

WILSON SCHOOL DISTRICT
FINANCIAL AND COMPLIANCE REPORT
Year Ended June 30, 2010

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

Independent Auditor's Report

We have audited the accompanying 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wilson School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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 Wilson School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010 on our consideration of Wilson School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilson School District's financial statements as a whole. The accompanying supplementary information contained on pages 44 through 46 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The accompanying supplementary information 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 10, 2010**

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

Management's Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Wilson School District's annual financial performance during the fiscal year ended June 30, 2010. 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 2009-10 fiscal year. In total, net assets increased by \$6.0 million. Net assets of governmental activities (which includes the general fund, capital projects fund, capital reserve fund, debt service fund and athletic fund) increased by \$6.0 million which represents a 7.9% increase from 2009. Net assets of business-type activities (which includes the food service fund and child care fund) increased by \$28,460 which represents a 2.4% increase from 2009.
- General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$67.3 million or 80.2% of all revenues. Program specific revenues accounted for 19.8% of total revenues in the form of charges for services, grants and contributions totaling \$16.6 million, including \$1.9 million in American Recovery and Reinvestment Act of 2009 (ARRA) funding.
- The District had total expenses of \$77.8 million, of which \$73.7 million was for governmental activities and \$4.1 million was for business-type activities.
- The excess of revenue over expenditures of \$2.4 million in the general fund was designated by the Board to be used toward future Pennsylvania School Employees Retirement System (PSERS) contribution increases.
- A transfer of \$1.5 million was made from the general fund to the capital reserve fund during the year, as part of the millage phase-in for anticipated increased operating costs as a result of opening the new middle school in the 2010-11 fiscal year. The District has a long-range replacement plan in place for facilities upgrades, construction and for its transportation, maintenance and building and grounds fleets. All plans are reviewed annually.
- The District continues with capital projects due to a reconfiguration of grade levels serviced in the District's various buildings beginning in August 2010, including District-wide all-day kindergarten and a change in the educational configuration from a junior high school/senior high school

middle school/high school model. During the fiscal year, net capital assets increased \$29.9 million due to ongoing capital projects including a new operations building, a new middle school, high school café and science room renovations, locker room renovations, and a new transportation facility. The new operations building was completed in July 2009 and the locker room renovations were completed in April 2010. In May 2010, the District issued \$16.4 million of Series of 2010 General Obligation Bonds for various capital improvements, including the completion of the new middle school and transportation building. The new middle school opened in August 2010, at the start of the 2010-11 school year.

- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property tax cap. That cap was 4.1% for fiscal year 2009-10. The District's 2009-10 millage of 20.75 included exceptions of .4 mills approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the Board passed the 2009 Homestead and Farmstead Exclusion Resolution in June 2008 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2009 real estate tax bills of \$6,970 each, which resulted in a \$145 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1.4 million paid to the District by the Pennsylvania Department of Education.
- Act 1 also requires each district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Eligible real estate taxpayers have the payment option of three equal installments due July 31, September 30, and November 30. Approximately 4% of eligible District real estate taxpayers elected the installment method for the 2009-10 fiscal year, consistent with the prior year.
- Government Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions (OPEB), implemented in the 2008-09 fiscal year, requires the financial statements to reflect an expense and corresponding liability for the normal cost of postemployment benefits (the present value of benefits allocated to the year) and amortization of the unfunded actuarial accrued liability. Based on an actuarial study performed with the valuation date of January 1, 2008, the present value of the District's postemployment benefits other than pensions was approximately \$5.8 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 \$.7 million for the fiscal year ended June 30, 2010. This annual cost, less the District's actuarial determined contribution of \$.4 million, resulted in an additional liability and expense of \$.3 million as of and for the year ended June 30, 2010, included in the Statement of Net Assets and Statement of Activities, respectively.

