note, Series C of 2014 in the amount of \$90,000. Proceeds from the notes were used to pay debt issuance costs and will mature in 2016. Principal payments totaled \$8.3 million during the fiscal year, with interest payments totaling \$3.8 million. Accrued compensated absences of \$1.0 million as of June 30, 2015 and 2014 consist of certain benefits paid at retirement, including unused sick pay and other retirement benefits, based on specific eligibility requirements.

Figure 13
Outstanding Long-Term Debt

For Fiscal Years Ended June 30, 2014 and June 30, 2015			
	Total		Change
	2014	2015	
General Obligation Bonds	\$ 102,930,000	\$ 94,640,000	\$ (8,290,000)
General Obligation Notes	-	190,000	190,000
Compensated Absences	1,040,463	1,018,172	(22,291)
Total	\$ 103,970,463	\$ 95,848,172	\$ (8,122,291)

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.

- Under Act 1, Pennsylvania Public Schools are subject to a real estate property base tax cap of 1.9% for fiscal years 2015-16 and 2.4% for 2016-17. Due to the District's aid ratio exceeding 0.4 for both the 2015-16 and the 2016-17 fiscal years, the District's millage is limited to a 2.3% and a 2.9% increase, respectively. The District's 2015-16 millage of 24.6 represented a 1.4% increase. The District's 2016-17 millage is limited to 25.31 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in January 2016.
- All real estate taxpayers have the payment option of three equal installments due August 31, October 31, and December 31. Approximately 6% of eligible District real estate taxpayers elected the installment method for the 2015-16 fiscal year, consistent with the prior year.
- Contractual commitments related to the renovations and upgrades to the pool, elementary classroom additions, and energy savings performance contract total approximately \$0.6 million.
- The District's collective bargaining agreement with the Wilson Education Association expired on June 30, 2015. Negotiations are ongoing.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 21.4% to 25.84% for 2015-16, with rate increases projected in future years. The District has committed approximately \$4.8 million of fund balance in the General Fund for future retirement contribution increases.
- Health Trust insurance premiums for 2015-16 increased by 3% over the prior year.
- Subsequent to the 2014-15 fiscal year end, the District issued three General Obligation Notes: Series of 2015 in the amount of \$9,440,000, Series A of 2015 in the amount of \$9,900,000, and Series B of 2015 in the amount of \$6,005,000. Proceeds from the issuance of Series of 2015 were used to currently refund the outstanding portion of General Obligation Bonds, Series of 2007, for a present value savings of \$1.9 million. Proceeds from the issuance of Series A of 2015 and Series B of 2015 were used to currently refund General Obligation Bonds, Series of 2010, for a combined present value savings of \$0.7 million.
- The District will be required to implement the following new GASB Statements in future fiscal years: Statement No. 72, *Fair Value Measurement and Application*, Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 77, *Tax Abatement Disclosures*. The District has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

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.

WILSON SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 26,477,973	\$ 1,346,065	\$ 27,824,038
Restricted Cash	27,343	-	27,343
Internal Balances	1,699	(1,699)	-
Taxes Receivable, Net	1,541,974	-	1,541,974
Intergovernmental Receivables	4,113,798	34,745	4,148,543
Other Receivables	51,141	8,153	59,294
Inventories	-	33,591	33,591
Capital Assets Not Being Depreciated:			
Land	10,872,388	-	10,872,388
Capital Assets, Net of Accumulated Depreciation:			
Site Improvements	8,003,260	-	8,003,260
Building and Building Improvements	163,163,163	222,082	163,385,245
Machinery and Equipment	4,242,487	131,300	4,373,787
Vehicles	1,828,606	-	1,828,606
TOTAL ASSETS	220,323,832	1,774,237	222,098,069
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	2,565,041	-	2,565,041
Pension Contributions made Subsequent to the Measurement Date	8,185,680	302,199	8,487,879
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,750,721	302,199	11,052,920
LIABILITIES			
Accounts Payable	1,327,318	70,939	1,398,257
Intergovernmental Payables	389,794	-	389,794
Accrued Salaries and Benefits	8,805,437	37,958	8,843,395
Accrued Interest	499,118	-	499,118
Unearned Revenues	199,467	133,934	333,401
Noncurrent Liabilities			
Amounts Due Within One Year	8,724,977	-	8,724,977
Bonds Payable, Net	90,655,995	-	90,655,995
Long-Term Portion of Compensated Absences	978,195	-	978,195
Net Pension Liability	122,865,102	4,386,898	127,252,000
Other Postemployment Benefit Obligation	2,567,369	77,837	2,645,206
TOTAL LIABILITIES	237,012,772	4,707,566	241,720,338
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Expense	6,435,097	230,085	6,665,182
NET POSITION			
Net Investment in Capital Assets	91,337,199	353,382	91,690,581
Restricted for Capital Projects	10,262,730	-	10,262,730
Unrestricted (Deficit)	(113,973,245)	(3,214,597)	(117,187,842)
TOTAL NET POSITION (DEFICIT)	\$ (12,373,316)	\$ (2,861,215)	\$ (15,234,531)

See accompanying notes.

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 41,320,031	\$ 68,193	\$ 4,375,387	\$ -	\$ (36,876,451)	\$ -	\$ (36,876,451)
Special	13,018,121	442,387	4,084,261	-	(8,491,473)	-	(8,491,473)
Vocational	2,482,767	-	104,933	-	(2,377,834)	-	(2,377,834)
Other Instructional Programs	483,801	64,755	18,209	-	(400,837)	-	(400,837)
Nonpublic	17,021	-	17,021	-	-	-	-
Total Instructional Services	57,321,741	575,335	8,599,811	-	(48,146,595)	-	(48,146,595)
Support Services:							
Pupil Personnel	3,158,097	-	308,765	-	(2,849,332)	-	(2,849,332)
Instructional Staff	5,204,668	-	371,167	-	(4,833,501)	-	(4,833,501)
Administration	6,273,045	-	434,453	-	(5,838,592)	-	(5,838,592)
Pupil Health	740,375	-	175,633	-	(564,742)	-	(564,742)
Business Services	880,356	-	73,174	-	(807,182)	-	(807,182)
Operation of Plant and Maintenance Services	7,249,111	134,069	342,217	-	(6,772,825)	-	(6,772,825)
Student Transportation Services	2,916,783	135,890	1,038,588	-	(1,742,305)	-	(1,742,305)
Central	435,656	-	25,324	-	(410,332)	-	(410,332)
Other Support Services	162,632	-	-	-	(162,632)	-	(162,632)
Total Support Services	27,020,723	269,959	2,769,321	-	(23,981,443)	-	(23,981,443)
Noninstructional Services:							
Student Activities	3,045,124	416,802	193,458	-	(2,434,864)	-	(2,434,864)
Community Services	138,034	68,131	9,621	-	(60,282)	-	(60,282)
Interest on Long-Term Debt	2,867,665	-	-	1,405,554	(1,462,111)	-	(1,462,111)
Total Noninstructional Services	6,050,823	484,933	203,079	1,405,554	(3,957,257)	-	(3,957,257)
Total Governmental Activities	90,393,287	1,330,227	11,572,211	1,405,554	(76,085,295)	-	(76,085,295)

See accompanying notes.

