



***WILSON SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2012**

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**HERBEIN+COMPANY, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants Private Companies Practice Section  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wilson School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Wilson School District as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of Wilson School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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HERBEIN+COMPANY, INC.  
CERTIFIED PUBLIC ACCOUNTANTS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the general fund, and the schedule of funding progress and employer contributions - post employment benefits plan 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilson School District's financial statements. The schedule of revenues and other financing sources - budget and actual - general fund, the schedule of expenditures and other financing uses - budget and actual - general fund, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and other financing sources - budget and actual - general fund, the schedule of expenditures and other financing uses - budget and actual - general fund, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 5, 2012



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

**Steven Gerhard, Ed.D.**  
Assistant Superintendent  
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Director of Technology  
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**Lori Lillis**  
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**Kate Long, Ed.D.**  
Director of Pupil Services  
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**Tracy Markle**  
Public Information Director  
Ext. 1111

**Steve Polonus**  
Director of Extracurricular Activities  
Ext. 1141

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

**Wilson's Mission:**  
*In partnership with parents  
and the community, the  
Wilson School District  
encourages educational  
excellence today for  
tomorrow's leaders by  
accentuating rigor,  
building relationships  
and creating relevance.*

## **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, 2012. 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**

- The District continued to sustain financial growth during the 2011-12 fiscal year. In total, net assets increased by \$5.7 million. Net assets of governmental activities (which includes the general fund, capital projects fund, and debt service fund) increased by \$5.5 million which represents a 6.4% increase from 2011. Net assets of business-type activities (which includes the food service fund and child care fund) increased by \$180,000 or 17.5% from 2011.
- General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$73.4 million or 83% of all revenues. Program specific revenues accounted for 17% of total revenues in the form of charges for services, with grants and contributions totaling \$15.0 million.
- Effective January 1, 2012, the method in which the District collected Act 511 Business Privilege/Mercantile taxes was changed from a quarterly basis, to an annual basis, with a required annual estimate. This resulted in a one-time increase in revenues of \$800,000 during the 2011-12 fiscal year and was transferred from the general fund to capital reserves, included in the capital projects fund, for anticipated capital expenditures.
- 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. That cap was 1.6%, or .35 mills for fiscal year 2011-12. The District's final 2011-12 millage of 23.31 included exceptions of 1.01 mills 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 2011-12 Homestead and Farmstead Exclusion Resolution in June 2011 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2011 real estate tax bills of \$6,180 each, which resulted in a \$144.06 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's

allocation of gambling tax funds of \$1,361,671 as well as \$21,113 of Philadelphia tax credit reimbursement funds and remaining undistributed 2010-11 property tax reduction funds of \$192 totaling \$1,382,976 available during the current year for real estate tax reduction.

- Act 1 also requires each district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Eligible real estate taxpayers have the payment option of three equal installments due July 31, September 30, and November 30. Approximately 5% of eligible District real estate taxpayers elected the installment method for the 2011-12 fiscal year, consistent with the prior year.
- The District had total expenses of \$82.8 million, of which \$78.8 million was for governmental activities and \$4.0 million was for business-type activities.
- District-wide employee wage freezes were implemented during the fiscal year 2011-12, as a cost containment effort.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased to 8.65% for 2011-12, with significant rate increases projected in future years. As of June 30, 2012, \$4.8 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- During the fiscal year, net capital assets decreased \$2.9 million as a result of current year net capital additions of \$2.0 million less depreciation of \$4.9 million. Contractual commitments related to the completion of new middle school, high school café and science rooms total approximately \$149,000.
- In June 2012, the District issued \$22.0 million of Series of 2012 General Obligation Bonds, for which the proceeds were used to currently refund General Obligation Bonds - 2<sup>nd</sup> Series of 2002 and advance refund General Obligation Bonds - Series A of 2003 and a portion of General Obligation Bonds – Series 2005, realizing a savings in excess of \$900,000.
- Government Accounting Standards Board (GASB) Statement No. 54—Fund Balance Reporting and Governmental Fund Type Definitions requires the classification of fund balances into the following categories – nonspendable, restricted, committed, assigned and unassigned. The definitions of these categories are fully explained in Note 1, Summary of Significant Accounting Policies in the Notes to the Basic Financial Statements. As of June 30, 2012, the general fund has \$4.8 million in committed fund balance for anticipated increases in PSERS contributions, \$1.5 million in assigned fund balance which represents the 2011-12 budgeted deficit, and unassigned fund balance of \$4.0 million. The capital projects fund has \$12.9 million in restricted fund balance, consisting primarily \$1.8 million of unspent bond funds, and \$11.1 million in reserve funds for capital expenditures.
- 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, 2010, the present value of the District's postemployment benefits other than pensions was approximately \$6.2 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 \$750,000 for the fiscal year ended June 30, 2012. This annual cost, less the District's actuarial determined contribution of \$436,000 resulted in an additional liability and expense of \$314,000 as of and for the year ended June 30, 2012, included in the Statement of Net Assets 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**

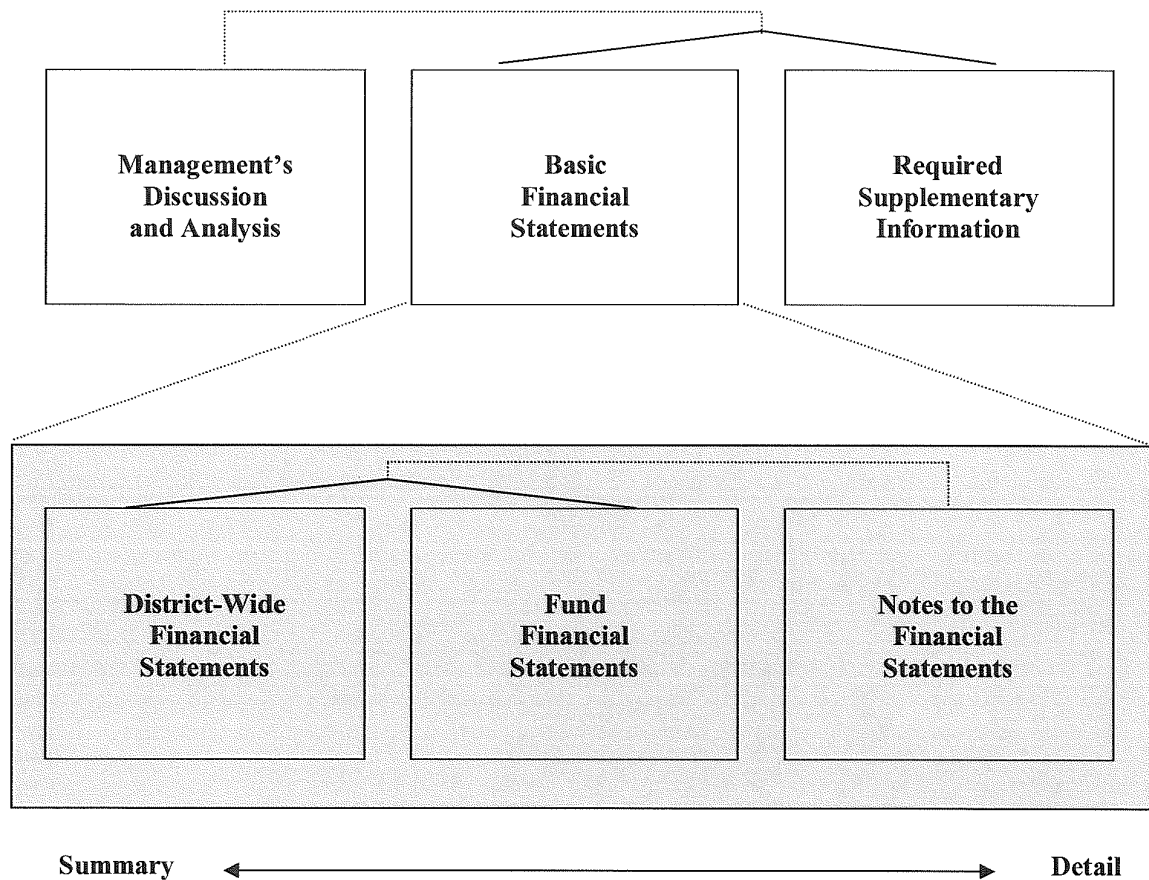


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

**Figure 2**

<b><u>Major Features of the District-Wide and Fund Financial Statements</u></b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fund net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of changes in net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **District-Wide Statements**

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

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

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

## **Fund Financial Statements**

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

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

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



- Proprietary Funds (Enterprise) – Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method – the same method used by private sector businesses.
- Fiduciary Funds – The District acts as a trustee 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 Assets contains information about what the District owns, owes, i.e., assets and liabilities, and what is left after assets are used to satisfy liabilities. The following table is a comparative summary of the District's net assets for the fiscal years ended June 30, 2011 and June 30, 2012.

**Figure 3**  
**Condensed Statement of Net Assets**

Fiscal Years Ended June 30, 2011 and June 30, 2012						
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 32,103,100	34,149,159	\$ 1,041,881	\$ 1,226,865	\$ 33,144,981	\$ 35,376,024
Capital assets	179,983,031	177,071,108	176,068	148,224	180,159,099	177,219,332
<b>Total Assets</b>	<b>212,086,131</b>	<b>211,220,267</b>	<b>1,217,949</b>	<b>1,375,089</b>	<b>213,304,080</b>	<b>212,595,356</b>
Current liabilities	16,069,413	17,084,575	156,136	119,715	16,225,549	17,204,290
Long-term liabilities	109,688,548	102,282,348	31,811	45,550	109,720,359	102,327,898
<b>Total Liabilities</b>	<b>125,757,961</b>	<b>119,366,923</b>	<b>187,947</b>	<b>165,265</b>	<b>125,945,908</b>	<b>119,532,188</b>
Net Assets:						
Invested in capital assets, net of related debt	66,805,803	70,146,725	176,068	148,224	66,981,871	70,294,949
Restricted	998,749	11,813,260	-	-	998,749	11,813,260
Unrestricted	18,523,618	9,893,359	853,934	1,061,600	19,377,552	10,954,959
<b>Total Net Assets</b>	<b>\$ 86,328,170</b>	<b>91,853,344</b>	<b>\$ 1,030,002</b>	<b>\$ 1,209,824</b>	<b>\$ 87,358,172</b>	<b>\$ 93,063,168</b>

The District's combined net assets increased over the course of the fiscal year by \$5.7 million. The District's governmental activities' net assets increased \$5.5 million from the combined result of a 1.36 millage increase, increased Act 511 Mercantile/Business Privilege Tax revenues due to a change in collection method requiring an annual estimate effective January 1, 2012, and strong fiscal control over expenditures. Net assets in business-type activities increased by \$180,000 which was the net result of child care fund and food service fund income before operating transfers of \$336,000 and \$30,000, respectively, less \$186,000 of operating transfers to the general fund.