Overview of the Financial Statements

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

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

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

Figure 1
Organization of the Wilson School District Annual Financial Report

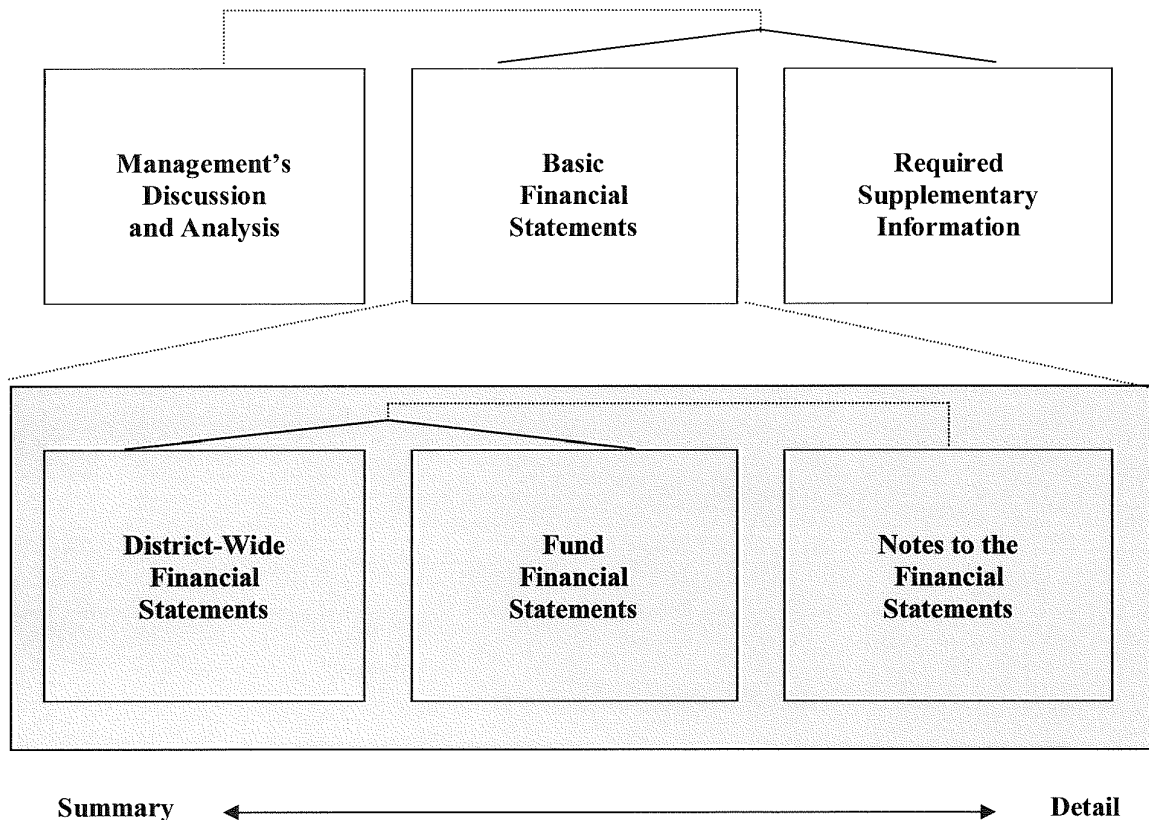


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

Figure 2

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

District-Wide Statements

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

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

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

Both statements report two activities:

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

The Statement of Net Assets contains information about what the District owns, owes, i.e., assets and liabilities, and what is left after assets are used to satisfy liabilities. The following table is a comparative summary of the District's net assets for the fiscal years ended June 30, 2009 and June 30, 2010.

Figure 3
Condensed Statement of Net Assets

Fiscal Years Ended June 30, 2009 and June 30, 2010						
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 55,392,459	41,106,998	\$ 1,075,107	\$ 1,248,038	\$ 56,467,566	\$ 42,355,036
Capital assets	146,513,701	176,495,770	268,024	223,726	146,781,725	176,719,496
Total Assets	201,906,160	217,602,768	1,343,131	1,471,764	203,249,291	219,074,532
Current liabilities	20,061,260	19,375,322	150,015	242,933	20,211,275	19,618,255
Long-term liabilities	105,759,826	116,107,866	8,797	16,052	105,768,623	116,123,918
Total Liabilities	125,821,086	135,483,188	158,812	258,985	125,979,898	135,742,173
Net Assets:						
Invested in capital assets, net of related debt	53,109,115	62,207,127	268,024	223,726	53,377,139	62,430,853
Restricted	10,031,297	3,490,755	-	-	10,031,297	3,490,755
Unrestricted	12,944,662	16,421,698	916,295	989,053	13,860,957	17,410,751
Total Net Assets	\$ 76,085,074	82,119,580	\$ 1,184,319	\$ 1,212,779	\$ 77,269,393	\$ 83,332,359

The District's combined net assets increased over the course of the fiscal year by \$6.0 million. The total \$6.0 million increase was realized in the District's governmental activities' net assets from the combined result of increased federal sources related to ARRA funding and a 1.2 millage increase. Net assets in business-type activities increased by \$28,460 which was the net result of \$0.2 million of business-type income less \$0.2 million of operating transfers to the general fund.

The significant changes in current and other assets, capital assets and noncurrent liabilities are related to ongoing construction costs, the issuance of new bonds and the related spend down of prior year bond issue proceeds. During 2009-10, bond principal and interest payments totaled \$11.1 million. Series of 2010 General Obligation Bonds were issued for \$16.4 million during the year. Cash and cash equivalents decreased by \$15.2 million from the prior year primarily due to bond principal and interest payments totaling \$11.1 million and capital expenditures. Capital assets, net of depreciation increased \$29.9 million, with \$33.5 million in current year capital outlays on the following capital projects: a new operations building, a new middle school, high school café and science room renovations, a new transportation facility and locker room renovations. Current liabilities decreased by \$.6 million primarily due to timing differences of operating expense payments compared to the prior year.

Restricted net assets of \$3.5 million are restricted for capital projects' expenditures. Unrestricted net assets in governmental activities total \$16.4 million, consisting of \$8.8 million of reserves for capital purchases/construction projects and general funds of \$7.6 million, or 9.1% of the District's total 2010-11 general fund budget, available to be used at the discretion of the Board of Directors.

The results of operations for the fiscal year ended June 30, 2010 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net assets for the years ending June 30, 2009 and June 30, 2010. Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs.

Figure 4
Changes in Net Assets from Operating Results

Fiscal Years Ended June 30, 2009 and June 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues						
Program Revenues						
Charges for services	\$ 1,166,789	\$ 1,036,519	\$ 3,377,609	\$ 3,358,021	\$ 4,544,398	\$ 4,394,540
Operating grants and contributions	7,635,632	9,735,987	772,597	950,097	8,408,229	10,686,084
Capital grants and contributions	1,737,211	1,562,204	-	-	1,737,211	1,562,204
General Revenues						
Property taxes and other taxes levied for general purposes	55,235,912	58,707,740	-	-	55,235,912	58,707,740
State formula aid	8,118,438	7,580,069	-	-	8,118,438	7,580,069
Other	3,004,994	1,148,840	(160,897)	(173,235)	2,844,097	975,605
Total Revenues	76,898,976	79,771,359	3,989,309	4,134,883	80,888,285	83,906,242
Expenses						
Instruction	43,613,827	44,936,241	-	-	43,613,827	44,936,241
Instructional student support	7,697,300	8,053,052	-	-	7,697,300	8,053,052
Administrative and financial support services	5,537,740	5,937,943	-	-	5,537,740	5,937,943
Operation and maintenance of plant services	6,271,968	6,333,006	-	-	6,271,968	6,333,006
Pupil transportation	1,660,350	1,501,060	-	-	1,660,350	1,501,060
Other	6,813,503	6,975,551	3,780,782	4,106,423	10,594,285	11,081,974
Total Expense	71,594,688	73,736,853	3,780,782	4,106,423	75,375,470	77,843,276
Increase in Net Assets	\$ 5,304,288	\$ 6,034,506	\$ 208,527	\$ 28,460	\$ 5,512,815	\$ 6,062,966