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - CONTINUED

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Services	2,679,460	1,513,426	1,118,264	-	-	(47,770)	(47,770)
Child Care	1,187,342	1,168,770	186,669	-	-	168,097	168,097
Total Business-Type Activities	3,866,802	2,682,196	1,304,933	-	-	120,327	120,327
Total Primary Government	<u>\$ 94,260,089</u>	<u>\$ 4,012,423</u>	<u>\$ 12,877,144</u>	<u>\$ 1,405,554</u>	(76,085,295)	120,327	(75,964,968)
General Revenues and Transfers:							
General Revenues							
Taxes:							
Property Taxes					60,384,059	-	60,384,059
Public Utility Realty, Earned Income, Local Services, and Mercantile/Business Privilege Taxes					9,418,198	-	9,418,198
Grants, Subsidies, and Contributions Not Restricted for a Specific Program					8,373,867	-	8,373,867
Investment Earnings					131,861	3,998	135,859
Miscellaneous Income					159,522	-	159,522
Transfers					195,321	(195,321)	-
Total General Revenues and Transfers					78,662,828	(191,323)	78,471,505
Change in Net Position					2,577,533	(70,996)	2,506,537
Net Position (Deficit) - Beginning - Restated					(14,950,849)	(2,790,219)	(17,741,068)
Net Position (Deficit) - Ending					\$ (12,373,316)	\$ (2,861,215)	\$ (15,234,531)

See accompanying notes.

WILSON SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2015

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 18,569,740	\$ 7,908,233	\$ -	\$ 26,477,973
Restricted Cash	-	27,343	-	27,343
Interfund Receivables	9,029	2,515,204	-	2,524,233
Taxes Receivable	1,700,642	-	-	1,700,642
Intergovernmental Receivables	4,113,798	-	-	4,113,798
Other Receivables	51,141	-	-	51,141
TOTAL ASSETS	\$ 24,444,350	\$ 10,450,780	\$ -	\$ 34,895,130
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund Payables	\$ 2,522,534	\$ -	\$ -	\$ 2,522,534
Accounts Payable	1,142,517	184,801	-	1,327,318
Intergovernmental Payables	389,794	-	-	389,794
Accrued Salaries and Benefits	8,845,414	-	-	8,845,414
Unearned Revenues	199,467	-	-	199,467
TOTAL LIABILITIES	13,099,726	184,801	-	13,284,527
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,073,321	-	-	1,073,321
FUND BALANCES				
Restricted Fund Balance	-	10,265,979	-	10,265,979
Committed Fund Balance	4,774,743	-	-	4,774,743
Assigned Fund Balance	1,000,000	-	-	1,000,000
Unassigned Fund Balance	4,496,560	-	-	4,496,560
TOTAL FUND BALANCES	10,271,303	10,265,979	-	20,537,282
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,444,350	\$ 10,450,780	\$ -	\$ 34,895,130

See accompanying notes.

WILSON SCHOOL DISTRICT

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

June 30, 2015

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$	20,537,282
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 \$256,730,376 and the accumulated depreciation is \$68,620,472.			188,109,904
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 reported as unavailable revenue in the funds.			914,653
The net pension and other postemployment benefit obligations are not reflected on the fund financial statements.			(123,681,888)
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 and Notes Payable	\$	(94,830,000)
	Accrued Interest		(499,118)
	Unamortized Bond Premium		(4,637,128)
	Unamortized Bond Discount		126,133
	Deferred Charge on Bond Refunding		2,565,041
	Long-Term Portion of Compensated Absences		(978,195)
			<u>(98,253,267)</u>
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		\$	<u><u>(12,373,316)</u></u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local Sources	\$ 72,513,808	\$ 81,117	\$ -	\$ 72,594,925
State Sources	19,049,951	-	-	19,049,951
Federal Sources	1,036,111	-	-	1,036,111
TOTAL REVENUES	92,599,870	81,117	-	92,680,987
EXPENDITURES				
Current				
Instructional Services	50,889,577	-	-	50,889,577
Support Services	25,188,214	49,387	190,000	25,427,601
Operation of Noninstructional Services	2,197,810	-	-	2,197,810
Capital Outlay	-	2,885,284	-	2,885,284
Debt Service				
Principal	-	-	8,290,000	8,290,000
Interest	-	-	3,757,938	3,757,938
Refund of Prior Year Revenues	21,515	-	-	21,515
TOTAL EXPENDITURES	78,297,116	2,934,671	12,237,938	93,469,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,302,754	(2,853,554)	(12,237,938)	(788,738)
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Notes	-	-	190,000	190,000
Sale of Capital Assets	65,067	-	-	65,067
Transfers In	195,321	2,515,204	12,047,938	14,758,463
Transfers Out	(14,563,142)	-	-	(14,563,142)
TOTAL OTHER FINANCING SOURCES (USES)	(14,302,754)	2,515,204	12,237,938	450,388
NET CHANGE IN FUND BALANCES	-	(338,350)	-	(338,350)
FUND BALANCES - BEGINNING	10,271,303	10,604,329	-	20,875,632
FUND BALANCES - ENDING	\$ 10,271,303	\$ 10,265,979	\$ -	\$ 20,537,282

See accompanying notes.

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (338,350)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 4,018,023	
Less: Loss on Disposal	(22,730)	
Less: Depreciation Expense	<u>(5,824,299)</u>	(1,829,006)

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.

50,960

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of Bond Principal	8,290,000	
Proceeds from Issuance of Notes	(190,000)	
Amortization of Bond Premium	903,877	
Amortization of Bond Discount	(32,687)	
Amortization of Deferred Charge on Bond Refunding	<u>(704,344)</u>	8,266,846

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

19,083

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

18,010

Increase in net pension liability and other postemployment benefit obligation is reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.

(3,610,010)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,577,533</u>
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WILSON SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2015

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 737,996	\$ 608,069	\$ 1,346,065
Interfund Receivables	624	(2,323)	(1,699)
Intergovernmental Receivables	32,000	2,745	34,745
Other Receivables	3,126	5,027	8,153
Inventories	33,591	-	33,591
TOTAL CURRENT ASSETS	807,337	613,518	1,420,855
NONCURRENT ASSETS			
Building Improvements, Net	-	222,082	222,082
Machinery and Equipment, Net	65,251	66,049	131,300
TOTAL NONCURRENT ASSETS	65,251	288,131	353,382
TOTAL ASSETS	872,588	901,649	1,774,237
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions made Subsequent to the Measurement Date	182,313	119,886	302,199
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	11,676	59,263	70,939
Accrued Salaries and Benefits	7,894	30,064	37,958
Unearned Revenues	70,774	63,160	133,934
TOTAL CURRENT LIABILITIES	90,344	152,487	242,831
NONCURRENT LIABILITIES			
Net Pension Liability	2,782,644	1,604,254	4,386,898
Other Postemployment Benefit Obligation	75,171	2,666	77,837
TOTAL LIABILITIES	2,948,159	1,759,407	4,707,566
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Expense	146,139	83,946	230,085
NET POSITION			
Net Investment in Capital Assets	65,251	288,131	353,382
Unrestricted (Deficit)	(2,104,648)	(1,109,949)	(3,214,597)
TOTAL NET POSITION (DEFICIT)	\$ (2,039,397)	\$ (821,818)	\$ (2,861,215)