The significant changes in current and other assets are related to the increase in cash of \$4.1 million as a result of the 2011-12 excess of revenues over expenses, net of bond principal and interest payments and capital expenditures. Capital assets, net of depreciation, decreased by \$2.9 million as a result of \$2.0 million of net capital additions related to the new middle school, District paving, additions to the transportation fleet and other capital equipment, less current year depreciation of \$4.9 million. Increased current year maturities of long-term debt resulted in an overall decrease in liabilities.

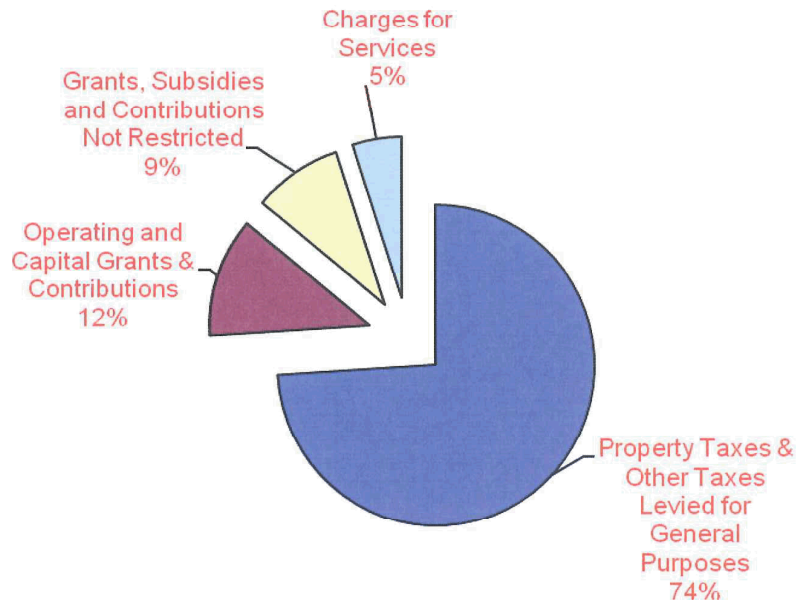
The results of operations for the fiscal year ended June 30, 2012 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net assets for the years ending June 30, 2011 and June 30, 2012. Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs.

**Figure 4**  
**Changes in Net Assets from Operating Results**

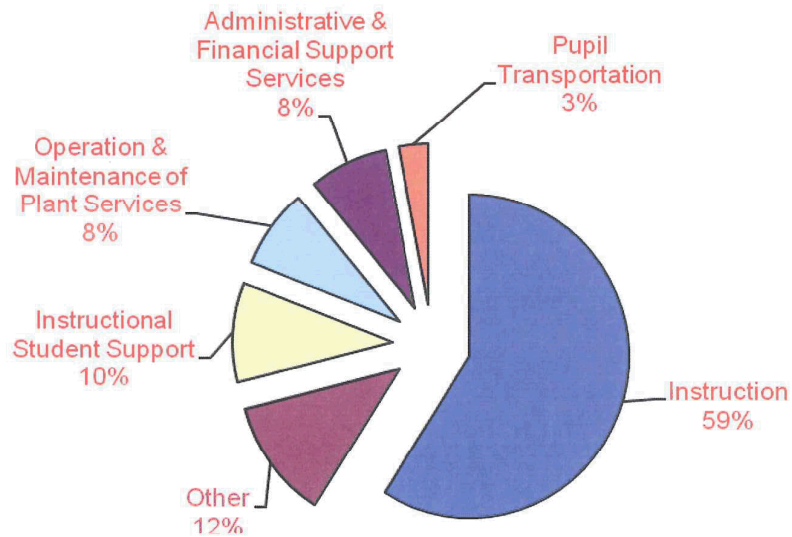
Fiscal Years Ended June 30, 2011 and June 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 1,084,748	\$ 877,523	\$ 3,421,434	\$ 3,315,331	\$ 4,506,182	\$ 4,192,854
Operating grants and contributions	9,164,747	8,539,485	1,000,715	1,048,039	10,165,462	9,587,524
Capital grants and contributions	1,363,665	1,255,389	-	-	1,363,665	1,255,389
General Revenues						
Property taxes and other taxes levied for general purposes	61,162,487	65,112,546	-	-	61,162,487	65,112,546
Grants, Subsidies, and Contributions Not Restricted	7,556,269	8,058,800	-	-	7,556,269	8,058,800
Other	426,094	458,857	(186,396)	(180,866)	239,698	277,991
<b>Total Revenues</b>	<b>80,758,010</b>	<b>84,302,600</b>	<b>4,235,753</b>	<b>4,182,504</b>	<b>84,993,763</b>	<b>88,485,104</b>
<b>Expenses</b>						
Instruction	46,117,506	48,748,698	-	-	46,117,506	48,748,698
Instructional student support	8,158,120	8,199,603	-	-	8,158,120	8,199,603
Administrative and financial support services	6,451,555	6,493,349	-	-	6,451,555	6,493,349
Operation and maintenance of plant services	6,849,026	6,700,336	-	-	6,849,026	6,700,336
Pupil transportation	2,037,171	2,262,270	-	-	2,037,171	2,262,270
Other	6,936,042	6,373,170	4,418,530	4,002,682	11,354,572	10,375,852
<b>Total Expense</b>	<b>76,549,420</b>	<b>78,777,426</b>	<b>4,418,530</b>	<b>4,002,682</b>	<b>80,967,950</b>	<b>82,780,108</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 4,208,590</b>	<b>\$ 5,525,174</b>	<b>\$ (182,777)</b>	<b>\$ 179,822</b>	<b>\$ 4,025,813</b>	<b>\$ 5,704,996</b>

**Figure 5**  
**Sources of Revenues for Fiscal Year 2012**



**Figure 6**  
**Expenses for Fiscal Year 2012**



The District maintained its sound financial position during the 2011-12 fiscal year, from the combined result of a 1.36 millage increase with a collection rate of approximately 96%, change in collection method of Act 511 Mercantile/Business Privilege taxes requiring an annual estimate, and strong fiscal control over expenditures.

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, 2012, general revenue supported 87% of governmental activities' costs, and program revenue supported 13% of governmental activities' costs.

**Figure 7**  
**Net Cost of Governmental Activities**

Fiscal Years Ended June 30, 2011 and June 30, 2012				
	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$ 46,117,506	\$ 48,748,698	\$ 38,694,993	\$ 41,870,851
Instructional Student Support	8,158,120	8,199,603	7,533,474	7,663,599
Administrative and Financial Support Services	6,451,555	6,493,349	6,152,865	6,161,141
Operation and Maintenance of Plant Services	6,849,026	6,700,336	6,267,999	6,440,555
Pupil Transportation	2,037,171	2,262,270	1,172,734	1,295,581
Other	6,936,042	6,373,170	5,114,195	4,673,302
<b>Total</b>	<b>\$ 76,549,420</b>	<b>\$ 78,777,426</b>	<b>\$ 64,936,260</b>	<b>\$ 68,105,029</b>

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of both food services and child care activities for the year ended June 30, 2012. The current year net revenue from services of \$361,000 is primarily the result of a 28% decrease in child care staffing costs, net of a 4% increase in food service fund state and federal grants over the prior year.

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

Fiscal Years Ended June 30, 2011 and June 30, 2012				
	Total Cost of Services		Net Cost (Income) of Services	
	2011	2012	2011	2012
Food Services	\$ 2,669,527	\$ 2,673,393	\$ 91,977	\$ 25,854
Child Care	1,749,003	1,329,289	(88,358)	334,834
<b>Total</b>	<b>\$ 4,418,530</b>	<b>\$ 4,002,682</b>	<b>\$ 3,619</b>	<b>\$ 360,688</b>

### 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, 2012.

**Figure 9**  
**Fund Balances**

For Fiscal Years Ended June 30, 2011 and June 30, 2012			
	Fund Balance		Increase (Decrease)
	2011	2012	
General Fund	\$ 10,271,303	\$ 10,271,303	\$ -
Capital Projects Fund	10,879,888	12,870,182	1,990,294
Debt Service Fund	-	6,933	6,933
<b>Total</b>	<b>\$ 21,151,191</b>	<b>\$ 23,148,418</b>	<b>\$ 1,997,227</b>

The District's governmental funds reported combined fund balances as of June 30, 2012 of \$23.1 million which is an increase of \$2.0 million compared to the prior year. This is due primarily to general fund current year excess of revenues over expenditures net of capital outlay related to construction projects and bond principal and interest payments, which are accounted for in expenditures and other financing uses, respectively. General fund revenues totaled \$84.4 million, expenses totaled \$69.5 million and other financing uses totaled \$14.9 million for the year ended June 30, 2012. Transfers were

made from the general fund to the capital projects fund during the year of \$858,600 as part of the millage phase-in for anticipated increased operating costs and \$800,000 related to the one-time anticipated increase in Business Privilege/Mercantile tax revenues due to the change in collection method. The Board also authorized the transfer of general fund excess of revenues over expenditures of \$1.8 million for the year ended June 30, 2012 to be transferred to the capital projects fund for use in future capital purchases and projects.

The capital projects fund had a \$2.0 million net increase in fund balance, due to transfers in from the general fund of \$3.5 million, net of \$1.5 million of capital outlays related to construction projects and facilities upgrades, net of \$55,000 of investment earnings.

The Debt Service Fund Balance increased by \$7,000 due to excess cash remaining as a result of the issuance of Series of 2012 General Obligation Bonds, for which the proceeds were used to currently refund General Obligation Bonds - 2<sup>nd</sup> Series of 2002 and advance refund General Obligation Bonds - Series A of 2003 and a portion of General Obligation Bonds – Series 2005. This excess is restricted to be used to satisfy future debt obligations.