Figure 5
Sources of Revenues for Fiscal Year 2010

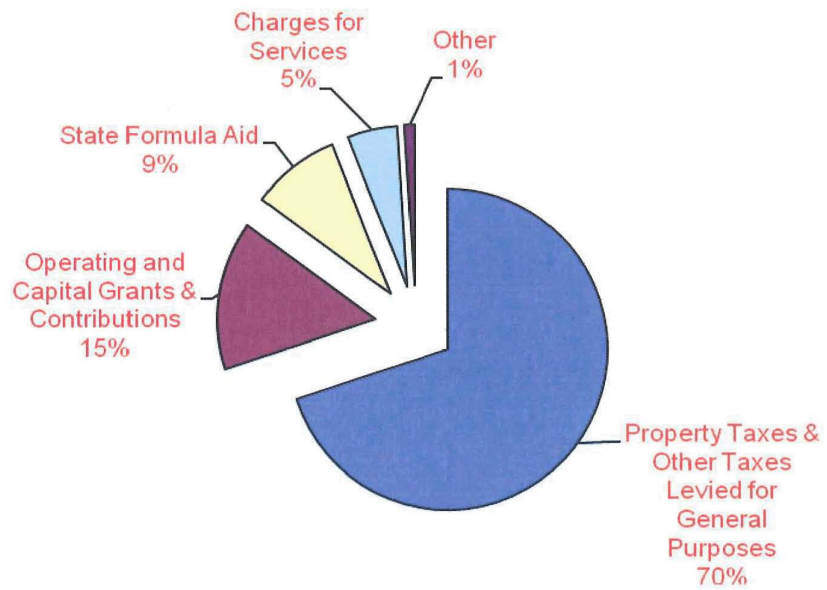
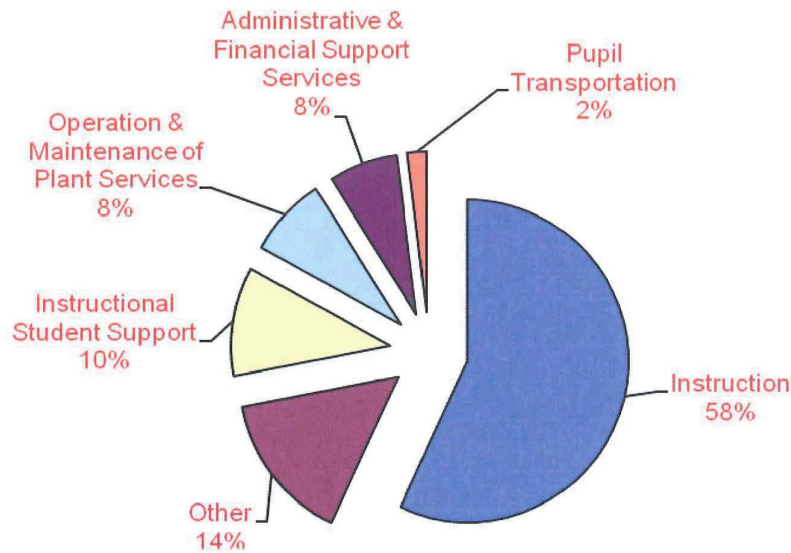


Figure 6
Expenses for Fiscal Year 2010



The District maintained its sound financial position during the 2009-10 fiscal year, as a result of increased federal funding of \$1.9 million related to the American Recovery and Reinvestment Act, and a 1.2 mill increase with a collection rate of about 97%, in spite of very slight growth in the tax base of 1.4%, a 66% decrease in investment earnings, and a 7.4% decrease in state basic education subsidy.

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, 2010, general revenue supported 83% of governmental activities' costs, and program revenue supported 17% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

Fiscal Years Ended June 30, 2009 and June 30, 2010				
	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Instruction	\$ 43,613,827	\$ 44,936,241	\$ 36,985,475	\$ 36,513,955
Instructional Student Support	7,697,300	8,053,052	6,982,563	7,280,364
Administrative and Financial Support Services	5,537,740	5,937,943	5,349,933	5,741,152
Operation and Maintenance of Plant Services	6,271,968	6,333,006	6,146,881	6,161,878
Pupil Transportation	1,660,350	1,501,060	933,662	649,368
Other	6,813,503	6,975,551	4,656,542	5,055,426
Total	\$ 71,594,688	\$ 73,736,853	\$ 61,055,056	\$ 61,402,143

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of both the food services and child care activities for the year ended June 30, 2010. The current year net income from services of \$0.2 million is attributable to a 23% increase in state and federal grants over the prior year as a result of expanded programs and rate increases, net of an 8.6% increase in operating costs over the prior year.