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended June 30, 2015

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
OPERATING REVENUES			
Food Service Revenue	\$ 1,513,426	\$ -	\$ 1,513,426
Tuition and Fee Revenue	-	1,168,770	1,168,770
TOTAL OPERATING REVENUES	1,513,426	1,168,770	2,682,196
OPERATING EXPENSES			
Salaries	941,326	640,366	1,581,692
Employee Benefits	458,626	275,784	734,410
Postemployment Benefits Expense	6,190	9,838	16,028
Supplies and Other Operating Expenses	1,251,565	240,073	1,491,638
Depreciation	18,395	18,332	36,727
TOTAL OPERATING EXPENSES	2,676,102	1,184,393	3,860,495
OPERATING INCOME (LOSS)	(1,162,676)	(15,623)	(1,178,299)
NONOPERATING REVENUES (EXPENSES)			
Earnings on Investments	2,113	1,885	3,998
State Sources	198,572	186,669	385,241
Federal Sources	919,692	-	919,692
Loss on Disposal of Assets	(3,358)	(2,949)	(6,307)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,117,019	185,605	1,302,624
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(45,657)	169,982	124,325
TRANSFERS OUT	(57,249)	(138,072)	(195,321)
CHANGE IN NET POSITION	(102,906)	31,910	(70,996)
NET POSITION (DEFICIT) - BEGINNING - RESTATED	(1,936,491)	(853,728)	(2,790,219)
NET POSITION (DEFICIT) - ENDING	<u>\$ (2,039,397)</u>	<u>\$ (821,818)</u>	<u>\$ (2,861,215)</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2015

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,514,111	\$ 1,197,748	\$ 2,711,859
Cash Payments to Employees for Services	(1,328,100)	(878,724)	(2,206,824)
Cash Payments for Supplies and Other Operating Expenses	<u>(1,135,956)</u>	<u>(182,548)</u>	<u>(1,318,504)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(949,945)	136,476	(813,469)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	207,309	185,744	393,053
Federal Sources	895,053	-	895,053
Operating Transfers Out	<u>(57,249)</u>	<u>(138,072)</u>	<u>(195,321)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,045,113	47,672	1,092,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Equipment	(9,673)	(47,005)	(56,678)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	<u>2,113</u>	<u>1,885</u>	<u>3,998</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,608	139,028	226,636
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>650,388</u>	<u>469,041</u>	<u>1,119,429</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 737,996</u></u>	<u><u>\$ 608,069</u></u>	<u><u>\$ 1,346,065</u></u>

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2015

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating Loss	\$ (1,162,676)	\$ (15,623)	\$ (1,178,299)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Depreciation	18,395	18,332	36,727
Donated Commodities Used	127,494	-	127,494
Changes in Assets and Liabilities:			
Intergovernmental and Other Receivables	(2,977)	(1,499)	(4,476)
Inventories	3,821	-	3,821
Interfund Balances	(3,317)	(991)	(4,308)
Deferred Outflows of Resources	(37,992)	(36,684)	(74,676)
Accounts Payable	(15,896)	58,467	42,571
Accrued Salaries and Benefits	785	9,529	10,314
Unearned Revenues	3,662	30,477	34,139
Net Pension Liability	(33,573)	(19,316)	(52,889)
Other Postemployment Benefit Obligation	6,190	9,838	16,028
Deferred Inflows of Resources	146,139	83,946	230,085
Total Adjustments	212,731	152,099	364,830
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (949,945)</u>	<u>\$ 136,476</u>	<u>\$ (813,469)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$127,494 of commodities from the U.S. Department of Agriculture.

WILSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust Funds Scholarship	Agency Funds Student Activities
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 26,782	\$ 163,303
TOTAL ASSETS	26,782	<u>\$ 163,303</u>
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	-	\$ 163,303
TOTAL LIABILITIES	-	<u>\$ 163,303</u>
NET POSITION HELD IN TRUST	<u>\$ 26,782</u>	

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2015

	Private Purpose Trust Funds Scholarship
	<u> </u>
ADDITIONS	
Contributions	\$ 20,000
Earnings on Investments	<u>19</u>
TOTAL ADDITIONS	20,019
DEDUCTIONS	
Scholarships	<u>18,634</u>
CHANGE IN NET POSITION	1,385
NET POSITION - BEGINNING OF YEAR	<u>25,397</u>
NET POSITION - END OF YEAR	<u><u>\$ 26,782</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

Wilson School District (the "District") is located in Berks County, Pennsylvania. The District tax base consists of Sinking Spring Borough, Spring Township, Lower Heidelberg Township, 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

- Organizations that make up the legal District entity.
- Legally separate organizations if District officials appoint a voting majority of the organizations' governing body and the District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District as defined below.

Impose its will - If the District can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Financial benefit or burden - exists if the District (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the District.

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career and Technology Center. See Note 11 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 school 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from services or goods provided by a given function or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on general obligation debt of governmental funds.

The District has the Following Major Enterprise Funds:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is an enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Child Care Fund: This fund accounts for all revenues and expenses for the child care program. The child care fund is an enterprise fund where the intent of the governing body is that the costs of providing child care services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the district under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's only trust funds are private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as interfund receivables/payables and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction of PDE and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2014/15 budget transfers.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value, except:

- a) Nonparticipating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

2. Restricted Cash

The restricted cash balance consists of two escrow accounts with a financial institution restricted for road improvements related to the middle school project and for the additional four classrooms built onto Green Valley Elementary School as required by agreements with Lower Heidelberg Township.

3. Receivables/Payables

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. 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 the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2015, consist of the following:

Purchased food	\$ 15,886
Supplies	9,500
Donated commodities	<u>8,205</u>
	<u>\$ 33,591</u>

5. Capital Assets, Depreciation, and Amortization

The District's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

5. Capital Assets, Depreciation, and Amortization - continued

The District generally capitalizes assets with cost of \$1,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Site improvements	20
Buildings and building improvements	15 - 65
Machinery and equipment	5 - 20
Vehicles	5 - 10

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which are a deferred charge on bond refunding and a deferred pension contribution reported in the government-wide statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, *deferred pension expense*, relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow. The second item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and proprietary funds financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

8. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

9. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The finance committee or the director of finance may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

9. Fund Balance Policies and Flow Assumptions - continued

The unassigned fund balance of the general fund at the end of each fiscal year-end shall not be less than three percent of the following year's projected budgeted expenditures. In any fiscal year where the District is unable to maintain this minimum reservation of fund balance as required in this section, the District shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy places no restrictions on the order of the unrestricted fund balances used. The order of the unrestricted fund balances used for disbursements is at the discretion of the finance committee or director of finance.

G. Revenues and Expenditures/Expense

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Sick Pay

Under the District's bargaining agreement and plans, certain employees accumulate unused sick days up to a maximum of 25 or 100 days, depending upon employment classification. Upon retirement, professional employees are paid for unused sick days at the rate of \$10 - \$45/day, depending upon employment classification.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

2. Compensated Absences - continued

Vacation Leave

Unused vacation leave can be accumulated by certain employees up to a maximum of 30 days. Employees may receive full payment for up to 30 days of unused vacation days upon termination of employment or retirement. The District maintains records of all employees' accumulated vacation days.

Retirement Benefits

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.

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, ten years of employment in administration by Wilson School District and have attained at least age 52 before retirement. Incentives range from 5 percent to 15 percent of final base salary 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. Commencing July 1, 2013, administrators with 20 years of employment by the Commonwealth in education, 10 years of employment in administration by Wilson School District, and who retire under the rules of the Pennsylvania State Employees Retirement System will be entitled to a one-time retirement payment of \$1,500.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for meals and services provided. The principal operating revenues of the child care fund are tuition and fees for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Other Use of Estimates

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net position of individual funds

Deficit Fund Balance - Proprietary Funds

For the year ended June 30, 2015, the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* created a deficiency in net position at year-end of \$2,039,397 in the food service fund and \$821,818 in the child care fund. The District will fund this deficit in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

C. Excess of expenditures over appropriations in individual funds

For the year ended June 30, 2015, the General Fund has excess expenditures over appropriations of \$108,056. The District used unbudgeted revenue received to fund the excess expenditure.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2015. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 - CASH AND INVESTMENTS

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

The breakdown of total cash and investments on the financial statements at June 30, 2015 is as follows:

Petty cash	\$ 2,195
Demand deposits	24,076,835
Pooled cash and investments	<u>3,962,436</u>
	<u>\$ 28,041,466</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2015 the carrying amount of the District's deposits was \$24,076,835 and the bank balance was \$24,514,276. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$23,764,276 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72.