The implementation of GASB Statement No. 54—Fund Balance Reporting and Governmental Fund Type Definitions specifically defines fund balance classifications--nonspendable, restricted, committed, assigned and unassigned effective for the June 30, 2012 reporting period. The definitions of these categories are fully explained in Note 1, Summary of Significant Accounting Policies in the Notes to the Basic Financial Statements. As of June 30, 2012, the general fund has \$4.8 million in committed fund balance for anticipated increases in PSERS contributions, \$1.5 million in assigned fund balance which represents the 2012-13 budgeted deficit, and unassigned fund balance of \$4.0 million. The capital projects fund has \$12.9 million in restricted fund balance, consisting primarily of \$1.8 million of unspent bond funds and \$11.1 million in reserves for capital expenditures.

## **Capital Asset and Debt Administration**

### **Capital Assets**

In total, net capital assets decreased \$2.9 million as a result of \$2.0 million of net capital additions related to the new middle school, district paving, additions to the transportation fleet and other capital equipment, less current year depreciation of \$4.9 million. Total depreciation expense increased 9% over the prior year. Construction-in-progress of \$341,000 as of June 30, 2012 relates to various District projects including athletic field studies.



**Figure 10**  
**Capital Assets (net of depreciation)**

Fiscal Years Ended June 30, 2011 and June 30, 2012						
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 10,509,771	\$ 10,509,771	\$ -	\$ -	\$ 10,509,771	\$ 10,509,771
Site Improvements	1,223,233	1,630,256	-	-	1,223,233	1,630,256
Building and Building Improvements	161,789,475	158,339,285	10,046	14,923	161,799,521	158,354,208
Machinery and Equipment	4,473,800	4,580,998	166,022	133,301	4,639,822	4,714,299
Vehicles	1,633,257	1,669,979	-	-	1,633,257	1,669,979
Construction-in-Progress	353,495	340,819	-	-	353,495	340,819
<b>Total</b>	<b>\$ 179,983,031</b>	<b>\$ 177,071,108</b>	<b>\$ 176,068</b>	<b>\$ 148,224</b>	<b>\$ 180,159,099</b>	<b>\$ 177,219,332</b>

### Long-term Debt

During the fiscal year ended June 30, 2012, the District issued \$22.0 million of Series of 2012 General Obligation Bonds, for which the proceeds were used to currently refund General Obligation Bonds - 2<sup>nd</sup> Series of 2002 and advance refund General Obligation Bonds - Series A of 2003 and a portion of General Obligation Bonds – Series 2005, realizing a savings in excess of \$900,000. Bond principal payments for the year totaled \$7.1 million and interest payments totaled \$4.6 million. Compensated absences, which relate to accrued unused accumulated employee sick leave and retirement bonuses, increased by 3% based on service requirement and eligibility calculations as of June 30, 2012.

**Figure 11**  
**Outstanding Long-Term Debt**

For Fiscal Years Ended June 30, 2011 and June 30, 2012			
	Total		Change
	2011	2012	
General Obligation Bonds	\$ 113,500,000	\$ 106,675,000	\$ (6,825,000)
Compensated Absences	950,288	978,502	28,214
<b>Total</b>	<b>\$ 114,450,288</b>	<b>\$ 107,653,502</b>	<b>\$ (6,796,786)</b>

### **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 1.7% for fiscal years 2012-13 and 2013-14. Due to the District's aid ratio exceeding .4 for both the 2012-13 and the 2013-14 fiscal years, the District's millage is limited to a 2.0% increase. The District's 2012-13 millage of 23.66 represented a 1.5% increase. The District's 2013-14 millage is limited to 24.13 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 is due February 20, 2013.
- Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District chose to expand the real estate tax installment option to all District property owners. Effective for the 2012-13 tax year and forward, all real estate taxpayers have the payment option of three equal installments due August 31, October 31, and December 31. Approximately 5% of eligible District real estate taxpayers elected the installment method for the 2012-13 fiscal year, consistent with 2011-12.
- In March 2012, the School Board voted to close the District's two smallest elementary schools, Lincoln Park and West Wyomissing, and redistrict those students to the existing District elementary schools, for a projected annual cost savings exceeding \$500,000. Four additional classrooms will be constructed at the Green Valley, Shiloh Hills and Spring Ridge Elementary Schools for an approximate cost of \$4.0 million, which will be paid with capital reserve funds.
- Contractual commitments related to the new middle school, high school café and science rooms total approximately \$149,000.
- The District entered into a collective bargaining agreement with the Wilson Education Association for the period July 1, 2012 to June 30, 2015. The agreement provides for average salary increases of 2.4% and 2.5% in the first two years, respectively, and a freeze in the third year.
- The required District contribution to the Pennsylvania School Employees Retirement System increased to 12.36% for 2012-13, with significant 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.
- The District entered into the Berks County School District Health Trust, a self-insured trust fund in an effort to contain the increasing cost of health insurance. Cost savings related to joining the Trust exceeded \$800,000.

- Due to the current economic downturn, the District has continued to experience commercial assessment appeals requesting assessment reductions, which has a potential negative impact on the real estate tax base; however those appeals have decreased in quantity from prior year appeals.
- In October 2012, the school board approved a maximum debt parameters resolution authorizing the issuance of bonds up to \$24.4 million, including approximately \$12.0 million in new debt for the athletic facilities upgrades and \$12.0 million to refund General Obligation Bonds - Series 2008.
- The District will be required to implement the following new GASB Statements in future fiscal years: Statement No. 60—Service Concession Arrangements, Statement No. 61—The Financial Reporting Entity – Omnibus, Statement No. 63—Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position, and Statement No. 65—Items Previously Reported as Assets and Liabilities, by the year ended June 30, 2013. Statement No. 67—Financial Reporting for Pension Plans is required to be implemented by the year ended June 30, 2014. Statement No. 68—Accounting and Financial Reporting for Pensions is required to be implemented by the year ended June 30, 2015. 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 ASSETS**

**June 30, 2012**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 29,424,304	\$ 1,042,083	\$ 30,466,387
Taxes Receivable, Net	2,003,001	-	2,003,001
Internal Balances	6,257	(6,257)	-
Intergovernmental Receivables	1,466,377	132,307	1,598,684
Other Receivables, Net	88,825	9,365	98,190
Inventories	-	49,367	49,367
<b>TOTAL CURRENT ASSETS</b>	32,988,764	1,226,865	34,215,629
<b>CAPITAL ASSETS</b>			
Land	10,509,771	-	10,509,771
Site Improvements, Net of Depreciation	1,630,256	-	1,630,256
Building and Building Improvements, Net of Depreciation	158,339,285	14,923	158,354,208
Machinery and Equipment, Net of Depreciation	4,580,998	133,301	4,714,299
Vehicles, Net of Depreciation	1,669,979	-	1,669,979
Construction in Progress	340,819	-	340,819
<b>TOTAL CAPITAL ASSETS</b>	177,071,108	148,224	177,219,332
<b>OTHER NONCURRENT ASSETS</b>			
Bond Issuance Costs, Net of Amortization	1,147,172	-	1,147,172
Restricted Cash	13,223	-	13,223
<b>TOTAL OTHER NONCURRENT ASSETS</b>	1,160,395	-	1,160,395
<b>TOTAL ASSETS</b>	<u>\$ 211,220,267</u>	<u>\$ 1,375,089</u>	<u>\$ 212,595,356</u>

See accompanying notes.

	Governmental Activities	Business- Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 1,976,749	\$ 10,283	\$ 1,987,032
Intergovernmental Payables	129,006	-	129,006
Accrued Salaries and Benefits	6,308,587	35,890	6,344,477
Accrued Interest	454,522	-	454,522
Deferred Revenues	267,685	73,542	341,227
Current Portion of Compensated Absences	48,026	-	48,026
Current Portion of Bonds Payable	7,900,000	-	7,900,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,084,575</b>	<b>119,715</b>	<b>17,204,290</b>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	98,775,000	-	98,775,000
Bond Discount, Net of Amortization	(152,456)	-	(152,456)
Bond Premium, Net of Amortization	4,049,234	-	4,049,234
Deferred Refunding Loss, Net of Amortization	(2,590,473)	-	(2,590,473)
Post Employment Benefits	1,270,567	45,550	1,316,117
Long-Term Portion of Compensated Absences	930,476	-	930,476
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>102,282,348</b>	<b>45,550</b>	<b>102,327,898</b>
<b>TOTAL LIABILITIES</b>	<b>119,366,923</b>	<b>165,265</b>	<b>119,532,188</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	70,146,725	148,224	70,294,949
Restricted for Capital Projects, Net of Related Debt	11,813,260	-	11,813,260
Unrestricted	9,893,359	1,061,600	10,954,959
<b>TOTAL NET ASSETS</b>	<b>91,853,344</b>	<b>1,209,824</b>	<b>93,063,168</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 211,220,267</b>	<b>\$ 1,375,089</b>	<b>\$ 212,595,356</b>

**WILSON SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2012**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 36,122,836	\$ 5,114	\$ 2,684,347	\$ -	\$ (33,433,375)	\$ -	\$ (33,433,375)
Special	10,137,812	321,828	3,724,001	-	(6,091,983)	-	(6,091,983)
Vocational	2,275,043	-	59,121	-	(2,215,922)	-	(2,215,922)
Other Instructional Programs	190,719	51,250	9,898	-	(129,571)	-	(129,571)
Nonpublic	22,288	-	22,288	-	-	-	-
Total Instructional Services	48,748,698	378,192	6,499,655	-	(41,870,851)	-	(41,870,851)
<b>Support Services:</b>							
Pupil Personnel	2,801,985	-	244,160	-	(2,557,825)	-	(2,557,825)
Instructional Staff	4,525,581	-	141,073	-	(4,384,508)	-	(4,384,508)
Administration	5,323,263	-	279,909	-	(5,043,354)	-	(5,043,354)
Pupil Health	648,959	-	150,771	-	(498,188)	-	(498,188)
Business Services	797,316	-	39,240	-	(758,076)	-	(758,076)
Operation of Plant and Maintenance Services	6,700,336	56,978	202,803	-	(6,440,555)	-	(6,440,555)
Student Transportation Services	2,262,270	79,268	887,421	-	(1,295,581)	-	(1,295,581)
Central	372,770	-	13,059	-	(359,711)	-	(359,711)
Other Support Services	223,078	-	-	-	(223,078)	-	(223,078)
Total Support Services	23,655,558	136,246	1,958,436	-	(21,560,876)	-	(21,560,876)
<b>Noninstructional Services:</b>							
Student Activities	1,922,163	321,315	77,345	-	(1,523,503)	-	(1,523,503)
Community Services	102,904	41,770	4,049	-	(57,085)	-	(57,085)
Interest on Long-Term Debt	4,348,103	-	-	1,255,389	(3,092,714)	-	(3,092,714)
Total Noninstructional Services	6,373,170	363,085	81,394	1,255,389	(4,673,302)	-	(4,673,302)
<b>Total Governmental Activities</b>	<b>78,777,426</b>	<b>877,523</b>	<b>8,539,485</b>	<b>1,255,389</b>	<b>(68,105,029)</b>	<b>-</b>	<b>(68,105,029)</b>

## STATEMENT OF ACTIVITIES

See accompanying notes.