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

Fiscal Years Ended June 30, 2009 and June 30, 2010				
	Total Cost of Services		Net Cost (Income) of Services	
	2009	2010	2009	2010
Food Services	\$ 2,524,733	\$ 2,600,837	\$ (45,029)	\$ (140,623)
Child Care	1,256,049	1,505,586	(324,395)	(61,072)
Total	\$ 3,780,782	\$ 4,106,423	\$ (369,424)	\$ (201,695)

Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital reserve fund, capital projects fund, debt service fund and a non-major fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2010. Governmental funds' revenues totaled \$79.2 million, expenditures totaled \$109.6 million, and other financing sources totaled \$16.5 million. The District's governmental funds reported combined fund balances of \$26.6 million which is a decrease of \$13.9 million compared to the prior year, due primarily to capital outlay related to ongoing construction projects, which is accounted for in expenditures and effectively decreased the fund balance in the governmental funds. The schedule below details the fund balances and the total change in fund balances as of June 30, 2009 and June 30, 2010.

Figure 9
Fund Balances

For Fiscal Years Ended June 30, 2009 and June 30, 2010			
	Fund Balance		Increase (Decrease)
	2009	2010	
General Fund	\$ 5,425,645	\$ 7,797,015	\$ 2,371,370
Capital Reserve Fund	7,311,464	8,817,371	1,505,907
Capital Projects Fund	27,673,638	9,904,067	(17,769,571)
Debt Service Fund	336	-	(336)
Non-Major Fund	94,195	70,915	(23,280)
Total	<u>\$ 40,505,278</u>	<u>\$ 26,589,368</u>	<u>\$ (13,915,910)</u>

A transfer of \$1.5 million was made from the general fund to the capital reserve fund during the year, as part of the millage phase-in for anticipated increased operating costs as a result of opening the new middle school in the 2010-11 fiscal year. General fund excess of revenues over expenditures of \$2,371,370 for the year ended June 30, 2010 were designated to be used toward future Pennsylvania School Employees Retirement System (PSERS) contribution increases.

The capital reserve fund net increase was due primarily to the \$.1 million of investment earnings and \$1.5 million transferred from the general fund; net of the \$.1 million of facilities upgrades and repairs and capital outlays for the new operations building.

The capital projects fund had a \$17.8 million net decrease, due to \$33.5 million of capital outlays and related capital project expenditures, and a \$1.1 million transfer to the debt service fund for principal and interest payments during the year, net of the \$16.4 million 2010 Series General Obligation Bond proceeds, and \$.6 million of investment earnings.

The debt service fund decrease resulted from the expenditure of prior year net refunding bond proceeds toward current year interest costs.

The non-major fund decrease was the result of the athletic fund deficiency of revenues over expenditures for the fiscal year ended June 30, 2010.

Capital Asset and Debt Administration

Capital Assets

In total, net capital assets increased \$29.9 million due to ongoing construction projects. Total depreciation expense for the year was \$3.5 million, which is a 1% increase over the prior year. The major projects reflected in the construction-in-progress account are the new middle school, the new transportation facility and the high school café and science room renovations.

Figure 10
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2009 and June 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$ 7,065,285	\$ 7,065,285	\$ -	\$ -	\$ 7,065,285	\$ 7,065,285
Land Improvements	962,768	811,980	-	-	962,768	811,980
Building and Building Improvements	110,197,513	112,487,686	-	10,353	110,197,513	112,498,039
Machinery and Equipment	2,353,133	2,219,636	268,024	213,373	2,621,157	2,433,009
Vehicles	1,142,760	1,317,956	-	-	1,142,760	1,317,956
Construction-in-Progress	24,792,242	52,593,227	-	-	24,792,242	52,593,227
Total	\$ 146,513,701	\$176,495,770	\$ 268,024	\$ 223,726	\$146,781,725	\$ 176,719,496

Long-term Debt

During the fiscal year ended June 30, 2010, the District issued the Series 2010 General Obligation of \$16.4 million. Bond principal payments for the year totaled \$6.6 million. The decrease in the long-term portion for compensated absences is attributed to an increased number of retirements during the year.

Figure 11
Outstanding Long-Term Debt

For Fiscal Years Ended June 30, 2009 and June 30, 2010			
	Total		Change
	2009	2010	
General Obligation Bonds	\$ 109,955,000	\$ 119,800,000	\$ 9,845,000
Compensated Absences	1,061,966	918,714	(143,252)
Total	\$ 111,016,966	\$ 120,718,714	\$ 9,701,748

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 2.9% and 1.4% for fiscal years 2010-11 and 2011-12, respectively. The District's 2010-11 millage of 21.95 included exceptions of .6 mills approved by the Pennsylvania Department of Education. Due to the District's aid ratio exceeding .4 for the 2011-12 fiscal year, the District's millage is limited to a 1.6% increase, slightly above the base index, or 22.30 mills. If the District anticipates needing to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget is due February 16, 2011.
- Under Act 1, the District is required to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. The District provides the option of three equal installments due July 31, September 30, and November 30. Total Berks County Assessment Office approved homesteads and farmsteads for the District for 2010-11 were 9,596. Approximately 5% of eligible District real estate taxpayers elected the installment method for the 2010-11 fiscal year.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the Board passed the 2010-2011 Homestead and Farmstead Exclusion Resolution in June 2010 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2010 real estate tax bills of \$6,556 each, which resulted in a \$143.90 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1,366,110 as well as \$19,358 of Philadelphia tax credit reimbursement funds and remaining undistributed 2009-10 property tax reduction funds of \$82 totaling \$1,385,550 paid to the District by the Pennsylvania Department of Education.

