



WILSON SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilson School District's basic financial statements. The individual fund financial schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 6, 2017**

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

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, 2017. 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 2016-17 fiscal year. District-wide revenues of \$103.9 million exceeded expenses of \$102.1 million by \$1.8 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$82.5 million or 79% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$21.4 million or 21% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$77.4 million or 76% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$24.7 million or 24% of total expenses.
- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property base tax cap, or adjusted tax cap, if applicable, annually. For fiscal year 2016-17, the District's adjusted tax cap was 2.9%, or 0.71 mills. The District increased millage by .35 to 24.95 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2016-17 Homestead and Farmstead Exclusion Resolution in June 2016 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2016 real estate tax bills of \$6,039 each, which resulted in a \$150.68 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1,366,207 as well as \$20,206 of Philadelphia tax credit reimbursement funds, and \$79 of remaining property tax reduction funds received in 2015-16, totaling \$1,386,492 available during the current year for real estate tax reduction.

- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option, in which three equal installments are due August 31, October 31, and December 31. Approximately 6% of District real estate taxpayers elected the installment method for the 2016-17 fiscal year, consistent with the prior year.
- As a member of the Berks County School District Health Trust, the District experienced a 6.5% increase in health insurance premiums over the prior year.
- District-wide salary increases averaged 3.4% during 2016-17.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 25.84% to 30.03% for 2016-17, with additional rate increases projected in future years. As of June 30, 2017, \$6.0 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- During 2016-17, net capital additions totaled 3.0 million related to renovations and improvements to buildings, new vehicles and equipment, and energy savings performance contracts. Commitments remaining on construction contracts as of June 30, 2017 total \$0.3 million.
- Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (OPEB), requires the financial statements to reflect an expense and corresponding liability for the normal cost of postemployment benefits (the present value of benefits allocated to the year) and amortization of the unfunded actuarial accrued liability. Based on an actuarial study performed with the valuation date of July 1, 2016, the District's actuarial accrued liability for postemployment benefits other than pensions was \$3.7 million. The District has not funded this liability, but rather pays these benefits as they become due. Based on an amortization period not to exceed thirty years, the calculated annual OPEB cost totaled \$0.9 million for the fiscal year ended June 30, 2017. This annual cost, less the District's actuarial determined contribution of \$0.4 million resulted in an additional liability and expense of \$0.5 million as of and for the year ended June 30, 2017, included in the Statement of Net Position and Statement of Activities, respectively.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, adopted by the District in the prior year, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments and establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability. Additional pension expense recognized in the Statement of Activities for the year ended June 30, 2017 totaled \$4.9 million, with a District-wide net pension liability of \$163.3 million as of June 30, 2017 in the Statement of Net Position. Deferred outflows of resources of \$32.9 million and deferred inflows of resources of \$1.7 million as of June 30, 2017 related to the pension calculation in accordance with these GASB statements.

Overview of the Financial Statements

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

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

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

Figure 1
Organization of the Wilson School District Annual Financial Report

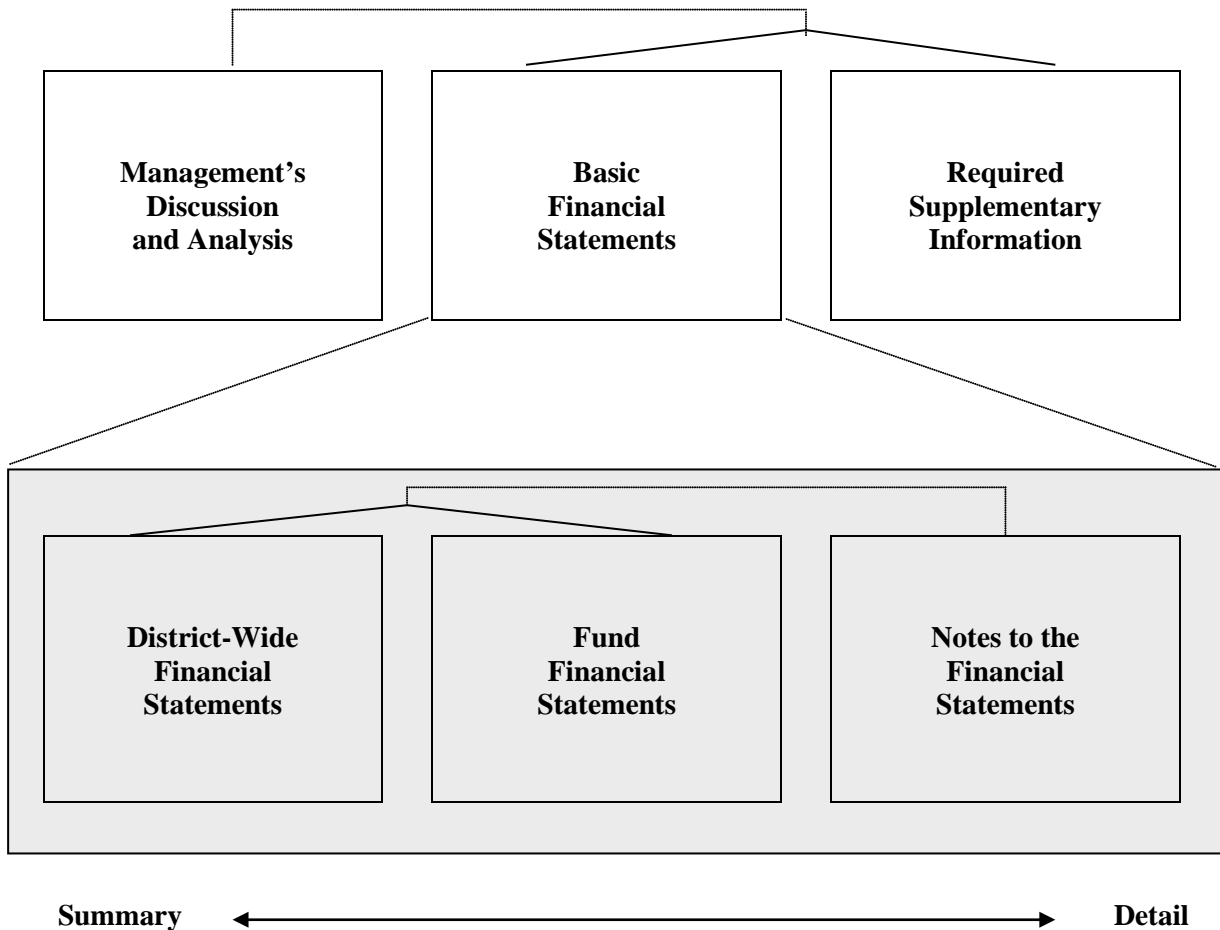


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

Figure 2

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

District-Wide Statements

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

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

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

Both statements report two activities:

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

Fund Financial Statements

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

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

Because this information does not encompass the additional long-term focus of the district-wide statements, an explanation of the relationship (and differences) between the fund statements and district-wide statements is provided on the reconciliations following the fund statements.

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

Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2016 and June 30, 2017.

Figure 3
Condensed Statements of Net Position

Fiscal Years Ended June 30, 2016 and June 30, 2017						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 33,701,750	\$ 36,890,015	\$ 1,463,865	\$ 960,481	\$ 35,165,615	\$ 37,850,496
Capital assets	184,690,943	181,571,277	411,841	641,829	185,102,784	182,213,106
Total Assets	218,392,693	218,461,292	1,875,706	1,602,310	220,268,399	220,063,602
Deferred Outflows of Resources	14,011,000	32,558,811	594,038	1,389,372	14,605,038	33,948,183
Current liabilities	20,443,251	22,394,548	222,514	150,813	20,665,765	22,545,361
Noncurrent liabilities	219,733,542	233,844,660	5,041,457	5,774,177	224,774,999	239,618,837
Total Liabilities	240,176,793	256,239,208	5,263,971	5,924,990	245,440,764	262,164,198
Deferred Inflows of Resources	1,079,786	1,410,881	63,213	335,075	1,142,999	1,745,956
Net Investment in Capital Assets	96,337,658	102,241,258	411,841	641,829	96,749,499	102,883,087
Restricted for Capital Projects	11,130,969	9,052,916	-	-	11,130,969	9,052,916
Unrestricted (Deficit)	(116,321,513)	(117,924,160)	(3,269,281)	(3,910,212)	(119,590,794)	(121,834,372)
Total Net Position (Deficit)	\$ (8,852,886)	\$ (6,629,986)	\$ (2,857,440)	\$ (3,268,383)	\$ (11,710,326)	\$ (9,898,369)

Total assets decreased by \$0.2 million from the prior year primarily due to the depreciation of capital assets of \$5.9 million, net of \$3.0 million of capital additions, net of an increase in cash of \$2.1 million, and \$0.6 million increase in receivables. Deferred outflows of resources increased by \$19.3 million due to a \$19.8 million increase in deferred pension and pension contributions made subsequent to the measurement date and prior to the District's year end, net of \$0.5 million decrease in deferred charge on bond refunding amortization. The overall increase in liabilities of \$16.7 million is primarily the result of a \$24.3 million increase in net pension liability related to GASB Statements No. 68 and No. 71, a \$0.6 million increase in postemployment benefit other than pension obligations, \$0.5 million of net increases in other current liabilities, net of bond principal payments of \$8.7 million. Deferred inflows of resources related to deferred pension expense decreased over the prior year by \$0.6 million.

District revenues exceeded expenses by \$1.8 million, which effectively decreased the net deficit for the year ended June 30, 2017. Governmental activities' net deficit decreased by \$2.2 million from the combined result of a .35 millage increase with a collection rate of approximately 97%, increased local revenues, including earned income tax, transfer tax, delinquent real estate tax, receipts from other local educational agencies and strong fiscal control over expenditures. Net deficit in business-type activities increased by \$0.4 million from the prior year, which resulted from the combined net loss of the food service and child care funds before operating transfers of \$0.2 million, mainly due to the decrease in federal funding related to the high school voluntarily not participating in the National School Lunch Program for the fiscal year 2016-17, less \$0.2 million of operating transfers to the general fund. For fiscal year 2017-18, all District buildings are participating in the National School Lunch Program.

The results of operations for the fiscal year ended June 30, 2017 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ending June 30, 2016 and June 30, 2017.

Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs. District-wide revenues totaled \$103.9 million, an increase of \$4.1 million or 4% over the prior year, of which governmental activities' revenue increased \$4.2 million or 4%, while business-type activities' revenue decreased by \$0.1 million or 3%. Figure 5 depicts the 2016-17 sources of revenues as of percentage of district-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2016-17 district-wide expenses. District-wide expenses totaled \$102.1 million, an increase of \$5.8 million or 6% over the prior year, primarily due to increased required pension contributions of \$2.3 million, increased salaries and other benefits of \$2.3 million, increased pension expense recognized related to GASB Statements No. 68 and No. 71 of \$1.8 million, less a net decrease of \$0.6 million in other overall operational expenses.

Figure 4
Changes in Net Position from Operating Results

Fiscal Years Ended June 30, 2016 and June 30, 2017						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues						
Charges for services	\$ 1,227,022	\$ 1,596,040	\$ 2,678,065	\$ 2,776,487	\$ 3,905,087	\$ 4,372,527
Operating grants and contributions	13,064,235	14,511,407	1,478,248	1,249,410	14,542,483	15,760,817
Capital grants and contributions	1,418,377	1,286,149	-	-	1,418,377	1,286,149
General Revenues						
Property taxes and other taxes levied for general purposes	71,006,401	72,933,102	-	-	71,006,401	72,933,102
Grants, Subsidies, and Contributions Not Restricted	8,700,001	9,226,251	-	-	8,700,001	9,226,251
Other	439,762	546,861	(219,108)	(217,058)	220,654	329,803
Total Revenues	95,855,798	100,099,810	3,937,205	3,808,839	99,793,003	103,908,649
Expenses						
Instruction	58,506,024	63,744,444	-	-	58,506,024	63,744,444
Instructional student support	10,130,135	10,522,128	-	-	10,130,135	10,522,128
Administrative and financial support services	7,626,666	7,393,378	-	-	7,626,666	7,393,378
Operation and maintenance of plant services	7,308,001	7,537,870	-	-	7,308,001	7,537,870
Pupil transportation	3,024,438	3,110,969	-	-	3,024,438	3,110,969
Other	5,740,104	5,568,121	3,933,430	4,219,782	9,673,534	9,787,903
Total Expense	92,335,368	97,876,910	3,933,430	4,219,782	96,268,798	102,096,692
Change in Net Position	\$ 3,520,430	\$ 2,222,900	\$ 3,775	\$ (410,943)	\$ 3,524,205	\$ 1,811,957

Figure 5
Sources of District-Wide Revenues for Fiscal Year 2017

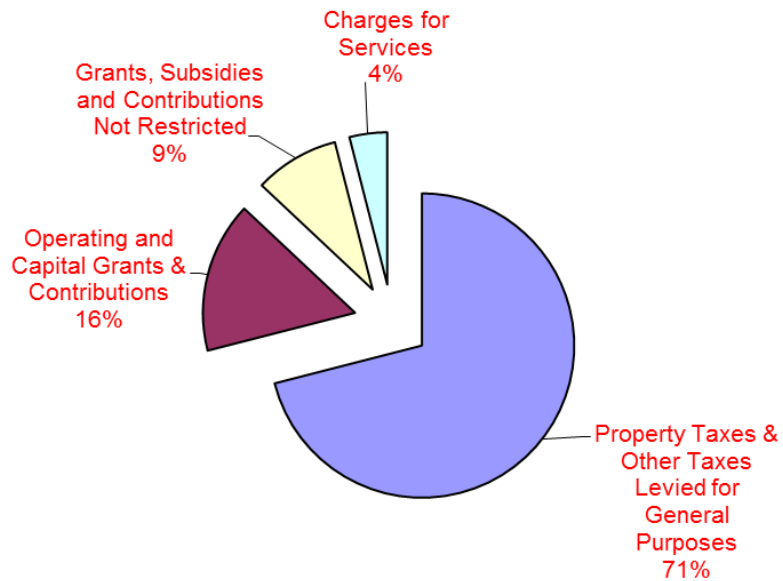


Figure 6
District-Wide Expenses for Fiscal Year 2017

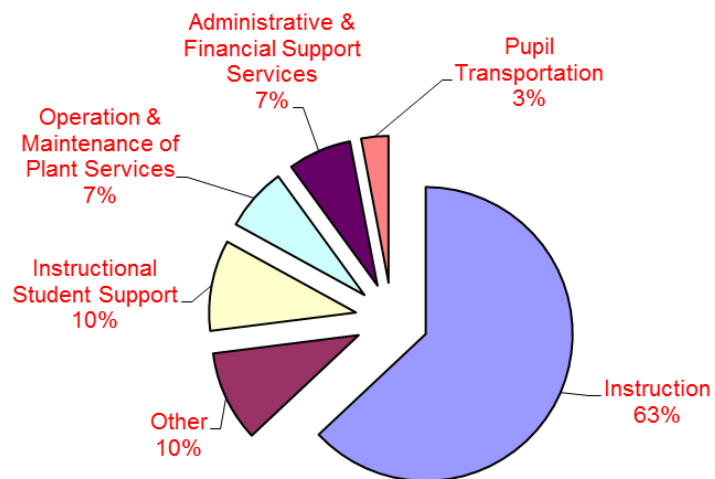


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended, June 30, 2017, general revenue supported 82% of governmental activities' costs, and program revenue supported 18% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

Fiscal Years Ended June 30, 2016 and June 30, 2017				
	Total Cost of Services		Net Cost of Services	
	2016	2017	2016	2017
Instruction	\$ 58,506,024	\$ 63,744,444	\$ 48,788,399	\$ 52,540,723
Instructional Student Support	10,130,135	10,522,128	8,693,225	8,986,677
Administrative and Financial Support Services	7,626,666	7,393,378	7,019,628	6,725,965
Operation and Maintenance of Plant Services	7,308,001	7,537,870	6,697,148	6,868,760
Pupil Transportation	3,024,438	3,110,969	1,740,984	1,777,290
Other	5,740,104	5,568,121	3,686,350	3,583,899
Total	\$ 92,335,368	\$ 97,876,910	\$ 76,625,734	\$ 80,483,314

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of child care activities and 91% of food services activities for the year ended June 30, 2017. The current year net loss from services of \$0.2 million is primarily the result of increased child care GASB #68 pension expense and a 17% decrease in food service state and federal subsidies, due to the high school voluntarily not participating in the National School Lunch Program.

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

Fiscal Years Ended June 30, 2016 and June 30, 2017				
	Total Cost of Services		Net Cost (Income) of Services	
	2016	2017	2016	2017
Food Services	\$ 2,701,750	\$ 2,781,852	\$ 19,483	\$ 222,774
Child Care	1,231,680	1,437,930	(242,366)	(28,889)
Total	\$ 3,933,430	\$ 4,219,782	\$ (222,883)	\$ 193,885

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, 2017.

Figure 9
Fund Balances

For Fiscal Years Ended June 30, 2016 and June 30, 2017			
	Fund Balance		Increase (Decrease)
	2016	2017	
General Fund	\$ 10,271,303	\$ 13,976,255	\$ 3,704,952
Capital Projects Fund	11,133,993	9,052,916	(2,081,077)
Debt Service Fund	9,192	-	(9,192)
Total	\$ 21,414,488	\$ 23,029,171	\$ 1,614,683

The District's governmental funds reported combined fund balances as of June 30, 2017 of \$23.0 million. The increase of \$1.6 million compared to the prior year is due primarily to capital outlay of \$2.1 million which is accounted for in expenditures, net of general fund current year excess of revenues over expenditures of \$3.7 million. The debt service fund balance was eliminated by the use of the prior year excess cash for debt service obligations.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories—nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2017, general fund balance of \$14.0 million consisted of \$6.0 million in committed fund balance for anticipated increases in PSERS contributions, \$1.0 million in assigned fund balance which represents the 2017-18 budgeted deficit, and unassigned fund balance of \$7.0 million. The capital projects fund had \$9.0 million in restricted fund balance, consisting primarily of reserve funds for capital expenditures.

Governmental Funds' Revenues and Expenditures

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2017, total revenues of \$99.8 million are comprised of local revenues of 76% with state and federal revenues contributing 23% and 1%, respectively. Expenditures of governmental funds totaling \$98.5 million are categorized as current (instructional, support and operation of noninstructional services) representing 86% of the total, with debt service and capital outlay comprising 12% and 2% of total expenditures, respectively. Other Financing Sources (Uses) of \$0.3 million consists of proceeds from the sale of fixed assets and net transfers in. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2016-17.

Figure 10
Sources of Governmental Funds' Revenues for Fiscal Year 2017

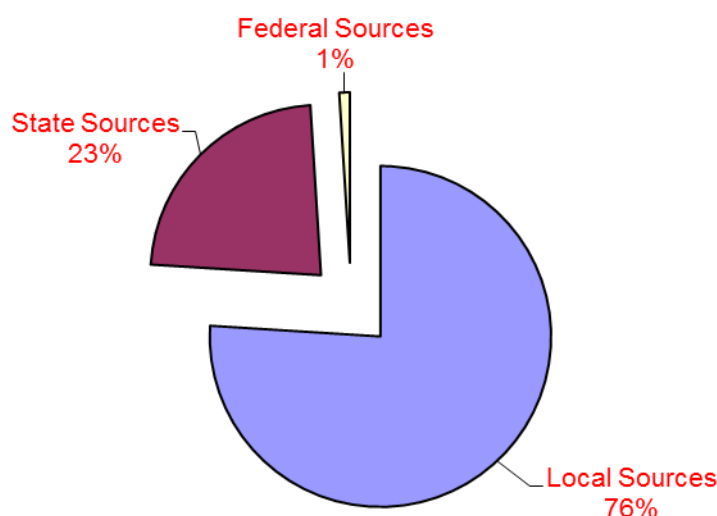
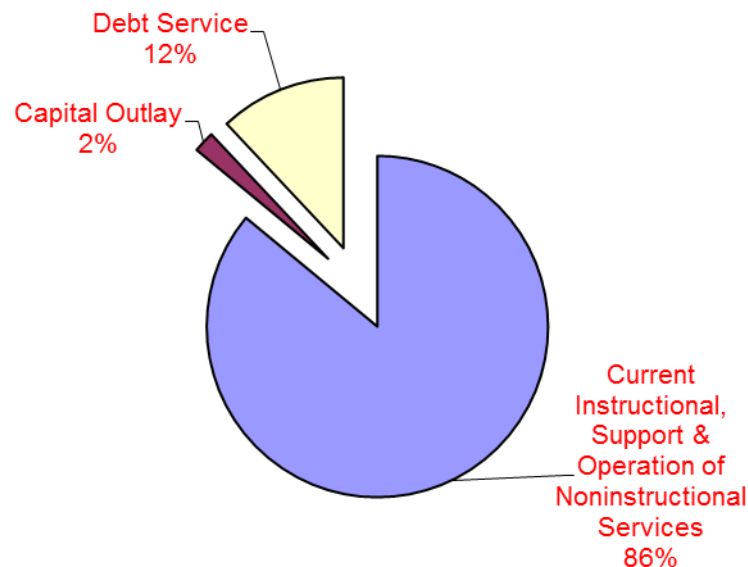


Figure 11
Governmental Funds' Expenditures for Fiscal Year 2017



Capital Assets and Debt Administration

Capital Assets

In total, net capital assets decreased \$2.9 million as a result of \$3.0 million of net capital additions related to renovations and improvements to buildings, new vehicles and equipment, and energy savings performance contracts, less current year depreciation of \$5.9 million. Contractual commitments related to capital projects total \$0.3 million as of June 30, 2017.