**WILSON SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2012**

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 18,256,600	\$ 11,167,704	\$ -	\$ 29,424,304
Restricted Cash	-	6,290	6,933	13,223
Taxes Receivable, Net	2,140,560	-	-	2,140,560
Interfund Receivables	11,319	1,823,931	-	1,835,250
Intergovernmental Receivables	1,466,377	-	-	1,466,377
Other Receivables, Net	87,425	1,400	-	88,825
<b>TOTAL ASSETS</b>	<b>\$ 21,962,281</b>	<b>\$ 12,999,325</b>	<b>\$ 6,933</b>	<b>\$ 34,968,539</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,847,606	\$ 129,143	\$ -	\$ 1,976,749
Interfund Payables	1,828,993	-	-	1,828,993
Intergovernmental Payables	129,006	-	-	129,006
Accrued Salaries and Benefits	6,356,613	-	-	6,356,613
Deferred Revenues	1,528,760	-	-	1,528,760
<b>TOTAL LIABILITIES</b>	<b>11,690,978</b>	<b>129,143</b>	<b>-</b>	<b>11,820,121</b>
<b>FUND BALANCES</b>				
Restricted Fund Balance	-	12,870,182	6,933	12,877,115
Committed Fund Balance	4,774,743	-	-	4,774,743
Assigned Fund Balance	1,525,000	-	-	1,525,000
Unassigned Fund Balance	3,971,560	-	-	3,971,560
<b>TOTAL FUND BALANCES</b>	<b>10,271,303</b>	<b>12,870,182</b>	<b>6,933</b>	<b>23,148,418</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 21,962,281</b>	<b>\$ 12,999,325</b>	<b>\$ 6,933</b>	<b>\$ 34,968,539</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2012**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 23,148,418</b>
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**Amounts reported for governmental activities in the statement  
of net assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$230,913,955 and the accumulated depreciation is \$53,842,847.	177,071,108
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,261,075
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Establish allowance for doubtful accounts - property taxes receivable	(137,559)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$	(106,675,000)	
Accrued Interest on Bonds		(454,522)	
Unamortized Bond Premium		(4,049,234)	
Unamortized Bond Issuance Costs		1,147,172	
Unamortized Deferred Refunding Loss		2,590,473	
Unamortized Bond Discount		152,456	
Compensated Absences		(930,476)	
Post Employment Benefits		(1,270,567)	
		(109,489,698)	(109,489,698)

<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 91,853,344</b>
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**WILSON SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2012**

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 67,701,622	\$ 55,270	\$ -	\$ 67,756,892
State Sources	15,592,669	-	-	15,592,669
Federal Sources	1,148,755	-	-	1,148,755
<b>TOTAL REVENUES</b>	<b>84,443,046</b>	<b>55,270</b>	<b>-</b>	<b>84,498,316</b>
<b>EXPENDITURES</b>				
Instructional Services	44,921,705	-	-	44,921,705
Support Services	22,471,153	628,785	263,606	23,363,544
Operation of Noninstructional Services	1,984,945	-	-	1,984,945
Capital Outlay	-	918,722	-	918,722
Debt Service				
Principal	-	-	7,050,000	7,050,000
Interest	-	-	4,636,410	4,636,410
Refund of Prior Year's Revenues	129,036	-	-	129,036
<b>TOTAL EXPENDITURES</b>	<b>69,506,839</b>	<b>1,547,507</b>	<b>11,950,016</b>	<b>83,004,362</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>14,936,207</b>	<b>(1,492,237)</b>	<b>(11,950,016)</b>	<b>1,493,954</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Bond Refunding	-	-	22,025,000	22,025,000
Bond Premium	-	-	2,245,295	2,245,295
Payment to Escrow Agent, Refunding Bond	-	-	(23,999,756)	(23,999,756)
Sale of Fixed Assets	46,734	-	-	46,734
Operating Transfers In	186,000	3,482,531	11,686,410	15,354,941
Operating Transfers Out	(15,168,941)	-	-	(15,168,941)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,936,207)</b>	<b>3,482,531</b>	<b>11,956,949</b>	<b>503,273</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>1,990,294</b>	<b>6,933</b>	<b>1,997,227</b>
<b>FUND BALANCES - BEGINNING</b>	<b>10,271,303</b>	<b>10,879,888</b>	<b>-</b>	<b>21,151,191</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 10,271,303</b>	<b>\$ 12,870,182</b>	<b>\$ 6,933</b>	<b>\$ 23,148,418</b>

See accompanying notes.

# WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,997,227

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

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

Capital Outlays	\$ 2,021,754	
Loss on Disposal of Fixed Assets	(60,690)	
Less: Depreciation Expense	<u>(4,872,987)</u>	(2,911,923)

Because some property taxes will not be collected for several months after the District's year-end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased (decreased) by this amount during the year. (238,726)

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

Repayment of Bond Principal	7,050,000	
Payment to Escrow Agent, Refunding Bond	23,999,756	
Proceeds from Bond Refunding	(22,025,000)	
Bond Issuance Costs - New Issue	263,607	
Bond Premium - New Issue	(2,245,295)	
Amortization of Bond Premium	302,506	
Amortization of Bond Discount	(18,718)	
Amortization of Bond Interest	(170,015)	
Amortization of Deferred Refunding Loss	(172,877)	
Amortization of Bond Issuance Costs	<u>(148,176)</u>	6,835,788

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2012**

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

174,535

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

(31,004)

Post employment benefits are recognized when they are paid on the fund statements. With the implementation of GASB #45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.

(300,723)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 5,525,174

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2012

<b>ASSETS</b>	<u>Enterprise Fund Food Service</u>	<u>Nonmajor Fund (Child Care)</u>	<u>Totals</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 643,395	\$ 398,688	\$ 1,042,083
Interfund Receivables	5,063	(11,320)	(6,257)
Intergovernmental Receivables	112,232	20,075	132,307
Other Receivables, Net	1,901	7,464	9,365
Inventories	49,367	-	49,367
<b>TOTAL CURRENT ASSETS</b>	811,958	414,907	1,226,865
<b>NONCURRENT ASSETS</b>			
Building Improvements, Net	-	14,923	14,923
Machinery and Equipment, Net	114,468	18,833	133,301
<b>TOTAL NONCURRENT ASSETS</b>	114,468	33,756	148,224
<b>TOTAL ASSETS</b>	<u>\$ 926,426</u>	<u>\$ 448,663</u>	<u>\$ 1,375,089</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 9,410	\$ 873	\$ 10,283
Accrued Salaries and Benefits	7,564	28,326	35,890
Deferred Revenues	47,824	25,718	73,542
<b>TOTAL CURRENT LIABILITIES</b>	64,798	54,917	119,715
<b>NONCURRENT LIABILITIES</b>			
Post Employment Benefits	57,814	(12,264)	45,550
<b>TOTAL LIABILITIES</b>	122,612	42,653	165,265
<b>NET ASSETS</b>			
Invested in Capital Assets	114,468	33,756	148,224
Unrestricted	689,346	372,254	1,061,600
<b>TOTAL NET ASSETS</b>	803,814	406,010	1,209,824
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 926,426</u>	<u>\$ 448,663</u>	<u>\$ 1,375,089</u>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2012**

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
<b>OPERATING REVENUES</b>			
Food Service Revenue	\$ 1,752,083	\$ -	\$ 1,752,083
Tuition and Fee Revenue	-	1,563,248	1,563,248
<b>TOTAL OPERATING REVENUES</b>	<b>1,752,083</b>	<b>1,563,248</b>	<b>3,315,331</b>
<b>OPERATING EXPENSES</b>			
Salaries	986,587	985,409	1,971,996
Employee Benefits	295,212	255,278	550,490
Supplies and Other Operating Expenses	1,353,355	81,994	1,435,349
Depreciation	37,328	6,608	43,936
<b>TOTAL OPERATING EXPENSES</b>	<b>2,672,482</b>	<b>1,329,289</b>	<b>4,001,771</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(920,399)</b>	<b>233,959</b>	<b>(686,440)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings on Investments	3,877	1,257	5,134
State Sources	160,452	100,875	261,327
Federal Sources	786,712	-	786,712
Gain (Loss) on Disposal of Assets	(911)	-	(911)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>950,130</b>	<b>102,132</b>	<b>1,052,262</b>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b>29,731</b>	<b>336,091</b>	<b>365,822</b>
<b>OPERATING TRANSFERS OUT</b>	<b>(60,000)</b>	<b>(126,000)</b>	<b>(186,000)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(30,269)</b>	<b>210,091</b>	<b>179,822</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>834,083</b>	<b>195,919</b>	<b>1,030,002</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 803,814</b>	<b>\$ 406,010</b>	<b>\$ 1,209,824</b>

See accompanying notes.



**WILSON SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2012**

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 1,750,410	\$ 1,585,861	\$ 3,336,271
Cash Payments to Employees for Services	(1,281,875)	(1,256,390)	(2,538,265)
Cash Payments for Supplies and Other Operating Expenses	(1,252,855)	(84,053)	(1,336,908)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(784,320)	245,418	(538,902)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	162,506	101,801	264,307
Federal Sources	670,281	-	670,281
Operating Transfers Out	(60,000)	(129,300)	(189,300)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	772,787	(27,499)	745,288
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Equipment	(10,813)	(6,190)	(17,003)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	3,877	1,257	5,134
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(18,469)	212,986	194,517
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	661,864	185,702	847,566
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 643,395	\$ 398,688	\$ 1,042,083

See accompanying notes.