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are disclosed under investments below.

Investments

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

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

As of June 30, 2015, the District had the following investments:

	<u>Fair Value</u>
Pennsylvania School District Liquid Asset Fund (PSDLAF)	<u>\$ 3,962,436</u>

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

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, 2015, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
Pennsylvania School District Liquid Asset Fund	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has four independently elected tax collectors who have relinquished responsibility for the collection of taxes. The tax collectors have deputized a District approved financial institution for the collection of taxes on their behalf via a lockbox account.

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 Assessment. All taxable real property was assessed at \$2,561,018,700. In accordance with Act 1 of 2006, the District received \$1,381,858 in property tax reduction funds for the 2014/2015 fiscal year. The District tax rate for the year ended June 30, 2015, was 24.25 mills (\$24.25 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-	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 14	-	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 reported as unavailable revenue under deferred inflows of resources in the fund financial statements.

The balances at June 30, 2015 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Share of Taxes Due to Municipalities	Tax Revenue Recognized	Unavailable Revenue
Property tax	\$ 1,212,481	\$ 158,668	\$ 1,053,813	\$ -	\$ (19,508)	\$ 1,073,321
Per capita tax	9,726	-	9,726	-	9,726	-
Mercantile/ Bus. Privilege tax	99,992	-	99,992	46,837	53,155	-
Earned income tax	260,846	-	260,846	-	260,846	-
Transfer tax	117,597	-	117,597	-	117,597	-
	<u>\$ 1,700,642</u>	<u>\$ 158,668</u>	<u>\$ 1,541,974</u>	<u>\$ 46,837</u>	<u>\$ 421,816</u>	<u>\$ 1,073,321</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES

The following schedule represents intergovernmental receivables at June 30, 2015:

<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	\$ 1,674,841	\$ 215	\$ 1,654
Commonwealth of PA - Social Security	211,631	77	693
Commonwealth of PA - Health Services	113,287	-	-
Commonwealth of PA - Youth Risk Behavior Study	500	-	-
Commonwealth of PA - Transportation Subsidy	10,573	-	-
Commonwealth of PA - Rental Subsidy	1,258,920	-	-
Commonwealth of PA - National School Lunch	-	2,464	-
Federal Subsidies - Title I	76,711	-	-
Federal Subsidies - Title III	24,865	-	-
Federal Subsidies - IDEA	462,509	-	-
Federal Subsidies - ACCESS	56,440	-	-
Federal Subsidies - Medicare Admin Claims	5,406	-	-
Federal Subsidies - National School Lunch	-	29,056	-
Army JROTC	5,831	-	-
Berks Career and Technology Center	11,144	188	-
Berks County Intermediate Unit	63	-	1,759
Conrad Weiser Area School District	36,258	-	-
Exeter School District	603	-	-
Lower Heidelberg Township	2,814	-	-
Reading School District	8,765	-	-
School District of Philadelphia	40,272	-	-
Schuylkill Valley School District	10,194	-	-
Spring Township	30,776	-	-
Wyomissing School District	71,395	-	-
	<u>\$ 4,113,798</u>	<u>\$ 32,000</u>	<u>\$ 4,106</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES - CONTINUED

The following schedule represents intergovernmental payables at June 30, 2015:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Child Care Fund</u>
Berks County Intermediate Unit	\$ 32,800	\$ -
Bucks County Intermediate Unit	25,122	-
Chester County Intermediate Unit	18,848	-
Conrad Weiser Area School District	146,661	-
Lower Heidelberg Township	14,782	-
Marple Newtown School District	12,972	-
Millcreek Township School District	12,007	-
PA Department of Revenue	28	-
PA UC Fund	6,719	-
Palmyra Area School District	6,306	-
Sinking Spring Borough	5,525	-
Spring Township	81,124	-
Twin Valley School District	3,943	-
Wyomissing Borough	22,957	1,361
	<u>\$ 389,794</u>	<u>\$ 1,361</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 10,872,388	\$ -	\$ -	\$ -	\$ 10,872,388
Construction in progress	8,064,116	2,885,284	-	(10,949,400)	-
Total assets not being depreciated	18,936,504	2,885,284	-	(10,949,400)	10,872,388
Capital assets being depreciated:					
Site improvements	13,020,308	164,877	-	-	13,185,185
Buildings and building improvements	208,204,938	4,170	-	10,949,400	219,158,508
Machinery and equipment	7,817,847	452,160	(143,558)	-	8,126,449
Vehicles	5,297,631	511,532	(421,317)	-	5,387,846
Total assets being depreciated	234,340,724	1,132,739	(564,875)	10,949,400	245,857,988
Less accumulated depreciation for:					
Site improvements	4,321,511	860,414	-	-	5,181,925
Buildings and building improvements	52,153,010	3,842,335	-	-	55,995,345
Machinery and equipment	3,398,956	627,365	(142,359)	-	3,883,962
Vehicles	3,464,841	494,185	(399,786)	-	3,559,240
Total accumulated depreciation	63,338,318	5,824,299	(542,145)	-	68,620,472
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	171,002,406	(4,691,560)	(22,730)	10,949,400	177,237,516
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 189,938,910	\$ (1,806,276)	\$ (22,730)	\$ -	\$ 188,109,904

Business-Type Activities

Capital assets being depreciated:					
Building Improvements	\$ 201,603	\$ 40,493	\$ -	\$ -	\$ 242,096
Machinery and equipment	974,232	16,185	(160,576)	-	829,841
Total assets being depreciated	1,175,835	56,678	(160,576)	-	1,071,937
Accumulated depreciation for:					
Building Improvements	9,878	10,136	-	-	20,014
Machinery and equipment	826,219	26,591	(154,269)	-	698,541
Total accumulated depreciation	836,097	36,727	(154,269)	-	718,555
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 339,738	\$ 19,951	\$ (6,307)	\$ -	\$ 353,382

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instruction, Regular	\$ 3,844,506
Instruction, Special	172
Support Services	1,034,581
Noninstructional Services	<u>945,040</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 5,824,299</u>

NOTE 7 - LONG-TERM LIABILITIES

Bonds payable are as follows at June 30, 2015:

Federally Taxable General Obligation Note - Series B of 2014:

The District is liable for the federally taxable general obligation note dated July 1, 2014 in the original principal amount of \$100,000. The note has one payment and will mature on June 1, 2016. Interest accrues at 4.06% and is due upon maturity. The proceeds from the note were used to pay debt issuance costs.

\$ 100,000

Federally Taxable General Obligation Note - Series C of 2014:

The District is liable for the federally taxable general obligation note dated July 1, 2014 in the original principal amount of \$90,000. The note has one payment and will mature on March 1, 2016. Interest accrues at 3.83% and is due upon maturity. The proceeds from the note were used to pay debt issuance costs.

90,000

General Obligation Bonds - Series A of 2014:

The District is liable for general obligation bonds dated February 18, 2014 in the original principal amount of \$9,600,000. Principal maturities occur on June 1, 2014 through the year 2017. Interest is payable semi-annually on June 1 and December 1. Interest rates vary from 0.18% to 4.00%. The proceeds of this issuance were used to currently refund the outstanding balance on the Series of 2009 General Obligation Bonds as well as pay debt issuance costs. The District realized a savings of \$233,694 as a result of the refunding.