- The newly constructed West Middle School opened in August 2010 as anticipated. Contractual commitments related to the new middle school, high school café and science rooms, and new transportation facility total approximately \$7.3 million.
- In conjunction with the opening of the new middle school in August 2010, the District reconfigured the grade levels serviced in the District's various buildings. All elementary buildings now provide all-day kindergarten and serve primary grade levels through the fifth grade. The West Middle School and the Southern Middle School (formerly Southern Jr. High) serve sixth through eighth grades, with the Senior High School consisting of grades nine through twelve.
- The collective bargaining agreement with the Wilson Education Association expires on June 30, 2011. Negotiations began in October 2010.
- The required District contribution to the Pennsylvania School Employees Retirement System increased to 5.64% for 2010-11, with significant rate increases projected in future years. The District has designated approximately \$2.4 million of fund balance in the General Fund for future retirement contribution increases.
- The increasing cost of health insurance will continue to impact the District's finances. In an effort to reduce this cost in fiscal year 2010-11, the District entered into an agreement with American Sentinel to provide the medical gap insurance at a rate lower than the previous year's gap insurance provider, thereby enabling the District to maintain a higher deductible plan with Capital Blue Cross. The one-year contracts with American Sentinel and Capital Blue Cross expire on June 30, 2011 and renewal rates are currently being sought.
- Due to the current economic downturn, the District has experienced higher than normal commercial assessment appeals requesting assessment reductions, which has a potential negative impact on the real estate tax base.
- The District will be required to implement the new Governmental Accounting Standards Board (GASB) Statement No. 54—Fund Balance Reporting and Governmental Fund Type Definitions in the 2010-11 fiscal year. This statement requires the classification of fund balances into the following categories – nonspendable, restricted, committed, assigned and unassigned. GASB Statement No. 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans is required to be implemented by the year ended June 30, 2012, and GASB Statement No. 59—Financial Instruments Omnibus is required to be implemented by the year ended June 30, 2011. The District has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

Contacting the District's Financial Management

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

WILSON SCHOOL DISTRICT
STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	Governmental Activities	Business- Type Activities	Total
CURRENT ASSETS			
Cash and Investments	\$ 35,546,410	\$ 1,022,022	\$ 36,568,432
Taxes Receivable, Net	2,333,760	-	2,333,760
Internal Balances	12,204	(12,204)	-
Intergovernmental Receivables	1,648,091	140,913	1,789,004
Other Receivables, Net	40,021	34,538	74,559
Inventories	-	62,769	62,769
TOTAL CURRENT ASSETS	39,580,486	1,248,038	40,828,524
CAPITAL ASSETS			
Land	7,065,285	-	7,065,285
Site Improvements, Net of Depreciation	811,980	-	811,980
Building and Building Improvements, Net of Depreciation	112,487,686	10,353	112,498,039
Machinery and Equipment, Net of Depreciation	2,219,636	213,373	2,433,009
Vehicles, Net of Depreciation	1,317,956	-	1,317,956
Construction in Progress	52,593,227	-	52,593,227
TOTAL CAPITAL ASSETS	176,495,770	223,726	176,719,496
OTHER NONCURRENT ASSETS			
Unamortized Bond Issuance Costs	1,267,359	-	1,267,359
Restricted Cash	259,153	-	259,153
TOTAL OTHER NONCURRENT ASSETS	1,526,512	-	1,526,512
TOTAL ASSETS	<u>\$ 217,602,768</u>	<u>\$ 1,471,764</u>	<u>\$ 219,074,532</u>

See accompanying notes.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Intergovernmental Payables	\$ 371,909	\$ -	\$ 371,909
Accounts Payable	5,726,760	38,704	5,765,464
Accrued Salaries and Benefits	5,630,709	134,066	5,764,775
Accrued Interest	558,819	-	558,819
Deferred Revenues	230,319	70,163	300,482
Current Portion of Compensated Absences	51,806	-	51,806
Current Portion of Bonds Payable	6,805,000	-	6,805,000
TOTAL CURRENT LIABILITIES	19,375,322	242,933	19,618,255
NONCURRENT LIABILITIES			
Bonds Payable	112,995,000	-	112,995,000
Bond Discount, Net of Amortization	(189,892)	-	(189,892)
Bond Premium, Net of Amortization	2,959,594	-	2,959,594
Unamortized Bond Interest	(525,500)	-	(525,500)
Deferred Refunding Loss, Net of Amortization	(633,707)	-	(633,707)
Post Employment Benefits	635,463	16,052	651,515
Long-Term Portion of Compensated Absences	866,908	-	866,908
TOTAL NONCURRENT LIABILITIES	116,107,866	16,052	116,123,918
TOTAL LIABILITIES	135,483,188	258,985	135,742,173
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	62,207,127	223,726	62,430,853
Restricted for Capital Projects, Net of Related Debt	3,490,755	-	3,490,755
Unrestricted	16,421,698	989,053	17,410,751
TOTAL NET ASSETS	82,119,580	1,212,779	83,332,359
TOTAL LIABILITIES AND NET ASSETS	\$ 217,602,768	\$ 1,471,764	\$ 219,074,532