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - CONTINUED**

For the Year Ended June 30, 2012

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>			
Operating Income (Loss)	\$ (920,399)	\$ 233,959	\$ (686,440)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Net Operating Activities:			
Depreciation	37,328	6,608	43,936
Donated Commodities Used	116,080	-	116,080
Changes in Assets and Liabilities:			
Intergovernmental and Other Receivables	487	10,250	10,737
Inventories	(2,535)	-	(2,535)
Interfund Balances	(12,788)	4,806	(7,982)
Accounts Payable	(12,701)	(1,286)	(13,987)
Accrued Salaries and Benefits	(956)	(21,697)	(22,653)
Deferred Revenues	(2,160)	12,363	10,203
Post Employment Benefits	13,324	415	13,739
Total Adjustments	136,079	11,459	147,538
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ (784,320)</u></b>	<b><u>\$ 245,418</u></b>	<b><u>\$ (538,902)</u></b>

Noncash, Noncapital Financing Activities:

During the year, the District used \$116,080 of food commodities from the Department of Agriculture.

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**

June 30, 2012

	Expendable Trust Funds Scholarship	Agency Funds Student Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 25,359	\$ 158,299
<b>TOTAL ASSETS</b>	<u>\$ 25,359</u>	<u>\$ 158,299</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Other Current Liabilities	\$ -	\$ 158,299
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ 158,299</u>
<b>NET ASSETS</b>		
Held in Trust for Scholarships	<u>\$ 25,359</u>	

See accompanying notes.

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**

**For the Year Ended June 30, 2012**

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	<u>Expendable Trust Funds Scholarship</u>
<b>ADDITIONS</b>	
Contributions	\$ 20,007
Earnings on Investments	<u>88</u>
<b>TOTAL ADDITIONS</b>	20,095
<b>DEDUCTIONS</b>	
Scholarships	<u>11,250</u>
<b>CHANGE IN NET ASSETS</b>	8,845
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>16,514</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 25,359</u></u>

*See accompanying notes.*

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

**June 30, 2012**

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**

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The accounting policies of the Wilson School District (the District) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the more significant policies and practices of the district.

**A. Reporting Entity**

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District's financial statements. The District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or improve specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Based on these criteria, Wilson School District has no component units.

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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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:

1. **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.
2. **Jointly Governed Organizations:** The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

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

**B. Measurement Focus and Basis of Accounting**

The basic financial statements of the District are composed of the following:

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

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

2. **Fund financial statements.** The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The financial statements for governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statements include financial information for the private purpose trust fund and activity fund. The agency (activity) fund primarily represents assets held by the District in a custodial capacity for other individuals or governments, and do not involve the measurement of results of operations. Agency funds do not have a measurement focus, but assets and liabilities are reported using the accrual basis of accounting. The private purpose trust fund accounts for the additions and deductions to the trust fund in a manner similar to a proprietary fund.

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

- **Governmental funds**

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources."

Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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- **Proprietary funds**

The District's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operating revenues and expenses, such as charges for services, program services, and administrative expenses, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues and expenses, such as operating grants, subsidies, investment earnings, interest expense, and bond issuance costs, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as revenue. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

**C. Basis of Presentation**

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."* The nonmajor funds are combined in a column in the fund financial statements. The following are the District's major funds:

**1. Government Fund Types**

General Fund - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund.

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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Capital Projects Funds - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by the proprietary fund).

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

**2. Enterprise Fund Type**

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 a major 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.

**3. Other Fund Types**

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose 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 the private-purpose trusts. 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.

**D. Budgetary Data**

The school board annually adopts the budget for the general fund in accordance with the PA School Code of 1949, as amended. Budgetary control is legally maintained at the function level within the general fund. 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 school directors approving the transfer.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Appropriations, except unexpended grant appropriations and encumbrances, lapse at the end of each fiscal year.

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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No budget has been adopted for the capital projects fund.

**E. Investments and Cash Equivalents**

Investments are carried at market value.

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

**F. Receivables/Payables**

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

**G. 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 food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2012, consist of the following:

Purchased food	\$ 31,613
Supplies	14,111
Donated commodities	<u>3,643</u>
	<u><u>\$ 49,367</u></u>

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**H. Capital Assets**

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

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

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

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

<u>Assets</u>	<u>Years</u>
Site improvements	20
Building and improvements	15 - 50
Machinery and equipment	5 - 15
Vehicles	5 - 10

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

**I. Long-Term Obligations**

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

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**J. Unearned and Deferred Revenues**

Revenues that are received but not earned are deferred in the government-wide and enterprise funds financial statements. In the District's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies 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 governmental funds' balance sheet and revenue is recognized.

**K. Net Assets**

Government Accounting Standards requires the classification of net assets into the three components shown below, which are defined as follows:

*Invested in capital assets, net of related debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvements of these assets reduce the balance in this category.

*Restricted net assets* - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* - This category represents net assets of the District, which are not restricted for any project or other purpose.

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

**June 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**L. Governmental Fund Balances**

Government Accounting Standards has established accounting and financial standards for all governments that report governmental funds. The standards established criteria for classifying fund balances into specifically defined classifications as follows:

Nonspendable - Amounts that are not in a spendable form such as inventory and prepaid expenses or are required to be maintained intact such as the principal of an endowment. The nonspendable portion of fund balance must be identified before any other categories are determined.

Restricted Fund Balance - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance - Amounts that can be used only for a specific purpose determined by a formal action of the board of school directors, the government's highest level of decision-making authority. The formal action to commit fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned Fund Balance - Amounts that the school district intends to use for a specific purpose. Assignments of fund balance are made by the finance committee or the director of finance any time prior to the issuance of the audited financial statements.

Unassigned Fund Balance - Amounts that are not included within any other classification noted. Unassigned amounts that are the portion of fund balance not obligated or specifically designated and are available for any purpose.

**M. Use of Estimates**

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

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

**June 30, 2012**

**NOTE 2 - CASH AND INVESTMENTS**

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Deposits

Restricted Cash

Restricted cash represents an escrow account balance with a financial institution restricted for road improvements related to the new middle school project as required by an agreement with Lower Heidelberg Township and amounts held in escrow for debt service.

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, 2012 the carrying amount of the District's deposits was \$28,949,374 and the bank balance was \$29,161,385. Of the bank balance, \$822,459 was covered by federal depository insurance, and \$28,338,926 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

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 approval collateral as provided by law, therefore, shall be pledged by the depository.

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

**June 30, 2012**

**NOTE 2 - CASH AND INVESTMENTS - CONTINUED**

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As of June 30, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Carrying Value</u>
Pennsylvania School District Liquid Asset Fund (PSDLAF)	<u>\$ 1,718,931</u>	<u>\$ 1,713,894</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, 2012, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; 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, 2012**

**NOTE 3 - TAXES RECEIVABLE AND DEFERRED REVENUES**

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. The tax rate for the year was \$23.31 per \$1,000 of assessed valuation.

The property tax calendar is as follows:

July 1	-	Full year tax assessed for current year.
July 1 - August 31	-	Discount period during which a 2% discount is allowed.
September 1 - October 31	-	Face amount of tax is due.
November 1 - January 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 deferred in the fund financial statements.

The balances at June 30, 2012 are as follows:

	Gross Taxes Receivable	Allowance Uncollectible Taxes	Net Estimated to be Collectible	Share of Taxes Due to Municipalities	Tax Revenue Recognized	Deferred Taxes
Real estate/Interims	\$ 1,762,701	\$ 137,559	\$ 1,625,142	\$ -	\$ 364,066	\$ 1,261,075
Per capita	7,216	-	7,216	-	7,216	-
Mercantile/Bus. Privilege	105,062	-	105,062	43,341	61,721	-
Earned income tax	216,226	-	216,226	-	216,226	-
Transfer tax	49,355	-	49,356	-	49,356	-
	<u>\$ 2,140,560</u>	<u>\$ 137,559</u>	<u>\$ 2,003,001</u>	<u>\$ 43,341</u>	<u>\$ 698,585</u>	<u>\$ 1,261,075</u>

The deferred revenue balance in the general fund of \$1,528,760 consists of deferred real estate taxes of \$1,261,075, deferred revenue from sponsorships of \$210,491, deferred revenue from summer school tuition of \$19,900, deferred revenue from camps and clinics of \$20,856, and deferred revenue from grants of \$16,438.

**WILSON SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES**

The following schedule represents net intergovernmental receivables at June 30, 2012:

Name of Government Unit	General Fund	Proprietary	
		Food Service	Child Care (Nonmajor Fund)
Commonwealth of PA - Retirement	\$ 645,246	\$ 63	\$ 873
Commonwealth of PA - Social Security	192,163	55	773
Commonwealth of PA - DEP Grant	3,000	-	-
Commonwealth of PA - Rental Subsidy	13,587	-	-
Commonwealth of PA - Transportation	1,788	-	-
Commonwealth of PA - Unclaimed Property	1,593	-	-
Commonwealth of PA - National School Lunch	-	12,194	-
Federal Subsidies - Title I	48,396	-	-
Federal Subsidies - Title II	6,810	-	-
Federal Subsidies - Title III	20,337	-	-
Federal Subsidies - IDEA	244,391	-	-
Federal Subsidies - ARRA - Education Jobs	7,358	-	-
Federal Subsidies - ACCESS	164,567	-	-
Federal Subsidies - National School Lunch	-	99,920	-
School District of Philadelphia	27,385	-	-
Spring Township	25,073	-	-
Berks County Intermediate Unit	22,312	-	18,429
Upper Darby School District	15,092	-	-
Berks Career and Technology Center	6,942	-	-
Wyomissing School District	5,496	-	-
Army JROTC	5,481	-	-
Sinking Spring Borough	3,770	-	-
Lower Heidelberg Township	2,610	-	-
Governor Mifflin School District	2,436	-	-
Other LEAs	544	-	-
	<u>\$ 1,466,377</u>	<u>\$ 112,232</u>	<u>\$ 20,075</u>

**WILSON SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES - CONTINUED**

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The following schedule represents intergovernmental payables at June 30, 2012:

<u>Name of Government Unit</u>	<u>General Fund</u>
Spring Township	\$ 56,644
Wyomissing Borough	28,533
Conrad Weiser Area School District	26,994
Lower Heidelberg Township	7,584
Lancaster-Lebanon IU 13	7,348
Sinking Spring Borough	1,254
Central Susquehanna IU	649
	<u>\$ 129,006</u>