5,585,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds - Series of 2014:

The District is liable for general obligation bonds dated January 3, 2014 in the original principal amount of \$10,000,000. Principal maturities occur on June 1, 2014 through the year 2024. Interest is payable semi-annually on June 1 and December 1. Interest rates vary from 0.25% to 3.10%. The proceeds of this issuance were used to advance refund a portion of the outstanding balance on the Series of 2007 General Obligation Bonds as well as pay debt issuance costs. The District realized a savings of \$665,187 as a result of the refunding.

9,785,000

General Obligation Bonds - Series C of 2013:

The District is liable for general obligation bonds dated December 17, 2013 in the original principal amount of \$20,180,000. Principal maturities occur on June 1, 2014 through the year 2023. Interest is payable semi-annually on June 1 and December 1. Interest rates vary from 0.26% to 5.00%. The proceeds of this issuance were used to advance refund a portion of the outstanding balance on the Series of 2005 General Obligation Bonds, advance refund a portion of the outstanding balance on the Series of 2007 General Obligation Bonds, and pay debt issuance costs. The District realized a savings of \$1,190,002 as a result of the refunding.

19,575,000

General Obligation Bonds - Series B of 2013:

The District is liable for general obligation bonds dated February 20, 2013 in the original principal amount of \$11,060,000. Principal maturities occur on May 15, 2014 through the year 2025. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 1.00% to 4.00%. The proceeds of this bond was used to finance various capital projects including renovations and improvements to existing school buildings and related facilities, athletic and pool facilities, as well as to pay debt issuance costs.

11,050,000

General Obligation Bonds - Series A of 2013:

The District is liable for general obligation bonds dated February 20, 2013 in the original principal amount of \$9,415,000. Principal maturities occur on May 15, 2013 through the year 2016. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 1.00% to 3.00%. The proceeds of this issuance were used to currently refund the outstanding balance on the Series of 2008 General Obligation Bonds as well as pay debt issuance costs. The District realized a savings of \$290,817 as a result of the refunding.

3,790,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds - Series of 2012:

The District is liable for general obligation bonds dated June 25, 2012 in the original principal amount of \$22,025,000. Principal maturities occur on May 15, 2013 through the year 2019. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 0.80% to 5.00%. The proceeds of this issuance were used to currently refund the outstanding balance on the 2nd Series of 2002 General Obligation Bonds, and advance refund the outstanding balance on the Series A of 2003 General Obligation Bonds and a portion of the Series of 2005 General Obligation Bonds, as well as pay debt issuance costs. The District realized a savings of \$905,748 as a result of the refunding.

14,930,000

General Obligation Bonds - Series of 2011:

The District is liable for general obligation bonds dated April 27, 2011 in the original principal amount of \$10,000,000. Principal maturities occur on May 15, 2012 through the year 2019. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 1.70% to 4.00%. The proceeds of this Bond were used to advance refund a portion of the General Obligation Bonds - 2nd Series of 2002 and a portion of the Series A of 2003, as well as to pay debt issuance costs. The District realized a savings of \$311,317 as a result of the refunding.

4,580,000

General Obligation Bonds - Series of 2010:

The District is liable for general obligation bonds dated May 11, 2010 in the original principal amount of \$16,400,000. Principal maturities occur on March 1, 2012 through the year 2023. Interest is payable semi-annually on September 1 and March 1. Interest rates vary from 2.00% to 3.80%. The proceeds of this issuance were used for various capital improvements including the West Middle School and the Transportation Building, as well as to pay debt issuance costs.

15,905,000

General Obligation Bonds - Series of 2007:

The District is liable for general obligation bonds dated July 15, 2007 in the original principal amount of \$33,550,000. Principal maturities occur on June 1 through the year 2026. Interest is payable semi-annually on June 1 and December 1 at 5.25%. The proceeds of this bond were used for capital improvement projects. A portion of this bond was refunded by General Obligation Bond, Series C of 2013 and General Obligation Bond, Series of 2014.

9,440,000

TOTAL BONDS AND NOTES PAYABLE

\$ 94,830,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all bonds payable for the years ending June 30 are as follows:

	General Obligation Note, Series C of 2014	General Obligation Note, Series B of 2014	General Obligation Bonds, Series A of 2014	General Obligation Bonds, Series of 2014	General Obligation Bonds, Series C of 2013	General Obligation Bonds, Series B of 2013	General Obligation Bonds, Series A of 2013
2016	\$ 90,000	\$ 100,000	\$ 2,760,000	\$ 145,000	\$ 445,000	\$ 5,000	\$ 3,790,000
2017	-	-	2,825,000	30,000	4,400,000	5,000	-
2018	-	-	-	145,000	95,000	440,000	-
2019	-	-	-	150,000	75,000	450,000	-
2020	-	-	-	155,000	4,300,000	30,000	-
2021 - 2025	-	-	-	9,160,000	10,260,000	10,120,000	-
2026	-	-	-	-	-	-	-
Total	<u>\$ 90,000</u>	<u>\$ 100,000</u>	<u>\$ 5,585,000</u>	<u>\$ 9,785,000</u>	<u>\$ 19,575,000</u>	<u>\$ 11,050,000</u>	<u>\$ 3,790,000</u>
	General Obligation Bonds, Series of 2012	General Obligation Bonds, Series of 2011	General Obligation Bonds, Series of 2010	General Obligation Bonds, Series of 2007	Total General Long-Term Debt	Total Interest	
2016	\$ 545,000	\$ 675,000	\$ 130,000	\$ -	\$ 8,685,000	\$ 3,607,189	
2017	75,000	1,260,000	65,000	-	8,660,000	3,359,114	
2018	7,025,000	1,300,000	5,000	-	9,010,000	3,125,846	
2019	7,285,000	1,345,000	10,000	-	9,315,000	2,820,030	
2020	-	-	4,615,000	-	9,100,000	2,422,965	
2021 - 2025	-	-	11,080,000	6,200,000	46,820,000	6,432,479	
2026	-	-	-	3,240,000	3,240,000	170,100	
Total	<u>\$ 14,930,000</u>	<u>\$ 4,580,000</u>	<u>\$ 15,905,000</u>	<u>\$ 9,440,000</u>	<u>\$ 94,830,000</u>	<u>\$ 21,937,723</u>	

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Debt					
Bonds and Notes Payable	\$ 102,930,000	\$ 190,000	\$ 8,290,000	\$ 94,830,000	\$ 8,685,000
Less deferred amounts:					
For issuance discounts	(158,820)	-	(32,687)	(126,133)	-
For issuance premiums	5,541,005	-	903,877	4,637,128	-
Subtotal	108,312,185	190,000	9,161,190	99,340,995	8,685,000
Other Liabilities:					
Compensated Absences	1,040,463	172,865	195,156	1,018,172	39,977
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	\$ 109,352,648	\$ 362,865	\$ 9,356,346	\$ 100,359,167	\$ 8,724,977

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by the general fund. Total interest paid during the year ended June 30, 2015 was \$3,757,938.

Subsequent to year end, the District issued three General Obligation Notes, Series of 2015 in the amount of \$9,440,000, Series A of 2015 in the amount of \$9,900,000 and Series B of 2015 in the amount of \$6,005,000.

The General Obligation Note, Series of 2015 was issued on December 1, 2015 in the amount of \$9,440,000. The proceeds from the issuance were used to currently refund the outstanding portion of the General Obligation Bonds Series of 2007. Principal maturities occur on June 1 through 2026. Interest is payable semi-annually at 2.80 percent. The refunding will result in a present value savings to the District of \$1,852,964.