Figure 12
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2016 and June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 10,872,388	\$ 10,872,388	\$ -		\$ 10,872,388	\$ 10,872,388
Site Improvements	7,143,371	6,283,483	-		7,143,371	6,283,483
Building and Building Improvements	160,881,824	158,243,565	229,206	409,042	161,111,030	158,652,607
Machinery and Equipment	3,964,116	3,657,662	122,875	222,389	4,086,991	3,880,051
Vehicles	1,813,585	1,814,692	-	-	1,813,585	1,814,692
Construction-in-Progress	15,659	699,487	59,760	10,398	75,419	709,885
Total	\$ 184,690,943	\$ 181,571,277	\$ 411,841	\$ 641,829	\$ 185,102,784	\$ 182,213,106

Long-term Debt

Outstanding long-term debt totaling \$78.1 million as of June 30, 2017, consists of general obligation bonds of \$76.8 million with varying maturities through year 2026 and long-term compensated absences of \$1.3 million. Principal payments totaled \$8.7 million during the fiscal year, with interest payments totaling \$3.0 million.

Accrued compensated absences of \$1.3 million as of June 30, 2017 consist of certain benefits paid at retirement, including unused sick pay and other retirement benefits, based on specific eligibility requirements.

Figure 13
Outstanding Long-Term Debt

	For Fiscal Years Ended June 30, 2016 and June 30, 2017		
	Total		Change
	2016	2017	
General Obligation Bonds & Notes	\$ 85,455,000	\$ 76,790,000	\$ (8,665,000)
Compensated Absences	1,254,490	1,307,707	53,217
Total	\$ 86,709,490	\$ 78,097,707	\$ (8,611,783)

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 2.5% for fiscal years 2017-18 and 2.4% for 2018-19. Due to the District's aid ratio exceeding 0.4 for both the 2017-18 and the 2018-19 fiscal years, the District's millage is limited to a 3.1% and a 2.9% increase, respectively. The District's 2017-18 millage of 25.29 represented a 1.4% increase. The District's 2018-19 millage is limited to 26.02 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in January 2018.
- All real estate taxpayers have the payment option of three equal installments due August 31, October 31, and December 31. Approximately 6% of eligible District real estate taxpayers elected the installment method for the 2017-18 fiscal year, consistent with the prior year.

- Contractual commitments related to elementary classroom additions, middle school stadium improvements, Berkshire Heights Child Care bathroom improvements, total approximately \$0.3 million.
- The District's collective bargaining agreement with the Wilson Education Association expired on June 30, 2017. Negotiations are ongoing.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 30.03% to 32.57% for 2017-18 with rate increases projected in future years. The District has committed approximately \$6.0 million of fund balance as of June 30, 2017 in the General Fund for future retirement contribution increases, with approximately \$2.0 million budgeted to be used to balance the 2017-18 budget.
- Health Trust insurance premiums for 2017-18 increased by 1.5% over the prior year.
- On May 15, 2017, the Wilson School Board approved a resolution authorizing the issuance of bonds or notes in the amount of up to \$32,000,000 for purposes of (1) the current refunding of all or a portion of the School District's outstanding General Obligation Bonds, Series of 2011; (2) the advanced refunding of a portion of the School District's General Obligation Bonds, Series B of 2013; (3) the current refunding of all or a portion of the School District's General Obligation Bonds, Series of 2014; and (4) financing various capital projects of the School District. Subsequent to the 2016-17 fiscal year end, the District issued two General Obligation Notes: Series A of 2017 in the amount of \$2,670,000, with proceeds from the issuance to currently refund the outstanding portion of General Obligation Bonds, Series of 2011, for a net present value savings of \$37,113; and Series B of 2017 in the amount of \$5,000,000, available for draw down for financing various capital projects of the School District. The refunding of the General Obligation Bonds, Series of 2013B and Series of 2014 are scheduled to be settled in September, 2018, with an estimated collective net present value savings of \$413,850.
- The District will be required to implement the following new GASB Statements in future fiscal years: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 84, *Fiduciary Activities*, and Statement No. 87, *Leases*. 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 Chief Financial Officer, Wilson School District, 2601 Grandview Blvd., West Lawn, PA 19609.

WILSON SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 30,223,370	\$ 804,136	\$ 31,027,506
Internal Balances	3,765	(3,765)	-
Taxes Receivable, Net	1,830,026	-	1,830,026
Intergovernmental Receivables	4,751,947	119,024	4,870,971
Other Receivables	80,907	2,618	83,525
Inventories	-	38,468	38,468
Capital Assets Not Being Depreciated:			
Land	10,872,388	-	10,872,388
Construction in Progress	699,487	10,398	709,885
Capital Assets, Net of Accumulated Depreciation	169,999,402	631,431	170,630,833
TOTAL ASSETS	218,461,292	1,602,310	220,063,602
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	1,078,573	-	1,078,573
Deferred Outflows of Resources for Pension	18,917,625	944,684	19,862,309
Pension Contributions Made Subsequent to the Measurement Date	12,562,613	444,688	13,007,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	32,558,811	1,389,372	33,948,183
LIABILITIES			
Accounts Payable	1,490,307	27,142	1,517,449
Intergovernmental Payables	500,349	-	500,349
Accrued Salaries and Benefits	10,576,596	42,280	10,618,876
Accrued Interest	465,557	-	465,557
Unearned Revenues	233,951	81,391	315,342
Amounts Due Within One Year	9,127,788	-	9,127,788
Noncurrent Liabilities:			
Bonds Payable, Net	71,338,591	-	71,338,591
Long-Term Portion of Compensated Absences	1,249,919	-	1,249,919
Net Pension Liability	157,687,470	5,651,530	163,339,000
Other Postemployment Benefit Obligation	3,568,680	122,647	3,691,327
TOTAL LIABILITIES	256,239,208	5,924,990	262,164,198
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Pension	1,410,881	335,075	1,745,956
NET POSITION			
Net Investment in Capital Assets	102,241,259	641,829	102,883,088
Restricted for Capital Projects	9,052,916	-	9,052,916
Unrestricted (Deficit)	(117,924,161)	(3,910,212)	(121,834,373)
TOTAL NET POSITION (DEFICIT)	\$ (6,629,986)	\$ (3,268,383)	\$ (9,898,369)

See accompanying notes.

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instructional Services:							
Regular Programs	\$ 45,264,605	\$ 63,063	\$ 5,354,404	\$ -	\$ (39,847,138)	\$ -	\$ (39,847,138)
Special Programs	15,531,383	661,110	4,887,891	-	(9,982,382)	-	(9,982,382)
Vocational Education Programs	2,578,664	-	141,481	-	(2,437,183)	-	(2,437,183)
Other Instructional Programs	360,135	72,820	13,295	-	(274,020)	-	(274,020)
Nonpublic School Programs	9,657	-	9,657	-	-	-	-
Total Instructional Services	63,744,444	796,993	10,406,728	-	(52,540,723)	-	(52,540,723)
Support Services:							
Student Services	3,471,123	-	398,419	-	(3,072,704)	-	(3,072,704)
Instructional Staff	6,019,420	-	934,040	-	(5,085,380)	-	(5,085,380)
General Administration	5,760,146	-	534,082	-	(5,226,064)	-	(5,226,064)
Pupil Health	838,448	-	202,992	-	(635,456)	-	(635,456)
Business Services	838,156	-	78,060	-	(760,096)	-	(760,096)
Operation of Plant and Maintenance Services	7,537,870	155,254	513,856	-	(6,868,760)	-	(6,868,760)
Student Transportation Services	3,110,969	147,313	1,186,366	-	(1,777,290)	-	(1,777,290)
Central Support	795,076	-	55,271	-	(739,805)	-	(739,805)
Other Support	193,137	-	-	-	(193,137)	-	(193,137)
Total Support Services	28,564,345	302,567	3,903,086	-	(24,358,692)	-	(24,358,692)
Operation of Noninstructional Services:							
Student Activities	3,402,841	432,001	191,680	-	(2,779,160)	-	(2,779,160)
Community Services	132,785	64,479	9,913	-	(58,393)	-	(58,393)
Interest on Long-Term Debt	2,032,495	-	-	1,286,149	(746,346)	-	(746,346)
Total Operation of Noninstructional Services	5,568,121	496,480	201,593	1,286,149	(3,583,899)	-	(3,583,899)
Total Governmental Activities	97,876,910	1,596,040	14,511,407	1,286,149	(80,483,314)	-	(80,483,314)