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 34,056,282	\$ 11,536	\$ 3,408,940	\$ -
Special	8,401,644	594,637	4,229,058	-
Vocational	2,243,760	-	45,590	-
Other Instructional Programs	234,555	62,915	69,610	-
Total Instructional Services	44,936,241	669,088	7,753,198	-
Support Services:				
Pupil Personnel	2,633,632	-	335,683	-
Instructional Staff	4,558,830	-	293,378	-
Administration	5,008,639	-	165,623	-
Pupil Health	648,123	-	143,627	-
Business Services	813,854	-	31,168	-
Operation of Plant and Maintenance Services	6,333,006	44,566	126,562	-
Student Transportation Services	1,501,060	27,798	823,894	-
Central	115,450	-	-	-
Other Support Services	212,467	-	-	-
Total Support Services	21,825,061	72,364	1,919,935	-
Noninstructional Services:				
Student Activities	1,777,755	247,590	61,652	-
Community Services	54,656	47,477	1,202	-
Interest on Long-Term Debt	5,143,140	-	-	1,562,204
Total Noninstructional Services	6,975,551	295,067	62,854	1,562,204
Total Governmental Activities	73,736,853	1,036,519	9,735,987	1,562,204
Business-Type Activities:				
Food Services	2,600,837	1,870,491	870,969	-
Child Care	1,505,586	1,487,530	79,128	-
Total Business-Type Activities	4,106,423	3,358,021	950,097	-
Total Primary Government	\$ 77,843,276	\$ 4,394,540	\$ 10,686,084	\$ 1,562,204

General Revenues and Transfers:

Taxes:

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (30,635,806)	\$ -	\$ (30,635,806)
(3,577,949)	-	(3,577,949)
(2,198,170)	-	(2,198,170)
(102,030)	-	(102,030)
(36,513,955)	-	(36,513,955)
(2,297,949)	-	(2,297,949)
(4,265,452)	-	(4,265,452)
(4,843,016)	-	(4,843,016)
(504,496)	-	(504,496)
(782,686)	-	(782,686)
(6,161,878)	-	(6,161,878)
(649,368)	-	(649,368)
(115,450)	-	(115,450)
(212,467)	-	(212,467)
(19,832,762)	-	(19,832,762)
(1,468,513)	-	(1,468,513)
(5,977)	-	(5,977)
(3,580,936)	-	(3,580,936)
(5,055,426)	-	(5,055,426)
(61,402,143)	-	(61,402,143)
-	140,623	140,623
-	61,072	61,072
-	201,695	201,695
(61,402,143)	201,695	(61,200,448)
51,088,676	-	51,088,676
7,619,064	-	7,619,064
7,580,069	-	7,580,069
955,693	2,033	957,726
184,600	(184,600)	-
8,547	9,332	17,879
67,436,649	(173,235)	67,263,414
6,034,506	28,460	6,062,966
76,085,074	1,184,319	77,269,393
<u>\$ 82,119,580</u>	<u>\$ 1,212,779</u>	<u>\$ 83,332,359</u>

WILSON SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

	General	Capital Reserve
ASSETS		
Cash and Investments	\$ 14,166,201	\$ 7,314,663
Restricted Cash	-	-
Taxes Receivable, Net	2,348,780	-
Interfund Receivables	22,647	1,520,000
Intergovernmental Receivables	1,648,091	-
Other Receivables, Net	38,225	-
TOTAL ASSETS	\$ 18,223,944	\$ 8,834,663
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Interfund Payable	\$ 1,522,998	\$ -
Accounts Payable	1,365,400	17,292
Intergovernmental Payables	371,909	-
Accrued Salaries and Benefits	5,682,515	-
Deferred Revenues	1,484,107	-
TOTAL LIABILITIES	10,426,929	17,292
FUND BALANCES		
Unreserved/Designated for Future Retirement Expenses	2,371,370	-
Unreserved/Undesignated Fund Balances:		
General Fund	5,425,645	-
Capital Reserve Fund	-	8,817,371
Capital Projects	-	-
Debt Service Fund	-	-
Athletic Fund	-	-
Reserved for Road Improvements	-	-
TOTAL FUND BALANCES	7,797,015	8,817,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,223,944	\$ 8,834,663

See accompanying notes.

Capital Projects	Debt Service Fund	Nonmajor Fund (Athletic Fund)	Total Governmental Funds
\$ 13,987,735	\$ -	\$ 77,811	\$ 35,546,410
259,153	-	-	259,153
-	-	-	2,348,780
-	-	-	1,542,647
-	-	-	1,648,091
622	-	1,174	40,021
<u>\$ 14,247,510</u>	<u>\$ -</u>	<u>\$ 78,985</u>	<u>\$ 41,385,102</u>
\$ -	\$ -	\$ 7,445	\$ 1,530,443
4,343,443	-	625	5,726,760
-	-	-	371,909
-	-	-	5,682,515
-	-	-	1,484,107
4,343,443	-	8,070	14,795,734
-	-	-	2,371,370
-	-	-	5,425,645
-	-	-	8,817,371
9,644,914	-	-	9,644,914
-	-	-	-
-	-	70,915	70,915
259,153	-	-	259,153
9,904,067	-	70,915	26,589,368
<u>\$ 14,247,510</u>	<u>\$ -</u>	<u>\$ 78,985</u>	<u>\$ 41,385,102</u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 26,589,368**

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$221,902,848 and the accumulated depreciation is \$45,407,078.