The General Obligation Note, Series A of 2015 was issued on September 1, 2015 in the amount of \$9,900,000. The proceeds from the issuance were used to currently refund a portion of the General Obligation Bonds, Series of 2010. Principal maturities occur on March 1 through 2023. Interest is payable semi-annually at 2.67 percent. The refunding will result in a present value savings to the District of \$490,316.

The General Obligation Note, Series B of 2015 was issued on September 16, 2015 in the amount of \$6,005,000. The proceeds from the issuance were used to currently refund the remaining outstanding balance of the General Obligation Bonds, Series of 2010. Principal maturities occur on March 1 through 2021. Interest is payable semi-annually at 2.63 percent. The refunding will result in a present value savings to the District of \$248,785.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Defeasance of Debt

During the year ended June 30, 2014, the District issued \$20,180,000 of general obligation refunding bonds to provide resources to purchase securities that were placed in irrevocable trust for the purpose of generating resources for future debt service payments of \$5,230,000 of General Obligation Bonds Series of 2005 and \$15,045,000 of General Obligation Bonds Series of 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. As of June 30, 2015, outstanding general obligation bonds of the District in the amount of \$14,970,000 were considered defeased with a related \$15,340,480 held in escrow funds.

During the year ended June 30, 2014, the District issued \$10,000,000 of general obligation refunding bonds to provide resources to purchase securities that were placed in irrevocable trust for the purpose of generating resources for future debt service payments of \$8,900,000 of General Obligation Bonds Series of 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. As of June 30, 2015, outstanding general obligation bonds of the District in the amount of \$8,900,000 were considered defeased with a related \$9,089,324 held in escrow funds.

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Restatement of Beginning Net Position

Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, to be in conformity with generally accepted accounting principles.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for pensions. The statement also enhances note disclosure and required supplementary information for government pension plans.

Statement No. 71 establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

The adoption of these standards resulted in the District restating beginning net position as of July 1, 2014 in governmental activities for \$117,972,959, the food service fund for \$2,671,896, and the child care fund for \$1,540,368 to account for the net pension liability as of June 30, 2014 (measurement date of June 30, 2013) and deferred outflows for pension contributions made subsequent to the measurement date. Governmental Activities net position decreased from \$103,022,110 to (\$14,950,849) and business-type activities net position decreased from \$735,405 to (\$1,936,491) in the food service fund and \$686,640 to (\$853,728) in the childcare fund.

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Benefits Provided

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

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

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

Contributions

The contribution policy is set by the state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from the District were \$8,487,879 for the year ended June 30, 2015.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2015, the contribution rate was 0.90 percent of covered payroll and the District contributed \$372,639.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for approximately one-half of the employer contributions made, including contributions related pension and healthcare. The total reimbursement recognized by the District for the year ended June 30, 2015 was \$4,412,274.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

At June 30, 2015, the District reported a liability of \$127,252,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.3215 percent, which was an increase of 0.0069 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$11,731,959. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 9,097,000
Changes in proportions	2,276,000	-
Difference between employer contributions and proportionate share of total contributions	155,818	-
Contributions made subsequent to the measurement date	8,487,879	-
	<u>\$ 10,919,697</u>	<u>\$ 9,097,000</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

The \$8,487,879 reported as deferred outflows of resources resulting from District pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2016	\$ 1,687,046
2017	1,687,046
2018	1,687,046
2019	1,687,044
2020	<u>(83,000)</u>
	<u>\$ 6,665,182</u>

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.50 percent, includes inflation at 3.00 percent
- Salary increases - Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent, and merit or seniority increases of 1.50 percent
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 158,729,000	\$ 127,252,000	\$ 100,379,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2015, the District had an accrued balance due to PSERS of \$3,350,248. This amount represents the District's contractually obligated contributions for wages earned in April 2015 through June 2015. The balance will be paid in September 2015.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the union representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on pay-as-you-go financing. For administrators, the District provides full single premium coverage (less active employee co-pay) for medical, prescription drug and dental insurance. Eligible administrators must have ten years of service with the District and 20 years of PSERS service. The spouse must pay 100 percent of the full premium as determined for the purposes of COBRA, if coverage is elected.

Teachers that have reached twenty years of service with the District and retiring through PSERS, the District contributes \$135 per month for medical and prescription drug coverage. The spouse must pay 102 percent of the full premium as determined for the purpose of COBRA, if coverage is elected.

For eligible support staff retired on or before June 30, 2008, the District pays the full single premium for medical and prescription drug coverage. The spouse must pay 102 percent of the full premium as determined for the purpose of COBRA, if coverage is elected.

For support staff retiring after June 30, 2008 and have reached 20 years of service with the District, the District will contribute the full single premium for medical and prescription drug coverage less the co-pay for an active employee. If the member had reached age 55 and 20 years of service with the District by July 1, 2008 and retires after July 1, 2008, the member contribution for single coverage will not exceed \$50. The spouse must pay 102 percent of the full premium as determined for the purpose of COBRA, if coverage is elected.

For the postemployment benefits mentioned above, if the member does not reach the requirements for the District subsidy but does reach eligibility through PSERS, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. The duration of all of the District's postemployment benefits mentioned above is until the member reaches Medicare eligibility. Spouse coverage ends at age 65 if the spouse is older than the member. For the fiscal year ended June 30, 2015, the District contributed \$429,380 (as estimated by the actuary) to the postretirement plans related to retirees.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount of District contributions to the plan estimated by the actuary, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 949,277
Interest on net OPEB obligation	97,232
Adjustment to annual required contribution	(132,651)
Annual OPEB Cost	<u>913,858</u>
Contributions made (estimated)	<u>(429,380)</u>
Estimated increase in net OPEB obligation	484,478
Net OPEB obligation - beginning of year	<u>2,160,728</u>
Net OPEB obligation - end of year	<u><u>\$ 2,645,206</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 913,858	47.0%	\$ 2,645,206
6/30/2014	818,149	51.8%	2,160,728
6/30/2013	825,534	45.4%	1,766,531

Funded Status and Funding Progress:

As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$7,558,780, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,558,780. The covered payroll (annual payroll of active employees covered by the plan) was \$35,479,516, and the ratio of the UAAL to the covered payroll was 21.30 percent.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

Actuarial Methods and Assumptions:

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

In the January 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2016 and 5.3 percent in 2017 to 4.2 percent in 2089 and later. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, 30-year open period.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2015:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 9,029	\$ 2,522,534
Capital Projects Fund	2,515,204	-
Enterprise Fund - Food Service	624	-
Enterprise Fund - Child Care	-	2,323
	<u>\$ 2,524,857</u>	<u>\$ 2,524,857</u>

Interfund receivables/payables consist of shared costs which have not yet been reimbursed as well as the reservation of funds for projected capital needs. All will be transferred within a year.

Interfund transfers are summarized as follows at June 30, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 195,321	\$ 14,563,142
Capital Projects Fund	2,515,204	-
Debt Service Fund	12,047,938	-
Enterprise Fund - Food Service	-	57,249
Enterprise Fund - Child Care	-	138,072
	<u>\$ 14,758,463</u>	<u>\$ 14,758,463</u>

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 - 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 2014/2015 year was \$875,263.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2014/2015 year was \$358,254.

Summary financial information as of June 30, 2014 (the most recent information available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 32,487,994
Total Liabilities	<u>14,495,491</u>
Total Net Position	<u>\$ 17,992,503</u>

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

NOTE 12 - 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 2014/2015 year. The District has no unfunded liability.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 13 - 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 District expects such amounts, if any, to be immaterial.