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - CONTINUED

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Total Governmental Activities - from previous page	97,876,910	1,596,040	14,511,407	1,286,149	(80,483,314)	-	(80,483,314)
Business-Type Activities:							
Food Services	2,781,852	1,522,336	1,036,742	-	-	(222,774)	(222,774)
Child Care	1,437,930	1,254,151	212,668	-	-	28,889	28,889
Total Business-Type Activities	4,219,782	2,776,487	1,249,410	-	-	(193,885)	(193,885)
Total Primary Government	<u>\$ 102,096,692</u>	<u>\$ 4,372,527</u>	<u>\$ 15,760,817</u>	<u>\$ 1,286,149</u>	(80,483,314)	(193,885)	(80,677,199)
General Revenues:							
Taxes:							
Property Taxes					63,006,139	-	63,006,139
Public Utility Realty, Earned Income, Local Services, and Mercantile/Business Privilege Taxes					9,926,963	-	9,926,963
Grants, Subsidies, and Contributions Not Restricted for a Specific Program					9,226,251	-	9,226,251
Investment Earnings					230,088	4,862	234,950
Miscellaneous Income					94,853	-	94,853
Transfers					221,920	(221,920)	-
Total General Revenues and Transfers					82,706,214	(217,058)	82,489,156
Change in Net Position					2,222,900	(410,943)	1,811,957
Net Position (Deficit) - Beginning of year					(8,852,886)	(2,857,440)	(11,710,326)
Net Position (Deficit) - End of year					<u>\$ (6,629,986)</u>	<u>\$ (3,268,383)</u>	<u>\$ (9,898,369)</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 20,680,992	\$ 9,542,378	\$ -	\$ 30,223,370
Interfund Receivables	13,143	-	-	13,143
Taxes Receivable	2,009,033	-	-	2,009,033
Intergovernmental Receivables	4,751,947	-	-	4,751,947
Other Receivables	80,907	-	-	80,907
TOTAL ASSETS	\$ 27,536,022	\$ 9,542,378	\$ -	\$ 37,078,400
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund Payables	\$ 6,831	\$ 2,547	\$ -	\$ 9,378
Accounts Payable	1,003,392	486,915	-	1,490,307
Intergovernmental Payables	500,349	-	-	500,349
Accrued Salaries and Benefits	10,634,384	-	-	10,634,384
Unearned Revenues	233,951	-	-	233,951
TOTAL LIABILITIES	12,378,907	489,462	-	12,868,369
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,180,860	-	-	1,180,860
FUND BALANCES				
Restricted Fund Balance	-	9,052,916	-	9,052,916
Committed Fund Balance	5,968,743	-	-	5,968,743
Assigned Fund Balance	1,000,000	-	-	1,000,000
Unassigned Fund Balance	7,007,512	-	-	7,007,512
TOTAL FUND BALANCES	13,976,255	9,052,916	-	23,029,171
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 27,536,022	\$ 9,542,378	\$ -	\$ 37,078,400

See accompanying notes.

WILSON SCHOOL DISTRICT

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

June 30, 2017

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 23,029,171
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 \$260,606,079 and the accumulated depreciation is \$79,034,802.		181,571,277
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		1,001,853
The net pension and other postemployment benefit obligations are not reflected on the fund financial statements.		(161,256,150)
Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position.		30,069,357
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	\$ (76,790,000)	
Accrued Interest	(465,557)	
Unamortized Bond Premium	(3,714,079)	
Unamortized Bond Discount	95,488	
Deferred Charge on Bond Refunding	1,078,573	
Long-Term Portion of Compensated Absences	(1,249,919)	(81,045,494)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		\$ (6,629,986)

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local Sources	\$ 76,100,464	\$ 44,241	\$ -	\$ 76,144,705
State Sources	22,474,836	-	-	22,474,836
Federal Sources	1,204,508	-	-	1,204,508
TOTAL REVENUES	99,779,808	44,241	-	99,824,049
EXPENDITURES				
Current:				
Instructional Services	56,232,501	-	-	56,232,501
Support Services	26,072,561	88,256	-	26,160,817
Operation of Noninstructional Services	2,411,156	-	-	2,411,156
Capital Outlay	-	2,037,062	-	2,037,062
Debt Service:				
Principal	-	-	8,665,000	8,665,000
Interest	-	-	2,954,183	2,954,183
TOTAL EXPENDITURES	84,716,218	2,125,318	11,619,183	98,460,719
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,063,590	(2,081,077)	(11,619,183)	1,363,330
OTHER FINANCING SOURCES (USES)				
Transfers In	221,920	-	11,609,991	11,831,911
Transfers Out	(11,609,991)	-	-	(11,609,991)
Sale of Capital Assets	29,433	-	-	29,433
TOTAL OTHER FINANCING SOURCES (USES)	(11,358,638)	-	11,609,991	251,353
NET CHANGE IN FUND BALANCES	3,704,952	(2,081,077)	(9,192)	1,614,683
FUND BALANCES - BEGINNING OF YEAR	10,271,303	11,133,993	9,192	21,414,488
FUND BALANCES - END OF YEAR	\$ 13,976,255	\$ 9,052,916	\$ -	\$ 23,029,171

See accompanying notes.

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,614,683
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays	\$ 2,809,129	
Less: Loss on Disposal	(31,784)	
Less: Depreciation Expense	<u>(5,897,011)</u>	(3,119,666)
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.		
		53,840
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of Bond Principal	8,665,000	
Amortization of Bond Premium	979,092	
Amortization of Bond Discount	(30,848)	
Amortization of Deferred Charge on Bond Refunding	<u>(586,953)</u>	9,026,291
Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.		
		(26,555)
In the statement of activities, certain operating expenses - compensated absences (retirement bonus and sick days) are measured by the amounts earned during the year.		
		(50,029)
The change in net pension liability and other postemployment benefit obligation and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.		
		<u>(5,275,664)</u>
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,222,900</u></u>

WILSON SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2017

	<u>Enterprise Fund Food Service</u>	<u>Enterprise Fund Child Care</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 323,545	\$ 480,591	\$ 804,136
Interfund Receivables (Payables)	340	(4,105)	(3,765)
Intergovernmental Receivables	115,267	3,757	119,024
Other Receivables	2,018	600	2,618
Inventories	38,468	-	38,468
TOTAL CURRENT ASSETS	479,638	480,843	960,481
NONCURRENT ASSETS			
Construction in Process	-	10,398	10,398
Building Improvements, Net	-	409,042	409,042
Machinery and Equipment, Net	133,014	89,375	222,389
TOTAL NONCURRENT ASSETS	133,014	508,815	641,829
TOTAL ASSETS	612,652	989,658	1,602,310
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources for Pension	376,264	568,420	944,684
Pension Contributions Made Subsequent to the Measurement Date	251,807	192,881	444,688
TOTAL DEFERRED OUTFLOWS OF RESOURCES	628,071	761,301	1,389,372
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	9,567	17,575	27,142
Accrued Salaries and Benefits	10,367	31,913	42,280
Unearned Revenues	78,110	3,281	81,391
TOTAL CURRENT LIABILITIES	98,044	52,769	150,813
NONCURRENT LIABILITIES			
Net Pension Liability	3,136,109	2,515,421	5,651,530
Other Postemployment Benefit Obligation	88,095	34,552	122,647
TOTAL LIABILITIES	3,322,248	2,602,742	5,924,990
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Pension	313,253	21,822	335,075
NET POSITION			
Net Investment in Capital Assets	133,014	508,815	641,829
Unrestricted (Deficit)	(2,527,792)	(1,382,420)	(3,910,212)
TOTAL NET POSITION (DEFICIT)	<u>\$ (2,394,778)</u>	<u>\$ (873,605)</u>	<u>\$ (3,268,383)</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

	<u>Enterprise Fund Food Service</u>	<u>Enterprise Fund Child Care</u>	<u>Totals</u>
OPERATING REVENUES			
Food Service Revenue	\$ 1,522,336	\$ -	\$ 1,522,336
Tuition and Fee Revenue	<u>-</u>	<u>1,254,151</u>	<u>1,254,151</u>
TOTAL OPERATING REVENUES	1,522,336	1,254,151	2,776,487
OPERATING EXPENSES			
Salaries	1,010,009	722,778	1,732,787
Employee Benefits	461,623	348,351	809,974
GASB Statement No. 68 Pension Expense	19,273	157,323	176,596
Postemployment Benefits Expense	10,443	22,209	32,652
Supplies and Other Operating Expenses	1,263,643	161,095	1,424,738
Depreciation	<u>16,861</u>	<u>26,174</u>	<u>43,035</u>
TOTAL OPERATING EXPENSES	<u>2,781,852</u>	<u>1,437,930</u>	<u>4,219,782</u>
OPERATING LOSS	(1,259,516)	(183,779)	(1,443,295)
NONOPERATING REVENUES			
Earnings on Investments	2,255	2,607	4,862
State Sources	217,776	212,668	430,444
Federal Sources	<u>818,966</u>	<u>-</u>	<u>818,966</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,038,997</u>	<u>215,275</u>	<u>1,254,272</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(220,519)	31,496	(189,023)
TRANSFERS OUT	<u>(58,165)</u>	<u>(163,755)</u>	<u>(221,920)</u>
CHANGE IN NET POSITION	(278,684)	(132,259)	(410,943)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	<u>(2,116,094)</u>	<u>(741,346)</u>	<u>(2,857,440)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (2,394,778)</u></u>	<u><u>\$ (873,605)</u></u>	<u><u>\$ (3,268,383)</u></u>

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2017

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,521,141	\$ 1,214,269	\$ 2,735,410
Cash Payments to Employees for Services	(1,470,558)	(1,072,527)	(2,543,085)
Cash Payments for Supplies and Other Operating Expenses	<u>(1,078,757)</u>	<u>(197,313)</u>	<u>(1,276,070)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(1,028,174)	(55,571)	(1,083,745)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	219,811	212,993	432,804
Federal Sources	686,149	-	686,149
Transfers Out	<u>(58,165)</u>	<u>(163,755)</u>	<u>(221,920)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	847,795	49,238	897,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(85,802)	(187,221)	(273,023)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	<u>2,255</u>	<u>2,607</u>	<u>4,862</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(263,926)	(190,947)	(454,873)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>587,471</u>	<u>671,538</u>	<u>1,259,009</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 323,545</u></u>	<u><u>\$ 480,591</u></u>	<u><u>\$ 804,136</u></u>

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2017

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<u>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:</u>			
Operating Loss	\$ (1,259,516)	\$ (183,779)	\$ (1,443,295)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	16,861	26,174	43,035
Donated Commodities Used	155,953	-	155,953
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Interfund Balances	189	(2,642)	(2,453)
Intergovernmental and Other Receivables	(1,182)	6,013	4,831
Inventories	22,668	-	22,668
Deferred Outflows of Resources for Pension	(332,801)	(390,751)	(723,552)
Pension Contributions Made Subsequent to the Measurement Date	(44,888)	(26,894)	(71,782)
Accounts Payable	6,078	(33,577)	(27,499)
Accrued Salaries and Benefits	1,068	(1,398)	(330)
Unearned Revenues	(9)	(45,894)	(45,903)
Net Pension Liability	145,760	554,308	700,068
Other Postemployment Benefit Obligation	10,443	22,209	32,652
Deferred Inflows of Resources for Pension	251,202	20,660	271,862
Total Adjustments	231,342	128,208	359,550
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (1,028,174)</u>	<u>\$ (55,571)</u>	<u>\$ (1,083,745)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$155,953 of commodities from the U.S. Department of Agriculture.

WILSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Private Purpose Trust Funds Scholarship	Agency Funds Student Activities
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 35,858	\$ 208,094
TOTAL ASSETS	35,858	<u>\$ 208,094</u>
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	-	\$ 208,094
TOTAL LIABILITIES	-	<u>\$ 208,094</u>
NET POSITION HELD IN TRUST	<u>\$ 35,858</u>	

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2017

	Private Purpose Trust Funds Scholarship
ADDITIONS	
Contributions	\$ 22,000
Earnings on Investments	<u>42</u>
TOTAL ADDITIONS	22,042
DEDUCTIONS	
Scholarships	<u>20,000</u>
CHANGE IN NET POSITION	2,042
NET POSITION - BEGINNING OF YEAR	<u>33,816</u>
NET POSITION - END OF YEAR	<u><u>\$ 35,858</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Wilson School District ("School District" or 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 6 and 21 years, who may attend.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

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

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

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

Joint Venture: The District is a participating member of Berks Career & Technology Center. See Note 11 for details of involvement and financial information of the joint venture.

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

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 BCIU. BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

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

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

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

C. Basis of Presentation - Fund Financial Statements

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Major Governmental Funds:

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

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

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

The District has the Following Major Enterprise Funds:

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

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

Additionally, the District Reports the Following Fund Type:

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

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

D. Measurement Focus and Basis of Accounting

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

E. Budgetary Process

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

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

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

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

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016/2017 budget transfers.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Cash and Investments

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

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. Receivables/Payables

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

3. 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

3. Inventories - continued

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2017, consist of the following:

Purchased food	\$ 18,311
Supplies	6,543
Donated commodities	<u>13,614</u>
	<u>\$ 38,468</u>

4. Capital Assets, Depreciation, and Amortization

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

4. Capital Assets, Depreciation, and Amortization - continued

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category, which are a *deferred charge on bond refunding*, a *deferred pension contribution*, and *deferred outflows of resources for pension* which are reported in the government-wide statement of net position. A *deferred charge on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A *deferred pension contribution* results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. *Deferred outflows of resources for pension* relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

5. Deferred Outflows/Inflows of Resources - continued

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

6. Unearned Revenues

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

7. Net Position

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

7. Net Position - continued

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

8. Fund Balance Policies and Flow Assumptions

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

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

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

8. Fund Balance Policies and Flow Assumptions - continued

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

G. Revenues and Expenditures/Expense

1. Program Revenues

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

2. Compensated Absences

Sick Pay

Under the District's bargaining agreement and plans, certain employees accumulate unused sick days up to a maximum of 25 or 150 days, depending upon employment classification. Upon retirement, professional employees are paid for unused sick days at the rate of \$10 - \$65/day, depending upon employment classification.

Vacation Leave

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

Retirement Benefits

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

2. Compensated Absences - continued

Retirement Incentive

Administrators with 20 years of employment by the Commonwealth in education, 10 years of employment in administration by Wilson School District, and who retire under the rules of the Pennsylvania State Employees Retirement System will be entitled to a one-time retirement payment of \$1,500.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

H. Other Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Funds

For the year ended June 30, 2017, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created the following deficiencies in net position as of June 30, 2017:

	Food Service Fund	Child Care Fund
Preliminary Net Position	\$ 426,513	\$ 902,337
Effect of GASB Statement Nos. 68 and 71	<u>(2,821,291)</u>	<u>(1,775,942)</u>
Ending Net Position (Deficit)	<u><u>\$ (2,394,778)</u></u>	<u><u>\$ (873,605)</u></u>

C. Excess of Expenditures Over Appropriations in Individual Funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2017. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

NOTE 3 - CASH AND INVESTMENTS

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

The breakdown of total cash and investments on the financial statements at June 30, 2017, was as follows:

Petty cash	\$ 1,945
Demand deposits	20,964,593
Pooled cash and investments	<u>10,307,920</u>
	<u><u>\$ 31,274,458</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2017, the carrying amount of the District's deposits was \$20,964,593 and the bank balance was \$21,548,879. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$20,798,879 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

Investments

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

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

As of June 30, 2017, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Fixed Income	< 1 year	\$ 8,745,000	\$ 8,745,000
MAX Account Balance		<u>1,562,920</u>	<u>1,562,920</u>
	Total Investments		<u>\$ 10,307,920</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$10,307,920 (PSDLAF) at amortized cost. There are no limitations or restrictions on withdrawals from these accounts.

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the fund acts like a money market mutual fund in that their 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.

The District's cash equivalent investments in PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

As of June 30, 2017, the entire PSDLAF book balance of \$10,307,920 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

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, 2017, the District's investments were rated as:

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

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

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$2,599,048,000. In accordance with Act 1 of 2006, the District received \$1,386,492 in property tax reduction funds for the 2016/2017 fiscal year. The District tax rate for the year ended June 30, 2017, was 24.95 mills (\$24.95 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Full year tax assessed for current year.
July 1 - August 31	- Discount period during which a 2% discount is allowed.
September 1 - October 31	- Face amount of tax is due.
November 1 - January 14	- A 10% penalty is added to all payments.
January 15	- All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

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

The balances at June 30, 2017, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Share of Taxes Due to Municipalities	Tax Revenue Recognized	Unavailable Revenue
Property tax	\$ 1,331,653	\$ 179,007	\$ 1,152,646	\$ -	\$ 150,793	\$ 1,180,860
Per capita tax	7,651	-	7,651	-	7,651	-
Mercantile/Bus. Privilege tax	225,387	-	225,387	106,175	119,212	-
Earned income tax	347,477	-	347,477	-	347,477	-
Transfer tax	96,865	-	96,865	-	96,865	-
	<u>\$ 2,009,033</u>	<u>\$ 179,007</u>	<u>\$ 1,830,026</u>	<u>\$ 106,175</u>	<u>\$ 721,998</u>	<u>\$ 1,180,860</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES

The following schedule represents intergovernmental receivables at June 30, 2017:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Proprietary</u>	
		<u>Food Service</u>	<u>Child Care</u>
Commonwealth of Pennsylvania:			
Retirement	\$ 2,261,406	\$ 420	\$ 2,268
Social Security	565,622	107	614
MER Payment	56	-	-
Transportation Subsidy	45,600	-	-
Rental Subsidy	1,082,370	-	-
National School Lunch	-	7,963	-
Federal Subsidies:			
Title I - Grants to Local Education Agencies	57,813	-	-
English Language Acquisition	3,880	-	-
IDEA - B	469,656	-	-
ACCESS	53,000	-	-
Medicare Admin Claims	9,349	-	-
National School Lunch	-	106,518	-
Army JROTC	6,678	-	-
Berks Career & Technology Center	49,179	94	-
Berks County Intermediate Unit	-	165	1,565
Borough of Sinking Spring	2,884	-	-
Chester County Intermediate Unit	3,416	-	-
Conrad Weiser Area School District	27,482	-	-
District Court	321	-	-
Lower Heidelberg Township	5,497	-	-
School District of Philadelphia	45,078	-	-
Spring Township	31,764	-	-
Wyomissing Borough	-	-	(690)
Wyomissing School District	30,896	-	-
	<u>\$ 4,751,947</u>	<u>\$ 115,267</u>	<u>\$ 3,757</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES - CONTINUED

The following schedule represents intergovernmental payables at June 30, 2017:

<u>Name of Government Unit</u>	<u>Fund</u>
Berks Career & Technology Center	\$ 2,936
Berks County Intermediate Unit	93,216
Bucks County Intermediate Unit	22,176
Central Susquehannah Intermediate Unit	2,768
Chartiers Valley School District	2,208
Chester County Intermediate Unit	15,134
Conrad Weiser Area School District	165,608
Elizabethtown Area School District	10,000
Lower Heidelberg Township	10,360
PA Department of Revenue	363
PA UC Fund	2,035
Salisbury Township School District	4,750
Sinking Spring Borough	13,144
Spring Township	118,544
Worcester County Public Schools	4,572
Wyomissing Borough	32,535
	<u>\$ 500,349</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 10,872,388	\$ -	\$ -	\$ -	\$ 10,872,388
Construction in progress	15,659	2,037,062	-	(1,353,234)	699,487
Total assets not being depreciated	10,888,047	2,037,062	-	(1,353,234)	11,571,875
Capital assets being depreciated:					
Buildings and building improvements	220,830,155	38,480	-	1,353,234	222,221,869
Site improvements	13,185,185	-	-	-	13,185,185
Machinery and equipment	8,221,771	225,768	(318,209)	-	8,129,330
Vehicles	5,409,392	507,819	(419,391)	-	5,497,820
Total assets being depreciated	247,646,503	772,067	(737,600)	1,353,234	249,034,204
Less accumulated depreciation for:					
Buildings and building improvements	59,948,331	4,029,973	-	-	63,978,304
Site improvements	6,041,814	859,888	-	-	6,901,702
Machinery and equipment	4,257,655	506,024	(292,011)	-	4,471,668
Vehicles	3,595,807	501,126	(413,805)	-	3,683,128
Total accumulated depreciation	73,843,607	5,897,011	(705,816)	-	79,034,802
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	173,802,896	(5,124,944)	(31,784)	1,353,234	169,999,402
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$184,690,943	\$ (3,087,882)	\$ (31,784)	\$ -	\$181,571,277

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

Business-Type Activities					
	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	\$ 59,760	\$ 10,398	\$ -	\$ (59,760)	\$ 10,398
Capital assets being depreciated:					
Building improvements	260,448	138,820	-	59,760	459,028
Machinery and equipment	835,624	123,805	(30,822)	-	928,607
Total assets being depreciated	1,096,072	262,625	(30,822)	59,760	1,387,635
Accumulated depreciation for:					
Building improvements	31,242	18,744	-	-	49,986
Machinery and equipment	712,749	24,291	(30,822)	-	706,218
Total accumulated depreciation	743,991	43,035	(30,822)	-	756,204
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>352,081</u>	<u>219,590</u>	<u>-</u>	<u>59,760</u>	<u>631,431</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 411,841</u>	<u>\$ 229,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,829</u>

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

Instructional, Regular	\$ 3,880,448
Instructional, Special	1,757
Support Services	1,021,726
Noninstructional Services	<u>993,080</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 5,897,011</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES

Bonds payable are as follows at June 30, 2017:

General Obligation Bonds - Series B of 2016:

The District is liable for general obligation bonds dated March 31, 2016, in the original principal amount of \$5,435,000. Principal maturities occur on March 1, 2018, through the year 2021. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 1.00% to 4.00%. The proceeds of this issuance were used to currently refund the outstanding balance on the Federally Taxable General Obligation Note - Series C of 2015, as well as pay debt issuance costs. The District realized a savings of \$171,780 as a result of the refunding.