176,495,770

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

1,253,788

Establish allowance for doubtful accounts - property taxes receivable

(15,020)

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	\$ (119,800,000)	
Accrued Interest on Bonds	(558,819)	
Unamortized Capitalized Bond Interest	525,500	
Unamortized Bond Premium	(2,959,594)	
Unamortized Bond Issuance Costs	1,267,359	
Unamortized Deferred Refunding Loss	633,707	
Unamortized Bond Discount	189,892	
Compensated Absences	(866,908)	
Post Employment Benefits	(635,463)	(122,204,326)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 82,119,580**

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

	<u>General</u>	<u>Capital Reserve</u>
REVENUES		
Local Sources	\$ 60,580,122	\$ 109,416
State Sources	14,854,646	-
Federal Sources	<u>2,868,985</u>	<u>-</u>
TOTAL REVENUES	78,303,753	109,416
EXPENDITURES		
Instructional Services	42,384,651	-
Support Services	20,658,795	76,262
Operation of Noninstructional Services	1,576,709	24,599
Capital Outlay	-	22,648
Debt Service		
Principal	-	-
Interest	-	-
Refund of Prior Years Revenues	<u>75,217</u>	<u>-</u>
TOTAL EXPENDITURES	<u>64,695,372</u>	<u>123,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,608,381	(14,093)
OTHER FINANCING SOURCES (USES)		
Proceeds from Bond Issuance	-	-
Bond Discount	-	-
Sale of Fixed Assets	38,438	-
Operating Transfers In	184,600	1,520,000
Operating Transfers Out	<u>(11,460,049)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,237,011)</u>	<u>1,520,000</u>
NET CHANGE IN FUND BALANCES	2,371,370	1,505,907
FUND BALANCES - BEGINNING	<u>5,425,645</u>	<u>7,311,464</u>
FUND BALANCES - ENDING	<u><u>\$ 7,797,015</u></u>	<u><u>\$ 8,817,371</u></u>

See accompanying notes.

Capital Projects	Debt Service Fund	Nonmajor Fund (Athletic Fund)	Total Governmental Funds
\$ 616,587	\$ -	\$ 212,326	\$ 61,518,451
-	-	-	14,854,646
-	-	-	2,868,985
616,587	-	212,326	79,242,082
-	-	-	42,384,651
712,907	-	-	21,447,964
-	-	235,606	1,836,914
32,796,276	-	-	32,818,924
-	6,555,000	-	6,555,000
-	4,520,590	-	4,520,590
-	-	-	75,217
33,509,183	11,075,590	235,606	109,639,260
(32,892,596)	(11,075,590)	(23,280)	(30,397,178)
16,400,000	-	-	16,400,000
(141,770)	-	-	(141,770)
-	-	-	38,438
-	11,075,254	-	12,779,854
(1,135,205)	-	-	(12,595,254)
15,123,025	11,075,254	-	16,481,268
(17,769,571)	(336)	(23,280)	(13,915,910)
27,673,638	336	94,195	40,505,278
<u>\$ 9,904,067</u>	<u>\$ -</u>	<u>\$ 70,915</u>	<u>\$ 26,589,368</u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (13,915,910)**

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

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

Capital Outlays	\$ 33,491,174	
Less: Depreciation Expense	(3,475,058)	
Less: Sale of Fixed Assets	<u>(34,047)</u>	29,982,069

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

415,503

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

Repayment of Bond Principal	6,555,000	
Issuance of Bonds	(16,400,000)	
Bond Issue Costs - New Issue	267,315	
Bond Discount - New Issue	141,770	
Amortization of Bond Premium	293,334	
Amortization of Bond Discount	(849,104)	
Amortization of Deferred Refunding Loss	(104,568)	
Amortization of Bond Issuance Costs	<u>(120,481)</u>	(10,216,734)

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

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

(66,780)

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

124,228

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

(287,870)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 6,034,506

WILSON SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS

June 30, 2010

ASSETS	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 570,092	\$ 451,930	\$ 1,022,022
Interfund Receivable	17,777	-	17,777
Intergovernmental Receivables	117,021	23,892	140,913
Other Receivables, Net	4,062	30,476	34,538
Inventories	62,769	-	62,769
TOTAL CURRENT ASSETS	771,721	506,298	1,278,019
NONCURRENT ASSETS			
Building Improvements, Net	-	10,353	10,353
Machinery and Equipment, Net	185,098	28,275	213,373
TOTAL NONCURRENT ASSETS	185,098	38,628	223,726
TOTAL ASSETS	<u>\$ 956,819</u>	<u>\$ 544,926</u>	<u>\$ 1,501,745</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Interfund Payable	\$ -	\$ 29,981	\$ 29,981
Accounts Payable	29,289	9,415	38,704
Accrued Salaries and Benefits	39,730	94,336	134,066
Deferred Revenues	58,956	11,207	70,163
TOTAL CURRENT LIABILITIES	127,975	144,939	272,914
NONCURRENT LIABILITIES			
Post Employment Benefits	29,152	(13,100)	16,052
TOTAL LIABILITIES	157,127	131,839	288,966
NET ASSETS			
Invested in Capital Assets	185,098	38,628	223,726
Unrestricted	614,594	374,459	989,053
TOTAL NET ASSETS	799,692	413,087	1,212,779
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 956,819</u>	<u>\$ 544,926</u>	<u>\$ 1,501,745</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
OPERATING REVENUES			
Food Service Revenue	\$ 1,870,491	\$ -	\$ 1,870,491
Tuition and Fee Revenue	-	1,487,530	1,487,530
TOTAL OPERATING REVENUES	1,870,491	1,487,530	3,358,021
OPERATING EXPENSES			
Salaries	949,661	1,096,964	2,046,625
Employee Benefits	263,287	173,010	436,297
Supplies and Other Operating Expenses	1,332,897	229,457	1,562,354
Depreciation	54,992	6,155	61,147
TOTAL OPERATING EXPENSES	2,600,837	1,505,586	4,106,423
OPERATING LOSS	(730,346)	(18,056)	(748,402)
NONOPERATING REVENUES			
Earnings on Investments	2,033	-	2,033
State Sources	144,469	79,128	223,597
Federal Sources	726,500	-	726,500
Gain (Loss) on Disposal of Assets	9,332	-	9,332
TOTAL NONOPERATING REVENUES (EXPENSES)	882,334	79,128	961,462
INCOME BEFORE OPERATING TRANSFERS	151,988	61,072	213,060
OPERATING TRANSFERS OUT	(60,000)	(124,600)	(184,600)
CHANGE IN NET ASSETS	91,988	(63,528)	28,460
TOTAL NET ASSETS - BEGINNING	707,704	476,615	1,184,319
TOTAL NET ASSETS - ENDING	\$ 799,692	\$ 413,087	\$ 1,212,779