NOTE 14 - COMMITMENTS

At June 30, 2015, the District has entered into a number of contracts related to school expansion and renovation projects. Contracts awarded and commitments outstanding are as follows:

	Contract Amount	Commitment Remaining
Performance Contract	\$ 483,981	\$ 483,981
Elementary Classroom Additions	3,723,174	77,850
Senior High Maintenance	5,790	1,278
Pool Renovations	7,239,626	22,163
	<u>\$ 11,452,571</u>	<u>\$ 585,272</u>

The District intends to use capital projects funds to satisfy the remaining commitments.

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2015 was as follows:

General Fund

The general fund has committed funds of \$4,774,743 for retirement rate increases, an assigned fund balance of \$1,000,000 representing the 2015/2016 budgeted deficit, and unassigned fund balance of \$4,496,560. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects

The capital projects fund has restricted funds of \$10,265,979 consisting of \$6,316 of unspent bond funds and \$10,259,663 comprised of unspent cumulative transfers from the general fund authorized by the board of school directors for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 72, *Fair Value Measurement and Application* - The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.
- Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* - The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.
- Statement No. 77, *Tax Abatement Disclosures* - The requirements enhances the disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

The District has not yet completed the analyses necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2015

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP) Basis	Final to Actual
REVENUES				
Local Sources	\$ 70,819,205	\$ 70,819,205	\$ 72,513,808	\$ 1,694,603
State Sources	19,627,777	19,627,777	19,049,951	(577,826)
Federal Sources	1,119,220	1,119,220	1,036,111	(83,109)
TOTAL REVENUES	91,566,202	91,566,202	92,599,870	1,033,668
EXPENDITURES				
INSTRUCTION				
Regular Programs	36,348,468	36,105,431	35,478,980	626,451
Special Programs	12,312,891	12,309,648	12,520,503	(210,855)
Vocational Education Programs	2,425,030	2,425,030	2,395,338	29,692
Other Instructional Programs	220,307	379,507	477,735	(98,228)
Nonpublic School Programs	33,000	33,000	17,021	15,979
TOTAL INSTRUCTION	51,339,696	51,252,616	50,889,577	363,039
SUPPORT SERVICES				
Pupil Personnel	3,041,569	3,042,059	3,010,555	31,504
Instructional Staff	5,384,143	5,443,833	5,062,384	381,449
Administration	5,374,188	5,341,728	5,138,664	203,064
Pupil Health	719,753	724,738	702,310	22,428
Business	898,470	874,920	834,021	40,899
Operation and Maintenance of Plant Services	7,188,599	7,258,049	7,162,727	95,322
Student Transportation Services	2,853,266	2,852,766	2,698,653	154,113
Central	408,287	449,137	416,267	32,870
Other Support Services	226,800	172,800	162,633	10,167
TOTAL SUPPORT SERVICES	26,095,075	26,160,030	25,188,214	971,816
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student Activities	2,163,981	2,187,811	2,060,183	127,628
Community Services	105,511	103,806	137,627	(33,821)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	2,269,492	2,291,617	2,197,810	93,807
REFUND OF PRIOR YEAR REVENUES	-	-	21,515	(21,515)
TOTAL EXPENDITURES	79,704,263	79,704,263	78,297,116	1,407,147
EXCESS OF REVENUES OVER EXPENDITURES	11,861,939	11,861,939	14,302,754	2,440,815
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	65,067	65,067
Transfers In	186,000	186,000	195,321	9,321
Transfers Out	(12,047,939)	(12,047,939)	(14,563,142)	(2,515,203)
Budgetary Reserve	(1,000,000)	(1,000,000)	-	1,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(12,861,939)	(12,861,939)	(14,302,754)	(1,440,815)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (1,000,000)	\$ (1,000,000)	-	\$ 1,000,000
FUND BALANCE - BEGINNING OF YEAR			10,271,303	
FUND BALANCE - END OF YEAR			\$ 10,271,303	

See note to required supplementary information.

WILSON SCHOOL DISTRICT

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

June 30, 2015

	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.3215%	0.3146%
District's proportionate share of the collective net pension liability	\$ 127,252,000	\$ 128,785,000
District's covered employee payroll	\$ 41,027,919	\$ 40,367,523
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.16%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2014 and June 30, 2013).

Note: This schedule is to present the requirement to show information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

WILSON SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 8,487,879	\$ 6,600,252	\$ 4,659,173	\$ 3,244,761	\$ 2,075,902	\$ 1,623,126	\$ 1,564,697	\$ 2,223,512	\$ 1,763,517	\$ 1,238,377
Contributions in relation to the contractually required contribution	<u>8,487,879</u>	<u>6,600,252</u>	<u>4,659,173</u>	<u>3,244,761</u>	<u>2,075,902</u>	<u>1,623,126</u>	<u>1,564,697</u>	<u>2,223,512</u>	<u>1,763,517</u>	<u>1,238,377</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523							
Contributions as a percentage of covered employee payroll	20.54%	16.09%	11.54%							

NOTE: This schedule is presented to present the requirement to show information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

WILSON SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Governmental Activities	1/1/2014	\$ -	\$ 7,391,277	\$ 7,391,277	0.00%	\$ 35,064,503	21.08%
	1/1/2012	-	6,472,625	6,472,625	0.00%	34,986,866	18.50%
	1/1/2010	-	5,992,703	5,992,703	0.00%	32,800,618	18.27%
Business-Type Activities	1/1/2014	-	167,503	167,503	0.00%	415,013	40.36%
	1/1/2012	-	123,165	123,165	0.00%	349,125	35.28%
	1/12010	-	174,342	174,342	0.00%	299,548	58.20%
Total	1/1/2014	-	7,558,780	7,558,780	0.00%	35,479,516	21.30%
	1/1/2012	-	6,595,790	6,595,790	0.00%	35,335,991	18.67%
	1/1/2010	-	6,167,045	6,167,045	0.00%	33,100,166	18.63%

WILSON SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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.

SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6000 Revenues from Local Sources				
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$ 58,209,143	\$ 59,013,545	\$ 804,402
6112	Taxes, Interim Real Estate	220,000	184,381	(35,619)
6113	Public Utility Realty Tax	82,958	84,336	1,378
6114	Taxes, Current, Payments in Lieu of Taxes	1,015	1,015	-
6120	Current Per Capita Taxes, Section 679	119,000	122,947	3,947
6140	Current Act 511 Per Capita Taxes	119,000	122,947	3,947
6143	Current 511 Local Services Taxes	110,000	124,498	14,498
6151	Current Act 511 Earned Income Taxes	5,350,000	5,731,638	381,638
6153	Current Act 511 Real Estate Transfer Taxes	650,000	859,334	209,334
6155	Current Act 511 Mercantile/Business Privilege Taxes	2,140,000	2,371,482	231,482
6400	Delinquent Taxes (All Levies)	1,400,000	1,135,173	(264,827)
	Total	68,401,116	69,751,296	1,350,180
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	100,000	107,776	7,776
6700	Revenue from District Activities	318,583	392,066	73,483
6810	Revenue from other Governments	66,000	69,605	3,605
6832	Revenue from I.U. - Federal - Special Education	846,059	891,005	44,946
6910	Rental of Facilities	102,000	134,069	32,069
6920	Donation from Private Source	125,000	134,845	9,845
6940	Tuition from Patrons	506,857	514,945	8,088
6950	Advertising Income	21,250	2,000	(19,250)
6960	Services Provided other Local Gov't Units	122,775	135,890	13,115
6980	Community/Age Group Swim	56,000	108,310	52,310
6990	Miscellaneous Revenue	153,565	272,001	118,436
	Total	2,418,089	2,762,512	344,423
	TOTAL REVENUES FROM LOCAL SOURCES	70,819,205	72,513,808	1,694,603
7000 Revenues from State Sources				
7110	Basic Instructional Subsidy	6,821,551	6,814,143	(7,408)
7160	Tuition/Court Placed Institutions	175,600	177,866	2,266
7220	Vocational Education	-	80	80
7270	Special Education of Exceptional Pupils	2,070,141	2,139,409	69,268
7310	Transportation	820,000	858,279	38,279
7320	Rentals and Sinking Fund Payments	1,448,845	1,405,554	(43,291)
7330	Medical and Dental Services	110,000	113,287	3,287
7340	Property Tax Reduction Allocation	1,381,858	1,381,858	-
7500	Extra Grants	816,558	429,382	(387,176)
7810	Social Security	1,558,776	1,474,716	(84,060)
7820	Retirement	4,424,448	4,255,377	(169,071)
	TOTAL REVENUES FROM STATE SOURCES	19,627,777	19,049,951	(577,826)