\$ 5,435,000

General Obligation Bonds - Series A of 2016:

The District is liable for general obligation bonds dated March 22, 2016, in the original principal amount of \$9,840,000. Principal maturities occur on March 1, 2017, through the year 2026. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 0.80% to 2.25%. The proceeds of this issuance were used to currently refund the outstanding balance on the Federally Taxable General Obligation Note - Series A of 2015 and Federally Taxable General Obligation Note - Series B of 2015, as well as pay debt issuance costs. The District realized a savings of \$310,609 as a result of the refunding.

9,775,000

General Obligation Bonds - Series of 2016:

The District is liable for general obligation bonds dated March 3, 2016, in the original principal amount of \$9,250,000. Principal maturities occur on March 1, 2017, through the year 2023. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 0.55% to 4.00%. The proceeds of this issuance were used to currently refund a portion of the outstanding balance on the Federally Taxable General Obligation Note - Series A of 2015, as well as pay debt issuance costs. The District realized a savings of \$485,961 as a result of the refunding.

9,245,000

General Obligation Bonds - Series of 2014:

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

9,610,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds - Series C of 2013:

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

14,730,000

General Obligation Bonds - Series B of 2013:

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

11,040,000

General Obligation Bonds - Series of 2012:

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

14,310,000

General Obligation Bonds - Series of 2011:

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

2,645,000

Total Bonds Payable \$ 76,790,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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

	General Obligation Bonds, Series B of 2016	General Obligation Bonds, Series A of 2016	General Obligation Bonds, Series of 2016	General Obligation Bonds, Series of 2014	General Obligation Bonds, Series C of 2013
2018	\$ 5,000	\$ 55,000	\$ 5,000	\$ 145,000	\$ 95,000
2019	5,000	55,000	5,000	150,000	75,000
2020	4,425,000	55,000	5,000	155,000	4,300,000
2021	1,000,000	110,000	3,355,000	165,000	4,500,000
2022	-	60,000	4,765,000	155,000	4,735,000
2023-2026	-	9,440,000	1,110,000	8,840,000	1,025,000
Total	<u>\$ 5,435,000</u>	<u>\$ 9,775,000</u>	<u>\$ 9,245,000</u>	<u>\$ 9,610,000</u>	<u>\$ 14,730,000</u>
	General Obligation Bonds, Series B of 2013	General Obligation Bonds, Series of 2012	General Obligation Bonds, Series of 2011	Total General Long-Term Debt	Total Interest
2018	\$ 440,000	\$ 7,025,000	\$ 1,300,000	\$ 9,070,000	\$ 2,753,011
2019	450,000	7,285,000	1,345,000	9,370,000	2,446,742
2020	30,000	-	-	8,970,000	2,049,302
2021	5,000	-	-	9,135,000	1,698,102
2022	5,000	-	-	9,720,000	1,294,227
2023-2026	10,110,000	-	-	30,525,000	1,839,893
Total	<u>\$ 11,040,000</u>	<u>\$ 14,310,000</u>	<u>\$ 2,645,000</u>	<u>\$ 76,790,000</u>	<u>\$ 12,081,277</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Debt:					
Bonds and Notes Payable	\$ 85,455,000	\$ -	\$ 8,665,000	\$ 76,790,000	\$ 9,070,000
Less Deferred Amounts:					
Discounts	(126,336)	-	(30,848)	(95,488)	-
Premiums	4,693,171	-	979,092	3,714,079	-
Subtotal	90,021,835	-	9,613,244	80,408,591	9,070,000
Other Liabilities:					
Compensated Absences	1,254,490	259,207	205,990	1,307,707	57,788
Total Governmental Long-term Liabilities	<u>\$ 91,276,325</u>	<u>\$ 259,207</u>	<u>\$ 9,819,234</u>	<u>\$ 81,716,298</u>	<u>\$ 9,127,788</u>

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by the general fund. Total interest paid during the year ended June 30, 2017, was \$2,954,183.

Subsequent to year end, the District approved the issuance of the General Obligation Notes, Series A of 2017 in the amount of \$2,645,000 to currently refund all or a portion of the General Obligation Bonds, Series of 2011 and Series B of 2017 in the amount of \$5,000,000 to fund various capital projects within the District. The District also approved the issuance of the General Obligation Notes, Series A of 2018 in the amount of \$9,140,000 to advance refund a portion of the General Obligation Bonds, Series B of 2013 and Series B of 2018 in the amount of \$9,650,000 to currently refund all or a portion of the General Obligation Bonds, Series of 2014. Estimated net present value savings from the above transactions is approximately \$414,000.

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Contributions

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

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2017, was 29.20 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$13,007,301 for the year ended June 30, 2017.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2017, the contribution rate was 0.83 percent of covered payroll and the District contributed \$369,728.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Employer Contributions - continued

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net position liabilities and related pension expense represent 100 percent of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2017, was \$6,668,261.

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

At June 30, 2017, the District reported a liability of \$163,339,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.3296 percent, which was an increase of 0.0085 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$17,933,160. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 9,104,000	\$ -
Differences between expected and actual experience	-	1,360,000
Changes in assumptions	5,896,000	-
Changes in proportions - plan level	4,143,000	102,000
Changes in proportions - internal	283,956	283,956
Difference between employer contributions and proportionate share of total contributions	435,353	-
Contributions made subsequent to the measurement date	13,007,301	-
	<u>\$ 32,869,610</u>	<u>\$ 1,745,956</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$13,007,301 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 4,020,160
2019	4,020,162
2020	5,846,205
2021	4,229,826
	<u>\$ 18,116,353</u>

Actuarial Assumptions

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

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	<u>100.0%</u>	

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 199,808,000	\$ 163,339,000	\$ 132,695,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2017, the District had an accrued balance due to PSERS of \$4,513,017. This amount represents the District's contractually obligated contributions for wages earned in April 2017 through June 2017. The balance will be paid in September 2017.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on pay-as-you-go financing. For administrators, the District provides full single premium coverage (less active employee co-pay) for medical, prescription drug and dental insurance. Eligible administrators must have 10 years of service with the District and 20 years of PSERS service. The spouse must pay 100 percent of the full premium as determined for the purposes of COBRA, if coverage is elected.

Teachers that have reached 20 years of service with the District and retiring through PSERS, the District contributes \$135 per month for medical and prescription drug coverage. The spouse must pay 102 percent of the full premium as determined for the purpose of COBRA, if coverage is elected.

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

For the postemployment benefits mentioned above, if the member does not reach the requirements for the District subsidy but does reach eligibility through PSERS, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. The duration of all of the District's postemployment benefits mentioned above is until the member reaches Medicare eligibility. Spouse coverage ends at age 65 if the spouse is older than the member. For the fiscal year ended June 30, 2017, the District contributed \$378,235 (as estimated by the actuary) to the postretirement plans related to retirees.

Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 988,631
Interest on net OPEB obligation	140,952
Adjustment to annual required contribution	(192,295)
Annual OPEB Cost	<u>937,288</u>
Contributions made (estimated)	<u>(378,235)</u>
Estimated increase in net OPEB obligation	559,053
Net OPEB obligation - beginning of year	<u>3,132,274</u>
Net OPEB obligation - end of year	<u><u>\$ 3,691,327</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 937,288	40.3%	\$ 3,691,327
6/30/2016	905,918	46.2%	3,132,274
6/30/2015	913,858	47.0%	2,645,206

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$7,708,229, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,708,229. The covered payroll (annual payroll of active employees covered by the plan) was \$37,552,928, and the ratio of the UAAL to the covered payroll was 20.53 percent.

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

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2018 through 2020. Rates gradually decrease from 5.4 percent in 2021 to 3.8 percent in 2075 and later. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, 30 year open period.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2017:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 13,143	\$ 6,831
Capital Projects Fund	-	2,547
Enterprise Fund - Food Service	340	-
Enterprise Fund - Child Care	-	4,105
	<u>\$ 13,483</u>	<u>\$ 13,483</u>

Interfund receivables/payables consist of shared costs which have not yet been reimbursed. All will be transferred within a year.

Interfund transfers are summarized as follows at June 30, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 221,920	\$ 11,609,991
Debt Service Fund	11,609,991	-
Enterprise Fund - Food Service	-	58,165
Enterprise Fund - Child Care	-	163,755
	<u>\$ 11,831,911</u>	<u>\$ 11,831,911</u>

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2016/2017 year was \$901,404.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2016/2017 year was \$344,578.