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

**June 30, 2012**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Decrease/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 10,509,771	\$ -	\$ -	\$ 10,509,771
Construction in progress	353,495	876,429	(889,105)	340,819
Capital assets being depreciated:				
Site improvements	4,789,225	-	515,586	5,304,811
Buildings and building improvements	203,264,108	4,380	236,610	203,505,098
Machinery and equipment	6,644,449	728,535	(528,136)	6,844,848
Vehicles	4,166,771	412,410	(170,573)	4,408,608
Total at historical cost	218,864,553	1,145,325	53,487	220,063,365
Less accumulated depreciation for:				
Site improvements	3,565,992	108,563	-	3,674,555
Buildings and building improvements	41,474,633	3,691,180	-	45,165,813
Machinery and equipment	2,170,649	697,556	(604,355)	2,263,850
Vehicles	2,533,514	375,688	(170,573)	2,738,629
Total accumulated depreciation	49,744,788	4,872,987	(774,928)	53,842,847
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>169,119,765</u>	<u>(3,727,662)</u>	<u>828,415</u>	<u>166,220,518</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 179,983,031</u>	<u>\$ (2,851,233)</u>	<u>\$ (60,690)</u>	<u>\$ 177,071,108</u>

**Business-Type Activities**

Capital assets being depreciated:				
Building Improvements	\$ 12,095	\$ 6,190	\$ -	\$ 18,285
Equipment	985,072	10,813	(13,726)	982,159
Total at historical cost	997,167	17,003	(13,726)	1,000,444
Accumulated depreciation for:				
Building Improvements	2,049	1,313	-	3,362
Equipment	819,050	42,623	(12,815)	848,858
Total accumulated depreciation	821,099	43,936	(12,815)	852,220
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 176,068</u>	<u>\$ (26,933)</u>	<u>\$ (911)</u>	<u>\$ 148,224</u>

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

June 30, 2012

**NOTE 5 - CHANGES IN CAPITAL ASSETS - CONTINUED**

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

Instruction, Regular	\$ 3,636,150
Instruction, Special	1,625
Support Services	1,201,790
Noninstructional Services	<u>33,422</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,872,987</u></b>

**NOTE 6 - LONG-TERM LIABILITIES**

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Long-term liabilities except for compensated absences:

General Obligation Bond - 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 remaining balance on the 2<sup>nd</sup> Series of 2002 General Obligation Bonds, and advance refund the remaining 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.

\$ 22,025,000

General Obligation Bond - 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 - 2<sup>nd</sup> 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.

9,975,000

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

**June 30, 2012**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED**

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General Obligation Bond - 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.

16,275,000

General Obligation Bond - Series of 2009:

The District is liable for general obligation bonds dated May 15, 2009 in the original principal amount of \$10,190,000. Principal maturities occur on May 15 through the year 2017. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 2.00% to 3.00%. The proceeds of this bond were used to currently refund the General Obligation Bonds - Series of 2004 and to pay debt issuance costs.

9,850,000

General Obligation Bond - Series of 2008:

The District is liable for general obligation bonds dated February 15, 2008 in the original principal amount of \$9,995,000. Principal maturities occur on May 15 through the year 2016. Interest is payable semi-annually on November 15 and May 15. Interest rates vary from 2.30% to 3.25%. The proceeds of this bond were used to partially advance refund the General Obligation Bonds - Second Series of 2002 and to pay debt issuance costs.

9,495,000

General Obligation Bond - 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. Interest rates vary from 3.80% to 5.25%. The proceeds of this bond will be used for capital improvement projects.

33,485,000

General Obligation Bond - Series of 2005:

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

5,570,000

\$106,675,000

WILSON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

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

	General Obligation Bonds, Series of 2012	General Obligation Bonds, Series of 2011	General Obligation Bonds, Series of 2010	General Obligation Bonds, Series of 2009	General Obligation Bonds, Series of 2008	General Obligation Bonds, Series of 2007	General Obligation Bonds, Series of 2005	Total General Long-Term Debt	Total Interest
2013	\$ 3,705,000	\$ 3,455,000	\$ 120,000	\$ 210,000	\$ 180,000	\$ 100,000	\$ 130,000	\$ 7,900,000	\$ 4,062,621
2014	2,275,000	1,875,000	120,000	1,215,000	1,815,000	65,000	210,000	7,575,000	4,009,161
2015	1,115,000	65,000	130,000	2,735,000	3,720,000	10,000	30,000	7,805,000	3,816,619
2016	545,000	675,000	130,000	2,805,000	3,780,000	10,000	380,000	8,325,000	3,593,185
2017	75,000	1,260,000	65,000	2,885,000	-	30,000	4,095,000	8,410,000	3,333,035
2018 - 2022	14,310,000	2,645,000	14,355,000	-	-	13,645,000	725,000	45,680,000	11,555,098
2023 - 2026	-	-	1,355,000	-	-	19,625,000	-	20,980,000	2,481,452
Total	<u>\$ 22,025,000</u>	<u>\$ 9,975,000</u>	<u>\$ 16,275,000</u>	<u>\$ 9,850,000</u>	<u>\$ 9,495,000</u>	<u>\$ 33,485,000</u>	<u>\$ 5,570,000</u>	<u>\$ 106,675,000</u>	<u>\$ 32,851,171</u>

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

**June 30, 2012**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balances and activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt					
Bonds Payable	\$ 113,500,000	\$ 225,000	\$ 7,050,000	\$ 106,675,000	\$ 7,900,000
Bond Discounts	(171,174)	-	(18,718)	(152,456)	-
Bond Premiums	2,736,152	2,245,295	932,213	4,049,234	-
Unamortized Interest	(170,015)	-	(170,015)	-	-
Deferred Charges	(1,025,731)	(1,737,619)	(172,877)	(2,590,473)	-
Other Liabilities:					
Compensated Absences	950,288	181,504	153,290	978,502	48,026
<b>TOTAL GOVERNMENTAL LONG-TERM LIABILITIES</b>	<u>\$ 115,819,520</u>	<u>\$ 914,180</u>	<u>\$ 7,773,893</u>	<u>\$ 108,959,807</u>	<u>\$ 7,948,026</u>

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by several of the governmental funds. Total interest paid during the year ended June 30, 2012 was \$4,636,410.

**Defeasance of Debt**

During the year ended June 30, 2011, 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 \$5,020,000 of General Obligation Bonds Second Series of 2002 and \$4,475,000 of General Obligation Bonds Series A of 2003. 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 assets. As of June 30, 2012, outstanding general obligation bonds of the District in the amount of \$4,370,000 were considered defeased with a related \$4,563,326 held in escrow funds.



**WILSON SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED**

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During the year ended June 30, 2012, the District issued \$22,025,000 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 \$3,645,000 of General Obligation Bonds Series A of 2003 and \$14,470,000 of General Obligation Bonds Series of 2005. 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 assets. As of June 30, 2012, outstanding general obligation bonds of the District in the amount of \$18,115,000 were considered defeased with a related \$20,288,897 held in escrow funds.

Subsequent to year-end, the school board voted on a maximum debt parameters resolution related to a 2013 bond issue for approximately \$24,000,000. This includes approximately \$12,000,000 for new debt for projects related to the athletic facilities and \$12,000,000 for refunding existing debt.

**NOTE 7 - EMPLOYEE RETIREMENT PLANS**

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**Multiple Employer Defined Pension Plan**

Plan Description:

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

Funding Policy:

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Active members who joined the system prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 and who were active or inactive as of June 30, 2011 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members joining PSERS on or after July 1, 2011 contribute at 7.50 percent (Membership Class TE) or at 10.30 percent (Membership Class TF). Both membership classes TE and TF contain a "shared risk" which allows for an increase in the contribution percentage up to an additional 2.00 percent based on market results.

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

**June 30, 2012**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2012, the rate of employer contributions was 8.65 percent of covered payroll. The 8.65 percent rate is composed of a pension contribution, eight percent of pension benefits and 0.65 percent for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2012, 2011, and 2010 were \$3,347,400, \$2,341,617, and \$1,939,626, respectively, which is equal to the required contribution.

**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. The District does not contribute to the Plan.

**NOTE 8 - POST EMPLOYMENT BENEFITS**

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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 and the District is implementing GASB Statement 45 prospectively.

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 the full premium as determined for the purposes of COBRA, if coverage is elected.

For eligible teachers retired on or before July 1, 1998 and 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 the full premium as determined for the purpose of COBRA, if coverage is elected.

For teachers retiring after July 1, 1998 and have reached ten years of service with the District and 20 years of PSERS service, the District contributes \$135 per month for medical and prescription drug coverage. The spouse must pay the full premium as determined for the purpose of COBRA, if coverage is elected.

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

**June 30, 2012**

**NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED**

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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 the full premium as determined for the purpose of COBRA, if coverage is elected.

For the post employment 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 post employment 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, 2012, the District contributed \$435,538 (as estimated by the actuary) to the post retirement plans related to retirees.

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post employment 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	\$ 766,419
Interest on net OPEB obligation	45,074
Adjustment to annual required contribution	<u>(61,493)</u>
Annual OPEB Cost	750,000
Contributions made (estimated)	<u>(435,538)</u>
Estimated increase in net OPEB obligation	314,462
Net OPEB obligation - beginning of year	<u>1,001,655</u>
Net OPEB obligation - end of year	<u><u>\$ 1,316,117</u></u>

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

**June 30, 2012**

**NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED**

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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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 750,000	58.1%	\$ 1,316,117
6/30/2011	755,739	53.7%	1,001,655
6/30/2010	719,779	59.0%	651,515

Funded Status and Funding Progress:

As of January 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$6,167,045, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,167,045. The covered payroll (annual payroll of active employees covered by the plan) was \$33,100,166, and the ratio of the UAAL to the covered payroll was 18.63%.

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.

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

**June 30, 2012**

**NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED**

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In the January 1, 2010 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 7.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2014 and 5.3 percent in 2015 to 4.2 percent in 2099 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.

**NOTE 9 - SPECIAL TERMINATION BENEFITS**

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a. Retirement Bonuses

The District pays retirement bonuses to certain long-term employees based on years of service and employee classification. These bonuses vary from \$200 - \$340 per year for every year of service that exceeds the service requirement. Service requirements vary from 10 to 17 years. An accrual of \$258,082 has been made to the government-wide statements, included as compensated absences.

b. Unused Sick Leave

The District reimburses certain employees for unused accumulated sick leave upon retirement. Reimbursement varies from \$10 - \$45 per day with a maximum of 25 or 100 days, depending upon employment classification. An accrual of \$720,420 is reflected in the government-wide statements included as compensated absences with an estimated current portion of \$48,026.

c. Retirement Incentive

Administrators receive retirement incentives from the District if they meet all of the following requirements: 20 years of employment by the Commonwealth in education, 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.