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

		Budget	Actual	Variance
8000 Revenues from Federal Sources				
8514	Title I	622,248	619,874	(2,374)
8515	Title II	106,018	107,077	1,059
8516	Title III	40,954	51,187	10,233
8810	Access Medical Assistance Reimbursement	350,000	232,440	(117,560)
8820	Access Medical Assistance Reimbursement - Admin	-	25,533	25,533
TOTAL REVENUES FROM FEDERAL SOURCES		1,119,220	1,036,111	(83,109)
9000 Other Financing Sources				
9359	Other Enterprise Fund Transfers	186,000	195,321	9,321
9400	Proceeds from Sale of Fixed Assets	-	65,067	65,067
TOTAL REVENUES FROM OTHER FINANCING SOURCES		186,000	260,388	74,388
TOTAL REVENUES		<u>\$ 91,752,202</u>	<u>\$ 92,860,258</u>	<u>\$ 1,108,056</u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

		Budget	Actual	Variance
1000 Instruction				
1100	Regular Programs	\$ 36,105,431	\$ 35,478,980	\$ 626,451
1200	Special Programs	12,309,648	12,520,503	(210,855)
1300	Vocational Education Program	2,425,030	2,395,338	29,692
1400	Other Instructional Programs	379,507	477,735	(98,228)
1500	Nonpublic Schools	33,000	17,021	15,979
	Total Instruction	51,252,616	50,889,577	363,039
2000 Support Services				
2100	Pupil Personnel	3,042,059	3,010,555	31,504
2200	Instructional Staff	5,443,833	5,062,384	381,449
2300	Administration	5,341,728	5,138,664	203,064
2400	Pupil Health	724,738	702,310	22,428
2500	Business	874,920	834,021	40,899
2600	Operation and Maintenance of Plant Services	7,258,049	7,162,727	95,322
2700	Student Transportation Services	2,852,766	2,698,653	154,113
2800	Central	449,137	416,267	32,870
2900	Other Support Services	172,800	162,633	10,167
	Total Support Services	26,160,030	25,188,214	971,816
3000 Operation of Noninstructional Services				
3200	Student Activities	2,187,811	2,060,183	127,628
3300	Community Services	103,806	137,627	(33,821)
	Total Operation of Noninstructional Services	2,291,617	2,197,810	93,807
5000 Other Financing Uses				
5100	Refund of Prior Year Revenues	-	21,515	(21,515)
5200	Fund Transfers	12,047,939	14,563,142	(2,515,203)
5900	Budgetary Reserve	1,000,000	-	1,000,000
	Total Other Financing Uses	13,047,939	14,584,657	(1,536,718)
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 92,752,202	\$ 92,860,258	\$ (108,056)

WILSON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

<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>Program or Award Amount</u>	<u>Total Received for Year</u>	<u>Accrued or (Unearned) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Unearned) Revenue at June 30, 2015</u>
<u>U.S. Department of Education</u>										
Passed through the State Department of Education:										
Title I - Grants to Local Education Agencies - Basic	I	84.010	013-15-490	07/01/14-09/30/15	\$ 612,320	\$ 534,558	\$ -	\$ 611,269	\$ 611,269	\$ 76,711
Title I - Grants to Local Education Agencies - Basic	I	84.010	013-14-490	07/01/13-09/30/14	515,965	-	(658)	658	658	-
Title I - Academic Achievement Award	I	84.010	077-15-490	03/13/15-09/30/15	47,825	20,496	-	7,947	7,947	(12,549)
Total Title I						555,054	(658)	619,874	619,874	64,162
 Title II(a) Improving Teacher Quality	I	84.367	020-15-490	07/01/14-09/30/15	107,077	107,077	-	107,077	107,077	-
Title III Language Instructional LEP	I	84.365	010-15-490	07/01/14-09/30/15	45,908	15,303	-	40,168	40,168	24,865
Title III Language Instructional LEP	I	84.365	010-14-490	07/02/13-09/30/14	40,954	13,651	2,632	11,019	11,019	-
Total Title III						28,954	2,632	51,187	51,187	24,865
Passed through the Berks County Intermediate Unit:										
IDEA Cluster										
IDEA - B Special Education Grants to States	I	84.027	62-015-14	07/01/14-06/30/15	885,811	423,302	-	885,811	885,811	462,509
IDEA - B Special Education Grants to States	I	84.027	62-014-14	07/01/13-06/30/14	846,286	570,355	570,355	-	-	-
Section 619 IDEA - B Special Education Grants to States	I	84.173	N/A	07/01/14-06/30/15	5,194	5,194	-	5,194	5,194	-
Total IDEA Cluster						998,851	570,355	891,005	891,005	462,509
TOTAL U.S. DEPARTMENT OF EDUCATION						1,689,936	572,329	1,669,143	1,669,143	551,536
<u>U.S. Department of Health and Human Services</u>										
Passed through the Pennsylvania Department of Welfare:										
Medical Reimbursement for Administration, Revenue Code 8820	I	93.778	44-008514	07/01/14-06/30/15	25,533	20,127	-	25,533	25,533	5,406
Medical Reimbursement for Administration, Revenue Code 8820	I	93.778	44-008514	07/01/13-06/30/14	35,125	8,458	8,458	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						28,585	8,458	25,533	25,533	5,406
<u>U.S. Department of Agriculture</u>										
Child Nutrition Cluster										
Passed through the State Department of Education:										
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	697,497	-	722,930	722,930	25,433
National School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	119,073	119,073	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	65,645	-	69,268	69,268	3,623
School Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	12,838	12,838	-	-	-
Passed through the PA Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	118,296	(17,403)	127,494	127,494	(8,205)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						1,013,349	114,508	919,692	919,692	20,851
TOTAL FEDERAL AWARDS						\$ 2,731,870	\$ 695,295	\$ 2,614,368	\$ 2,614,368	\$ 577,793

Source Codes: I = Indirect, D = Direct

WILSON SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is the same basis used for the basic financial statements.

NOTE 2 - FOOD COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had \$8,205 of food commodity inventory.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

Herbein + Company, Inc.

**Reading, Pennsylvania
November 16, 2015**



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**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Wilson School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wilson School District's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wilson School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Wilson School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Wilson School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Wilson School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilson School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wilson School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 16, 2015**

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? yes X no

Significant deficiency (ies) 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

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

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

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 program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>IDEA Cluster</u>	
84.027	IDEA-B Special Education Grants to States
84.173	Section 619 IDEA-B Special Education Grants to States

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
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

There were no financial statement findings.

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 QUESTIONED COSTS

For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.