Summary financial information as of June 30, 2016 (the most recent information available) is as follows:

Berks Career & Technology Center (Governmental Activities)	
Total Assets and Deferred Outflows of Resources	\$ 31,220,549
Total Liabilities and Deferred Inflows of Resources	<u>30,687,936</u>
Total Net Position	<u><u>\$ 532,613</u></u>

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages of the 2016/2017 year. The District has no unfunded liability.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 13 - CONTINGENT LIABILITIES

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

NOTE 14 - COMMITMENTS

At June 30, 2017, the District has entered into a number of contracts related to school expansion and renovation projects. Contracts awarded and commitments outstanding are as follows:

	Contract Amount	Commitment Remaining
Elementary Classroom Additions	\$ 2,658,800	\$ 77,850
Southern Stadium Improvements	766,458	76,759
Berkshire Heights Bathroom Improvements	148,277	139,777
	<u>\$ 3,573,535</u>	<u>\$ 294,386</u>

The District intends to use capital projects funds to satisfy the remaining commitments, with the exception of the Berkshire Heights Building Improvements, which will be paid by the Child Care Fund.

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2016, were as follows:

General Fund

The general fund has committed funds of \$5,968,743 for retirement rate increases, an assigned fund balance of \$1,000,000 representing the 2017/2018 budget appropriation, and unassigned fund balance of \$7,007,512. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 15 - FUND BALANCE - CONTINUED

Capital Projects

The capital projects fund has restricted funds of \$9,052,916 consisting of unspent cumulative transfers from the general fund authorized by the board of school directors for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

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 composed 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 school directors.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the District's fiscal year ending June 30, 2018.
- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.

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

REQUIRED SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP) Basis	Final to Actual
REVENUES				
Local Sources	\$ 74,946,784	\$ 74,946,784	\$ 76,100,464	\$ 1,153,680
State Sources	22,457,613	22,457,613	22,474,836	17,223
Federal Sources	1,157,312	1,157,312	1,204,508	47,196
TOTAL REVENUES	98,561,709	98,561,709	99,779,808	1,218,099
EXPENDITURES				
INSTRUCTIONAL SERVICES				
Regular Programs	39,630,765	39,301,418	38,599,971	701,447
Special Programs	14,811,040	14,867,353	14,817,919	49,434
Vocational Education Programs	2,556,557	2,561,456	2,475,948	85,508
Other Instructional Programs	349,067	376,563	329,006	47,557
Nonpublic School Programs	33,000	33,000	9,657	23,343
TOTAL INSTRUCTIONAL SERVICES	57,380,429	57,139,790	56,232,501	907,289
SUPPORT SERVICES				
Student Services	3,238,467	3,260,232	3,231,188	29,044
Instructional Staff	5,794,493	5,747,823	5,527,025	220,798
General Administration	5,287,192	5,173,099	4,821,607	351,492
Pupil Health	815,648	813,094	783,650	29,444
Business	937,322	927,431	738,205	189,226
Operation and Maintenance of Plant Services	7,466,267	7,535,248	7,096,497	438,751
Student Transportation Services	2,952,661	2,952,661	2,890,983	61,678
Central Support	526,681	802,805	790,269	12,536
Other Support	206,854	211,354	193,137	18,217
TOTAL SUPPORT SERVICES	27,225,585	27,423,747	26,072,561	1,351,186
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student Activities	2,409,740	2,452,587	2,283,569	169,018
Community Services	129,771	129,401	127,587	1,814
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	2,539,511	2,581,988	2,411,156	170,832
TOTAL EXPENDITURES	87,145,525	87,145,525	84,716,218	2,429,307
EXCESS OF REVENUES OVER EXPENDITURES	11,416,184	11,416,184	15,063,590	3,647,406
OTHER FINANCING SOURCES (USES)				
Transfers In	203,000	203,000	221,920	18,920
Transfers Out	(11,619,184)	(11,619,184)	(11,609,991)	9,193
Sale of Capital Assets	-	-	29,433	29,433
Budgetary Reserve	(1,000,000)	(1,000,000)	-	1,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(12,416,184)	(12,416,184)	(11,358,638)	1,057,546
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (1,000,000)	\$ (1,000,000)	3,704,952	\$ 4,704,952
FUND BALANCE - BEGINNING OF YEAR			10,271,303	
FUND BALANCE - END OF YEAR			\$ 13,976,255	

See note to required supplementary information.

WILSON SCHOOL DISTRICT

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

June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.3296%	0.3211%	0.3215%	0.3146%
District's proportionate share of the collective net pension liability	\$ 163,339,000	\$ 139,086,000	\$ 127,252,000	\$ 128,785,000
District's covered employee payroll	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	382.69%	336.60%	310.16%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, 2014, and 2013).

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

WILSON SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST 10 FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 13,007,301	\$ 10,785,146	\$ 8,487,879	\$ 6,600,252	\$ 4,659,173	\$ 3,244,761	\$ 2,075,902	\$ 1,623,126	\$ 1,564,697	\$ 2,223,512
Contributions in relation to the contractually required contribution	13,007,301	10,785,146	8,487,879	6,600,252	4,659,173	3,244,761	2,075,902	1,623,126	1,564,697	2,223,512
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 44,414,913	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523					
Contributions as a percentage of covered employee payroll	29.29%	25.27%	20.54%	16.09%	11.54%					

NOTE: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

WILSON SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Governmental Activities	7/1/2016	\$ -	\$ 7,482,782	\$ 7,482,782	0.00%	\$ 37,006,062	20.22%
	1/1/2014	-	7,391,277	7,391,277	0.00%	35,064,503	21.08%
	1/1/2012	-	6,472,625	6,472,625	0.00%	34,986,866	18.50%
Business-Type Activities	7/1/2016	-	225,447	225,447	0.00%	546,866	41.23%
	1/1/2014	-	167,503	167,503	0.00%	415,013	40.36%
	1/1/2012	-	123,165	123,165	0.00%	349,125	35.28%
Total	7/1/2016	-	7,708,229	7,708,229	0.00%	37,552,928	20.53%
	1/1/2014	-	7,558,780	7,558,780	0.00%	35,479,516	21.30%
	1/1/2012	-	6,595,790	6,595,790	0.00%	35,335,991	18.67%

WILSON SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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, 2017

		Budget	Actual	Variance
6000 Revenues from Local Sources				
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$ 61,462,234	\$ 61,400,646	\$ (61,588)
6112	Taxes, Interim Real Estate	220,000	197,287	(22,713)
6113	Public Utility Realty Tax	79,093	78,246	(847)
6114	Taxes, Current, Payments in Lieu of Taxes	1,015	1,015	-
6120	Current Per Capita Taxes, Section 679	123,000	121,001	(1,999)
6140	Current Act 511 Per Capita Taxes	123,000	121,001	(1,999)
6143	Current 511 Local Services Taxes	119,000	121,350	2,350
6151	Current Act 511 Earned Income Taxes	5,800,000	5,996,234	196,234
6153	Current Act 511 Real Estate Transfer Taxes	950,000	1,214,144	264,144
6155	Current Act 511 Mercantile/Business Privilege Taxes	2,300,000	2,273,973	(26,027)
6400	Delinquent Taxes (All Levies)	1,120,000	1,354,366	234,366
	Total	72,297,342	72,879,263	581,921
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	85,000	190,847	105,847
6700	Revenue from District Activities	377,785	403,732	25,947
6810	Revenue from other Governments	60,000	63,849	3,849
6832	Revenue from Intermediate Unit - Federal - Special Education	901,697	976,139	74,442
6910	Rental of Facilities	130,000	155,254	25,254
6920	Donation from Private Source	125,000	151,408	26,408
6940	Tuition from Patrons	409,750	736,880	327,130
6950	Advertising Income	21,250	2,000	(19,250)
6960	Services Provided Other Local Government Units	147,960	147,314	(646)
6980	Community/Age Group Swim	112,500	118,330	5,830
6990	Miscellaneous Revenue	278,500	275,448	(3,052)
	Total	2,649,442	3,221,201	571,759
	TOTAL REVENUES FROM LOCAL SOURCES	74,946,784	76,100,464	1,153,680
7000 Revenues from State Sources				
7110	Basic Instructional Subsidy	7,307,662	7,683,264	375,602
7160	Tuition/Court-Placed Institutions	175,000	156,574	(18,426)
7270	Special Education of Exceptional Pupils	2,339,551	2,317,446	(22,105)
7311	Pupil Transportation	808,000	812,170	4,170
7312	Nonpublic Transportation	102,000	96,250	(5,750)
7320	Rentals and Sinking Fund Payments	1,268,086	1,286,149	18,063
7330	Medical and Dental Services	112,000	116,358	4,358
7340	Property Tax Reduction Allocation	1,386,413	1,386,413	-
7500	Extra Grants	579,495	579,495	-
7810	Social Security	1,675,996	1,600,647	(75,349)
7820	Retirement	6,703,410	6,440,070	(263,340)
	TOTAL REVENUES FROM STATE SOURCES	22,457,613	22,474,836	17,223

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8000 Revenues from Federal Sources				
8514	Title I	755,423	681,606	(73,817)
8515	Title II	105,981	103,468	(2,513)
8516	Title III	45,908	43,307	(2,601)
8690	Other Restricted Federal Grant	-	25,456	25,456
8810	Access Medical Assistance Reimbursement	250,000	329,000	79,000
8820	Access Medical Assistance Reimbursement - Admin	-	21,671	21,671
	TOTAL REVENUES FROM FEDERAL SOURCES	1,157,312	1,204,508	47,196
9000 Other Financing Sources				
9359	Other Enterprise Fund Transfers	203,000	221,920	18,920
9400	Proceeds from Sale of Fixed Assets	-	29,433	29,433
	TOTAL REVENUES FROM OTHER FINANCING SOURCES	203,000	251,353	48,353
	TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 98,764,709</u>	<u>\$ 100,031,161</u>	<u>\$ 1,266,452</u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

		Budget	Actual	Variance
1000 Instructional Services				
1100	Regular Programs	\$ 39,301,418	\$ 38,599,971	\$ 701,447
1200	Special Programs	14,867,353	14,817,919	49,434
1300	Vocational Education Program	2,561,456	2,475,948	85,508
1400	Other Instructional Programs	376,563	329,006	47,557
1500	Nonpublic School Programs	33,000	9,657	23,343
	Total Instructional Services	57,139,790	56,232,501	907,289
2000 Support Services				
2100	Student Services	3,260,232	3,231,188	29,044
2200	Instructional Staff	5,747,823	5,527,025	220,798
2300	General Administration	5,173,099	4,821,607	351,492
2400	Pupil Health	813,094	783,650	29,444
2500	Business	927,431	738,205	189,226
2600	Operation and Maintenance of Plant Services	7,535,248	7,096,497	438,751
2700	Student Transportation Services	2,952,661	2,890,983	61,678
2800	Cental Support	802,805	790,269	12,536
2900	Other Support	211,354	193,137	18,217
	Total Support Services	27,423,747	26,072,561	1,351,186
3000 Operation of Noninstructional Services				
3200	Student Activities	2,452,587	2,283,569	169,018
3300	Community Services	129,401	127,587	1,814
	Total Operation of Noninstructional Services	2,581,988	2,411,156	170,832
5000 Other Financing Uses				
5200	Fund Transfers	11,619,184	11,609,991	9,193
5900	Budgetary Reserve	1,000,000	-	1,000,000
	Total Other Financing Uses	12,619,184	11,609,991	1,009,193
	TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 99,764,709	\$ 96,326,209	\$ 3,438,500

WILSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

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 (Unearned) Revenue at July 1, 2016	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2017
<u>U.S. Department of Education</u>										
Passed through the State Department of Education:										
Title I - Grants to Local Education Agencies	I	84.010	013-17-490	07/01/16-09/30/17	\$ 731,158	\$ 600,154	\$ -	\$ 657,967	\$ 657,967	\$ 57,813
Title I - Grants to Local Education Agencies	I	84.010	013-16-490	07/01/15-09/30/16	586,006	38,691	37,824	867	867	-
Title I - Academic Achievement Award	I	84.010	013-16-490	09/15/16-09/30/17	47,825	26,608	-	22,772	22,772	(3,836)
Total Title I						665,453	37,824	681,606	681,606	53,977
Supporting Effective Instruction State Grants	I	84.367	020-17-490	07/01/16-09/30/17	103,468	103,468	-	103,468	103,468	-
English Language Acquisition State Grants	I	84.365	010-17-490	07/01/16-09/30/17	40,552	32,442	-	36,322	36,322	3,880
English Language Acquisition State Grants	I	84.365	010-16-490	07/01/15-09/30/16	41,382	13,794	6,809	6,985	6,985	-
Total English Language Acquisition State Grants						46,236	6,809	43,307	43,307	3,880
Passed through the Berks County Intermediate Unit:										
IDEA Cluster										
IDEA - B Special Education Grants to States	I	84.027	N/A	07/01/16-06/30/17	973,356	503,700	-	973,356	973,356	469,656
IDEA - B Special Education Grants to States	I	84.027	N/A	07/01/15-06/30/16	901,698	206,686	206,686	-	-	-
Section 619 IDEA - B Special Education Preschool Grants	I	84.173	N/A	07/01/16-06/30/17	2,783	2,783	-	2,783	2,783	-
Total IDEA Cluster						713,169	206,686	976,139	976,139	469,656
TOTAL U.S. DEPARTMENT OF EDUCATION						1,528,326	251,319	1,804,520	1,804,520	527,513
<u>U.S. Department of Health and Human Services</u>										
Passed through the Pennsylvania Department of Human Services:										
Medical Reimbursement for Administration, Revenue Code 8820	I	93.778	44-008514	07/01/16-06/30/17	21,672	12,323	-	21,672	21,672	9,349
Medical Reimbursement for Administration, Revenue Code 8820	I	93.778	44-008514	07/01/15-06/30/16	24,359	16,708	16,708	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						29,031	16,708	21,672	21,672	9,349
<u>U.S. DEPARTMENT OF HOMELAND SECURITY/FEMA</u>										
Passed-Through the PA Emergency Management Agency:										
Disaster Grant- Public Assistance	I	97.036	N/A	02/20/2017	25,456	25,456	-	25,456	25,456	-
<u>U.S. Department of Defense - Department of the Army</u>										
Passed-Through the Cadet Command JROTC Instructor Management Division:										
Army JROTC	I	12.630	N/A	07/01/2017	63,849	57,171	-	63,849	63,849	6,678
<u>U.S. Department of Agriculture</u>										
Child Nutrition Cluster										
Passed through the State Department of Education:										
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	495,774	-	588,907	588,907	93,133
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	112,992	112,992	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	60,721	-	74,106	74,106	13,385
School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	16,662	16,662	-	-	-
Passed through the PA Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	157,984	(11,583)	155,953	155,953	(13,614)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						844,133	118,071	818,966	818,966	92,904
TOTAL FEDERAL AWARDS						\$ 2,484,117	\$ 386,098	\$ 2,734,463	\$ 2,734,463	\$ 636,444

Source Codes: I = Indirect, D = Direct

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2017.

See notes to schedule of expenditures of federal awards.

WILSON SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Wilson School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Wilson School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wilson School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimus rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District had \$13,614 of food commodity inventory.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Herbein + Company, Inc.

**Reading, Pennsylvania
November 6, 2017**

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

Wilson School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wilson School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The Wilson School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Wilson School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Herbein + Company, Inc.

Reading, Pennsylvania
November 6, 2017

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? yes 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? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? yes X no

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Child Nutrition Cluster</u>	
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? X yes no

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

2017-001 VERIFICATION - SIGNIFICANT DEFICIENCY

Federal Program

National School Lunch Program CFDA 10.555; passed through the Pennsylvania Department of Education; Grant Period 7/1/16-6/30/17

School Breakfast Program CFDA 10.553; passed through the Pennsylvania Department of Education; Grant Period 7/1/16-6/30/17 -Special Tests and Provisions - Verification of Free and Reduced Price Applications

Criteria

Title 7 CFR 245 covers eligibility requirements for all programs within the Child Nutrition Cluster. Title 7 CFR 245.6a requires that the local education agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. The local educational agency must select an allowable sample and complete the verification efforts no later than November 15 of each school year. Based on the verification activities, the education agency must make appropriate modifications to the eligibility determinations made initially if applicable. Failure to cooperate with verification efforts will result in the termination of benefits.

Condition/Cause

Upon examining documentation of the verification process, it was noted that no response was received for one verification request. The District properly assessed the change from reduced to paid under the program guidance and sent a letter notifying that the students' status would be changed from reduced to paid. However, the change was not made in the Skyward student system and the student continued to receive reduced meals throughout the entire school year.

Effect

One participant received benefits from the program at reduced rate when they should have been certified at a full pay rate. As a result, the local education agency was over-reimbursed from the federal program.

Questioned Costs

Less than \$25,000

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section III - Federal Awards Findings and Questioned Costs - continued

Context

From a District-wide population of 5,983 students with 1,411 applications approved as free and 203 applications approved as reduced price, five of the approved applications were selected for verification. Of the five that were verified, three had changes to the approved status. Two of the changes were made in the Skyward student system, one was not.

Repeat Finding

No.

Recommendation

We recommend that a second individual review the completed verification form and ensure that any eligibility changes that were required to be made as a result of the verification process were actually made in the Skyward student system.

Management Response

See corrective action plan included in this report package.



WILSON SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2016.

Richard Faidley, Ed.D.
Superintendent
Ext. 1115

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported for the year ended June 30, 2016.

Matthew Flannery, Ed.D.
Assistant Superintendent
Ext. 1613

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

Drew Kaufmann
Director of Athletics
Ext. 1142

Lori Lillis
Director of Human Resources
Ext. 1167

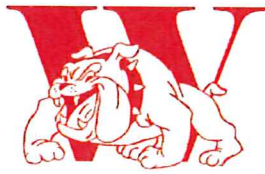
Kate Long, Ed.D.
Director of Pupil Services
Ext. 1124

Christine Schlosman, CPA
Chief Financial Officer
Ext. 1151

Karen Troutman
Director of Public Information
Ext. 1111

Kyle Zeiber
Director of Plant Management
Ext. 1240

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



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Corrective Action Plan 2016-2017 Audit Report

U.S. Department of Agriculture:

Wilson School District respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: Herbein + Company, Inc.,
2763 Century Boulevard, Reading, PA 19610

Audit period: Year Ended June 30, 2017

Finding -Federal Awards Findings and Questioned Costs

2017-001 VERIFICATION - SIGNIFICANT DEFICIENCY

Federal Program

National School Lunch Program CFDA 10.555; passed through the Pennsylvania Department of Education; Grant Period 7/1/16-6/30/17
School Breakfast Program CFDA 10.553; passed through the Pennsylvania Department of Education; Grant Period 7/1/16-6/30/17 -Special Tests and Provisions - Verification of Free and Reduced Price Applications

Criteria

Title 7 CFR 245 covers eligibility requirements for all programs within the Child Nutrition Cluster. Title 7 CFR 245.6a requires that the local education agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. The local educational agency must select an allowable sample and complete the verification efforts no later than November 15 of each school year. Based on the verification activities, the education agency must make appropriate modifications to the eligibility determinations made initially if applicable. Failure to cooperate with verification efforts will result in the termination of benefits.

Condition/Cause

Upon examining documentation of the verification process, it was noted that no response was received for one verification request. The District properly assessed the change from reduced to paid under the program guidance and sent a letter notifying that the students' status would be changed from reduced to paid. However, the change was not made in the Skyward student system and the student continued to receive reduced meals throughout the entire school year.

Effect

One participant received benefits from the program at reduced rate when they should have been certified at a full pay rate. As a result, the local education agency was over-reimbursed from the federal program.

Questioned Costs

Less than \$25,000

Context

From a District-wide population of 5,983 students with 1,411 applications approved as free and 203 applications approved as reduced price, five of the approved applications were selected for verification. Of the five that were verified, three had changes to their approved status. Two of the changes were made in the Skyward student system, one was not.

Repeat Finding

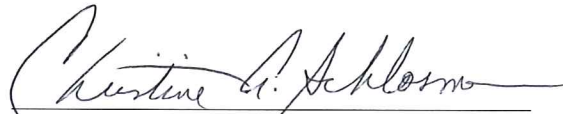
No.

Recommendation

We recommend that a second individual review the completed verification form and ensure that any eligibility changes that were required to be made as a result of the verification process were actually made in the Skyward student system.

Management Response

Wilson School District realizes the importance of accurate student data related to free and reduced application status and in order to prevent any future error in the verification process, the Food Service Department will develop a check list that will document each step along the verification process; whereby, the completion date at each step will be documented and initialed. A second individual will be assigned to perform the final review of the verification process including confirmation that any required status changes in the Skyward student system were made.



Christine A. Schlosman, Chief Financial Officer