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

**June 30, 2012**

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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The following is a summary of interfund receivables and payables at June 30, 2012:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 11,319	\$ 1,828,993
Capital Projects	1,823,931	-
Enterprise Fund - Food Service	5,063	-
Nonmajor Enterprise Fund - Child Care	<u>(11,320)</u>	<u>-</u>
	<u>\$ 1,828,993</u>	<u>\$ 1,828,993</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, 2012:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 186,000	\$ 15,168,941
Capital Projects	3,482,531	-
Debt Service	11,686,410	-
Enterprise Fund - Food Service	-	60,000
Nonmajor Enterprise Fund - Child Care	<u>-</u>	<u>126,000</u>
	<u>\$ 15,354,941</u>	<u>\$ 15,354,941</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, 2012**

**NOTE 11 - JOINT VENTURE**

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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 2011/2012 year was \$851,815.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds are being used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2011/2012 year was \$352,899.

Summary financial information as of June 30, 2011 (most recent available) is as follows:

<u>Berks Career &amp; Technology Center (Governmental Activities)</u>	
Total Assets	\$ 33,247,522
Total Liabilities	<u>19,936,172</u>
Total Net Assets	<u>\$ 13,311,350</u>

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

**NOTE 12 - RISK MANAGEMENT**

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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 2011/2012 year.

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

**June 30, 2012**

**NOTE 13 - CONTINGENT LIABILITIES**

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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.

Commencing on July 1, 2012, the District entered into the Berks County School District Health Trust and will be self-insured for health and prescription benefits.

**NOTE 14 - COMMITMENTS**

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At June 30, 2012, the District has entered into a number of contracts related to school expansion and renovation projects. Contracts awarded and commitments outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
New Middle School	\$ 48,103,929	\$ 144,684
High School Café and Science Rooms	<u>1,409,288</u>	<u>4,300</u>
	<u>\$ 49,513,217</u>	<u>\$ 148,984</u>

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

In relation to road improvements included with the new middle school project, the District has executed an irrevocable letter of credit in the amount of \$326,606 for the benefit of the PA Department of Transportation to ensure completion of road improvements agreed upon by the District. The letter of credit is in effect until April 2013 and was reduced by 80 percent, to \$65,321, effective October 4, 2011.



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

**June 30, 2012**

**NOTE 15 - FUND BALANCE**

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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, 2012 was as follows:

**General Fund**

The general fund has committed funds of \$4,774,743 for retirement rate increases, an assigned fund balance of \$1,525,000 representing the 2012/2013 budgeted deficit, and unassigned fund balance of \$3,971,560. 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 \$12,870,182, consisting of \$1,750,306 of unspent bond funds and \$11,119,876 designated by the board of school directors for the acquisition or construction of capital facilities and capital assets.

**Debt Service**

The debt service fund has restricted funds of \$6,933 to be used to offset future debt service payments.

The District has established and will maintain reservations of fund balance in accordance with GASB 54. This policy applies to the District's general fund and all governmental funds. Fund balance is comprised of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs, or enhance the financial position of the District in accordance with policies established by the board of directors.

**Spending policy**

The District's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The District's policy is to decide at the time an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balance. The decision will be made at the discretion of the finance committee or director of finance which fund balances are exhausted first.

**Minimum fund balance policy**

The District's unassigned fund balance of the general fund should not be less than three percent of the following year's budgeted expenditures.

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

**June 30, 2012**

**NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS**

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

- Statement No. 60, Service Concession Arrangements which is required to be implemented by the year ending June 30, 2013. The objective of this statement is to address how to account for and report service concession arrangements, a type of public-private or public-public partnership that governments are increasingly entering into. At this time, the District does not have any service concession arrangements in place.
- Statement No 61, The Financial Reporting Entity - Omnibus which is required to be implemented by the year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity to better meet user needs and address reporting entity issues. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. The statement also clarifies the reporting of equity interests in legally separate organizations.
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position which is required to be implemented by the year ending June 30, 2013. The objective of this statement is to provide a framework that will serve to standardize the presentation of deferred balances and their effects on a government's net position and address uncertainty related to their display.
- Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented by the year ending June 30, 2013. The objective of this statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement also restricts the use of the term "deferred" only to those items designated as deferred outflows or deferred inflows of resources by the standards.
- Statement No. 67, Financial Reporting for Pension Plans, which is required to be implemented by the year ending June 30, 2014. The objective of this statement is to improve financial reporting by enhancing financial statement note disclosure and required supplementary information for government pension plans.

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

**June 30, 2012**

**NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED**

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- Statement No. 68, Accounting and Financial Reporting for Pensions, which is required to be implemented by the year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also enhances note disclosure and required supplementary information for government pension plans. This pronouncement applies to employers that have a legal obligation to make contributions directly to a pension plan.

The District has not yet completed the analysis necessary to estimate the 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, 2012

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 66,927,232	\$ 66,927,232	\$ 67,701,622	\$ 774,390
State Sources	15,736,744	15,736,744	15,592,669	(144,075)
Federal Sources	1,112,504	1,112,504	1,148,755	36,251
<b>TOTAL REVENUES</b>	<b>83,776,480</b>	<b>83,776,480</b>	<b>84,443,046</b>	<b>666,566</b>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>EXPENDITURES - INSTRUCTION</b>				
Regular Programs - Elementary/Secondary	32,808,882	32,909,362	32,341,742	567,620
Special Programs - Elementary/Secondary	9,480,249	9,544,825	10,099,251	(554,426)
Vocational Education Programs	2,244,459	2,245,439	2,268,663	(23,224)
Other Instructional Programs - Elementary/Secondary	283,584	283,684	189,761	93,923
Nonpublic School Programs	56,923	31,852	22,288	9,564
<b>TOTAL INSTRUCTION</b>	<b>44,874,097</b>	<b>45,015,162</b>	<b>44,921,705</b>	<b>93,457</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	2,854,610	2,852,660	2,794,776	57,884
Instructional Staff	4,661,919	4,539,304	4,291,847	247,457
Administration	5,067,701	4,905,394	4,910,882	(5,488)
Pupil Health	734,217	669,791	648,167	21,624
Business	892,796	858,543	795,771	62,772
Operation and Maintenance of Plant Services	7,396,331	7,396,357	6,275,619	1,120,738
Student Transportation Services	2,010,218	2,038,744	2,159,506	(120,762)
Central	247,414	412,923	371,506	41,417
Other Support Services	216,750	234,750	223,079	11,671
<b>TOTAL SUPPORT SERVICES</b>	<b>24,081,956</b>	<b>23,908,466</b>	<b>22,471,153</b>	<b>1,437,313</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Student Activities	2,029,020	2,027,143	1,882,361	144,782
Community Services	102,397	136,699	102,584	34,115
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>2,131,417</b>	<b>2,163,842</b>	<b>1,984,945</b>	<b>178,897</b>
Refund of Prior Year Revenues	-	-	129,036	(129,036)
<b>TOTAL EXPENDITURES</b>	<b>71,087,470</b>	<b>71,087,470</b>	<b>69,506,839</b>	<b>1,580,631</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>12,689,010</b>	<b>12,689,010</b>	<b>14,936,207</b>	<b>2,247,197</b>

See note to required supplementary information.

**WILSON SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2012

	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	-	46,734	46,734
Transfers from Other Funds	186,000	186,000	186,000	-
Transfers to Other Funds	(13,345,010)	(13,345,010)	(15,168,941)	(1,823,931)
Budgetary Reserve	(1,000,000)	(1,000,000)	-	1,000,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(14,159,010)</u>	<u>(14,159,010)</u>	<u>(14,936,207)</u>	<u>(777,197)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (1,470,000)</u>	<u>\$ (1,470,000)</u>	<u>-</u>	<u>\$ 1,470,000</u>
<b>FUND BALANCE - JULY 1, 2011</b>			<u>10,271,303</u>	
<b>FUND BALANCE - JUNE 30, 2012</b>			<u>\$ 10,271,303</u>	

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -  
POST EMPLOYMENT BENEFITS PLAN**

**June 30, 2012**

**Schedule of Funding Progress**

	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	1/1/2010	\$ -	\$ 5,992,703	\$ 5,992,703	0.00%	\$ 32,800,618	18.27%
Business-Type Activities	1/1/2010	-	174,342	174,342	0.00%	299,548	58.20%
Total	1/1/2010	<u>\$ -</u>	<u>\$ 6,167,045</u>	<u>\$ 6,167,045</u>	<u>0.00%</u>	<u>\$ 33,100,166</u>	<u>18.63%</u>

	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	1/1/2008	\$ -	\$ 5,602,068	\$ 5,602,068	0.00%	\$ 30,150,998	18.58%
Business-Type Activities	1/1/2008	-	188,561	188,561	0.00%	377,765	49.91%
Total	1/1/2008	<u>\$ -</u>	<u>\$ 5,790,629</u>	<u>\$ 5,790,629</u>	<u>0.00%</u>	<u>\$ 30,528,763</u>	<u>18.97%</u>

**Schedule of Employer Contributions**

Fiscal Year-End	Annual OPEB Cost	Employer Contributions	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 750,000	\$ 435,538	58.1%	\$ 1,316,117
6/30/2011	755,739	405,599	53.7%	1,001,655
6/30/2010	719,779	424,654	59.0%	651,515
6/30/2009	725,620	369,230	50.9%	356,390

See note to required supplementary information.

**WILSON SCHOOL DISTRICT**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012**

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**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, 2012**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>6000 Revenues from Local Sources</b>				
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$ 54,681,896	\$ 54,752,173	\$ 70,277
6112	Taxes, Interim Real Estate	350,000	269,693	(80,307)
6113	Public Utility Realty Tax	78,776	81,506	2,730
6114	Taxes, Current, Payments in Lieu of Taxes	1,015	1,015	-
6120	Current Per Capita Taxes, Section 679	123,000	120,678	(2,322)
6140	Current Act 511 Per Capita Taxes	123,000	120,678	(2,322)
6143	Current 511 Local Services Taxes	115,000	112,481	(2,519)
6151	Current Act 511 Earned Income Taxes	4,896,000	4,885,306	(10,694)
6153	Current Act 511 Real Estate Transfer Taxes	670,000	650,069	(19,931)
6155	Current Act 511 Mercantile/Business Privilege Taxes	2,400,000	2,642,812	242,812
6400	Delinquent Taxes (All Levies)	1,220,000	1,714,859	494,859
	<b>Total</b>	<b>64,658,687</b>	<b>65,351,270</b>	<b>692,583</b>
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	250,000	159,611	(90,389)
6700	Revenue from District Activities	278,114	275,694	(2,420)
6810	Revenue from other Governments	62,000	64,988	2,988
6829	Revenue from I.U. - State - Special Education	-	6,448	6,448
6832	Revenue from I.U. - Federal - Special Education	976,831	965,709	(11,122)
6910	Rental of Facilities	54,500	56,978	2,478
6920	Donation from Private Source	50,000	139,531	89,531
6940	Tuition from Patrons	332,500	376,078	43,578
6950	Advertising Income	21,250	10,953	(10,297)
6960	Services Provided other Local Gov't Units	97,350	79,268	(18,082)
6980	Community Swim and Physical Fitness	64,000	58,040	(5,960)
6990	Miscellaneous Revenue	82,000	157,054	75,054
	<b>Total</b>	<b>2,268,545</b>	<b>2,350,352</b>	<b>81,807</b>
	<b>TOTAL REVENUES FROM LOCAL SOURCES</b>	<b>66,927,232</b>	<b>67,701,622</b>	<b>774,390</b>
<b>7000 Revenues from State Sources</b>				
7110	Basic Instructional Subsidy	6,522,164	6,526,094	3,930
7160	Tuition/Court Placed Institutions	185,000	149,920	(35,080)
7270	Special Education of Exceptional Pupils	2,070,144	2,070,141	(3)
7310	Transportation	700,000	719,765	19,765
7320	Rentals and Sinking Fund Payments	1,350,926	1,370,216	19,290
7330	Medical and Dental Services	113,500	113,522	22

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2012**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>7000 Revenues from State Sources - continued</b>				
7340	Property Tax Reduction Allocation	1,382,784	1,382,784	-
7500	Extra Grants	155,951	153,178	(2,773)
7810	Social Security	1,520,698	1,437,055	(83,643)
7820	Retirement	<u>1,735,577</u>	<u>1,669,994</u>	<u>(65,583)</u>
	<b>TOTAL REVENUES FROM STATE SOURCES</b>	15,736,744	15,592,669	(144,075)
<b>8000 Revenues from Federal Sources</b>				
8390	Other Federal Grants	-	134,595	134,595
8514	Title I	445,449	425,495	(19,954)
8515	Title II	137,321	111,873	(25,448)
8516	LEP/Immigrant	29,734	53,280	23,546
8709	ARRA Education Jobs Fund	-	7,358	7,358
8810	Access Medical Assistance Reimbursement	<u>500,000</u>	<u>416,154</u>	<u>(83,846)</u>
	<b>TOTAL REVENUES FROM FEDERAL SOURCES</b>	1,112,504	1,148,755	36,251
<b>9000 Other Financing Sources</b>				
9359	Other Enterprise Fund Transfers	186,000	186,000	-
9400	Proceeds from Sale of Capital Assets	<u>-</u>	<u>46,734</u>	<u>46,734</u>
	<b>TOTAL REVENUES FROM OTHER FINANCING SOURCES</b>	<u>186,000</u>	<u>232,734</u>	<u>46,734</u>
	<b>TOTAL REVENUES</b>	<u><u>\$ 83,962,480</u></u>	<u><u>\$ 84,675,780</u></u>	<u><u>\$ 713,300</u></u>

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2012**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>1000 Instruction</b>				
1100	Regular Programs	\$ 32,909,362	\$ 32,341,742	\$ 567,620
1200	Special Programs	9,544,825	10,099,251	(554,426)
1300	Vocational Education Program	2,245,439	2,268,663	(23,224)
1400	Other Instructional Programs	283,684	189,761	93,923
1500	Nonpublic Schools	31,852	22,288	9,564
	<b>Total Instruction</b>	<b>45,015,162</b>	<b>44,921,705</b>	<b>93,457</b>
<b>2000 Support Services</b>				
2100	Pupil Personnel	2,852,660	2,794,776	57,884
2200	Instructional Staff	4,539,304	4,291,847	247,457
2300	Administration	4,905,394	4,910,882	(5,488)
2400	Pupil Health	669,791	648,167	21,624
2500	Business	858,543	795,771	62,772
2600	Operation and Maintenance of Plant Services	7,396,357	6,275,619	1,120,738
2700	Student Transportation Services	2,038,744	2,159,506	(120,762)
2800	Central	412,923	371,506	41,417
2900	Other Support Services	234,750	223,079	11,671
	<b>Total Support Services</b>	<b>23,908,466</b>	<b>22,471,153</b>	<b>1,437,313</b>
<b>3000 Operation of Noninstructional Services</b>				
3200	Student Activities	2,027,143	1,882,361	144,782
3300	Community Services	136,699	102,584	34,115
	<b>Total Operation of Noninstructional Services</b>	<b>2,163,842</b>	<b>1,984,945</b>	<b>178,897</b>
<b>5000 Other Financing Uses</b>				
5100	Refund of Prior Year Revenues	-	129,036	(129,036)
5200	Fund Transfers	13,345,010	15,168,941	(1,823,931)
5900	Budgetary Reserve	1,000,000	-	1,000,000
	<b>Total Other Financing Uses</b>	<b>14,345,010</b>	<b>15,297,977</b>	<b>(952,967)</b>
	<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 85,432,480</b>	<b>\$ 84,675,780</b>	<b>\$ 756,700</b>

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2012

Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Deferred) Revenue at July 1, 2011	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2012
<b>U.S. Department of Education</b> Passed through the Commonwealth of Pennsylvania Department of Education:										
Title I - Grants to Local Education Agencies - Basic	I	84.010	13-12-490	07/25/11-09/30/12	\$ 425,495	\$ 377,099	\$ -	\$ 425,495	\$ 425,495	\$ 48,396
Title I - Grants to Local Education Agencies - Basic	I	84.010	13-11-490	07/01/10-09/30/11	440,059	440,059	440,059	-	-	-
<b>Subtotal</b>						817,158	440,059	425,495	425,495	48,396
Title II(a) Improving Teacher Quality	I	84.367	020-12-490	07/25/11-09/30/12	111,873	105,063	-	111,873	111,873	6,810
Title II(a) Improving Teacher Quality	I	84.367	020-11-490	07/01/10-09/30/11	137,321	137,321	137,321	-	-	-
<b>Subtotal</b>						242,384	137,321	111,873	111,873	6,810
Title III Language Instructional LEP	I	84.365	010-12-490	07/25/11-09/30/12	38,185	17,848	-	38,185	38,185	20,337
Title III Language Instructional LEP	I	84.365	010-11-490	05/10/11-09/30/11	29,734	29,734	14,639	15,095	15,095	-
Title III Language Instructional LEP	I	84.365	010-10-490	11/11/10-09/30/11	33,349	21,222	21,222	-	-	-
<b>Subtotal</b>						66,804	35,861	53,280	53,280	20,337
ARRA Education Jobs Fund	I	84.410	140-11-0147	07/01/11-06/30/12	7,358	-	-	7,358	7,358	7,358
Passed through the Berks County Intermediate Unit:										
<b>IDEA Cluster</b>										
IDEA - B Special Education Grants to States	I	84.027	62-012-14	07/01/11-06/30/12	960,013	715,622	-	960,013	960,013	244,391
IDEA - B Special Education Grants to States	I	84.027	62-011-14	07/01/10-06/30/11	976,829	290,822	290,822	-	-	-
ARRA IDEA - B Special Education Grants to States	I	84.391	128-100014	02/17/09-09/30/11	1,238,671	69,672	69,672	-	-	-
Section 619 IDEA - B Special Education Grants to States	I	84.173	N/A	07/01/11-06/30/12	5,696	5,696	-	5,696	5,696	-
<b>Total IDEA Cluster</b>						1,081,812	360,494	965,709	965,709	244,391
<b>Total U.S. Department of Education</b>						2,210,158	973,735	1,563,715	1,563,715	327,292
<b>U.S. Department of Welfare</b> Passed through the Commonwealth of Pennsylvania Department of Education:										
Medical Reimbursement for Administration, Revenue Code 8820	I	93.778	44-008514	07/01/11-06/30/12	687	687	-	687	687	-
<b>Total U.S. Department of Welfare</b>						687	-	687	687	-
<b>U.S. Department of Agriculture</b> Passed through the Commonwealth of Pennsylvania Department of Education:										
<b>Child Nutrition Cluster</b>										
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	515,294	-	603,261	603,261	87,967
National School Lunch Program	I	10.555	N/A	07/01/10-06/30/11	N/A	88,866	88,866	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/11-06/30/12	N/A	55,418	-	67,371	67,371	11,953
School Breakfast Program	I	10.553	N/A	07/01/10-06/30/11	N/A	10,703	10,703	-	-	-
<b>Subtotal</b>						670,281	99,569	670,632	670,632	99,920
Passed through the Commonwealth of Pennsylvania Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	106,095	(13,628)	116,080	116,080	(3,643)
<b>Total Child Nutrition Cluster</b>										
<b>And Total U.S. Department of Agriculture</b>						776,376	85,941	786,712	786,712	96,277
<b>TOTAL FEDERAL AWARDS</b>						\$ 2,987,221	\$ 1,059,676	\$ 2,351,114	\$ 2,351,114	\$ 423,569

Source Codes: I = Indirect, D = Direct

**WILSON SCHOOL DISTRICT**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2012**

**NOTE 1 - BASIS OF ACCOUNTING**

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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.



**HERBEIN+COMPANY, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants Private Companies Practice Section  
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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2012, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Wilson School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wilson School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilson School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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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*.

We noted certain matters that we reported to management of Wilson School District in a separate letter dated November 5, 2012.

This report is intended solely for the information and use of management, others within the organization, the board of school directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 5, 2012





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American Institute of Certified Public Accountants Private Companies Practice Section  
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**Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited 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, 2012. Wilson School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wilson School District's management. Our responsibility is to express an opinion on Wilson School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and 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. Our audit does not provide a legal determination on Wilson School District's compliance with those requirements.

In our opinion, Wilson School District complied, in all material respects, with the 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, 2012.

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### Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the board of school directors, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 5, 2012

**WILSON SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2012**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:  
    Material weakness (es) identified? \_\_\_\_\_ yes    X no  
    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: Unqualified  
Any audit findings disclosed that are required to be  
    reported in accordance with Circular A-133, Section .510(a)? \_\_\_\_\_ yes    X no

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

IDEA Cluster

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 - CONTINUED**  
**For the Year Ended June 30, 2012**

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**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, 2012**

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**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.