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2010

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,877,991	\$ 1,479,806	\$ 3,357,797
Cash Payments to Employees for Services	(1,170,333)	(1,244,035)	(2,414,368)
Cash Payments for Supplies and Other Operating Expenses	(1,207,455)	(218,575)	(1,426,030)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(499,797)	17,196	(482,601)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	139,573	77,593	217,166
Federal Sources	559,068	-	559,068
Operating Transfers Out	(60,000)	(124,600)	(184,600)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	638,641	(47,007)	591,634
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Purchases of Equipment	(4,760)	(12,089)	(16,849)
Proceeds from Sale of Fixed Assets	9,332	-	9,332
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	4,572	(12,089)	(7,517)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	2,033	-	2,033
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,449	(41,900)	103,549
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	424,643	493,830	918,473
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 570,092	\$ 451,930	\$ 1,022,022

WILSON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2010

	Enterprise Fund Food Service	Nonmajor Fund (Child Care)	Totals
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Loss	\$ (730,346)	\$ (18,056)	\$ (748,402)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Net Operating Activities:			
Depreciation	54,992	6,155	61,147
Donated Commodities Used	134,823	-	134,823
Changes in Assets and Liabilities:			
Intergovernmental and Other Receivables	1,560	(18,931)	(17,371)
Inventories	(14,847)	-	(14,847)
Interfund Balances	(1,356)	3,229	1,873
Accounts Payable	8,955	7,650	16,605
Accrued Salaries and Benefits	28,440	32,707	61,147
Deferred Revenues	3,962	11,207	15,169
Post Employment Benefits	14,020	(6,765)	7,255
Total Adjustments	<u>230,549</u>	<u>35,252</u>	<u>265,801</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (499,797)</u></u>	<u><u>\$ 17,196</u></u>	<u><u>\$ (482,601)</u></u>

Noncash, Noncapital Financing Activities:

During the year the District used \$134,823 of food commodities from the Department of Agriculture.

WILSON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

June 30, 2010

	<u>Expendable Trust Funds Scholarship</u>	<u>Agency Funds Student Activities</u>
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 30,259	\$ 145,273
TOTAL ASSETS	<u>\$ 30,259</u>	<u>\$ 145,273</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Other Current Liabilities	\$ 8,750	\$ 145,273
TOTAL LIABILITIES	<u>\$ 8,750</u>	<u>\$ 145,273</u>
NET ASSETS		
Held in Trust for Scholarships	<u>\$ 21,509</u>	

WILSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	<u>Expendable Trust Funds Scholarship</u>
ADDITIONS	
Contributions	\$ 20,940
Earnings on Investments	<u>21</u>
TOTAL ADDITIONS	20,961
DEDUCTIONS	
Scholarships	<u>17,500</u>
CHANGE IN NET ASSETS	3,461
NET ASSETS - BEGINNING OF YEAR	<u>18,048</u>
NET ASSETS - END OF YEAR	<u><u>\$ 21,509</u></u>

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity

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

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

Joint Venture: The District participates in a joint venture. See Note 11 for details of involvement and financial information of the joint venture.

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

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

Basis of Presentation

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

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Fund Accounting

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

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

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

Measurement Focus and Basis of Accounting

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Investments and Cash Equivalents

The District records its investments at fair value. The value used by the District was the quoted market price.

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

Receivables/Payables

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the governmental funds consisting principally of textbooks and instructional supplies are not valued since it is the consistent policy of the District to charge these items to expense upon acquisition.

Inventories of the food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2010, consist of the following:

Purchased food	\$ 33,184
Supplies	12,651
Donated commodities	<u>16,934</u>
	<u>\$ 62,769</u>

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

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

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

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

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

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

Budgetary Data

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

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations

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

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 10, 2010, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Deposits

Restricted Cash

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

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, 2010 the carrying amount of the District's deposits was \$2,012,631 and the bank balance was \$2,027,292. Of the bank balance, \$917,416 was covered by federal depository insurance, and \$1,109,876 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

A portion of the District's deposits are in the PA Treasury Invest Program and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds 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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

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 or approved collateral as provided by law.

As of June 30, 2010, the District had the following investments:

	<u>Fair Value</u>
PA Invest	\$ 379,410
Pennsylvania School District Liquid Asset Fund (PSDLAF)	<u>35,326,455</u>
Total Investments and Pooled Cash	35,705,865
Less Pooled Cash	<u>(35,705,865)</u>
Total Investments	<u>\$ -</u>

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PA Invest and PSDLAF act like money market mutual funds 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.

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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2010, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Invest	AAA
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.

NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. The tax rate for the year was \$20.75 per \$1,000 of assessed valuation.

The property tax calendar is as follows:

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

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE - CONTINUED

The balances at June 30, 2010 are as follows:

	Gross Taxes Receivable	Allowance Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real estate/Interims	\$ 1,502,012	\$ 15,020	\$ 1,486,992	\$ 233,203	\$ 1,253,789
Per capita	6,699	-	6,699	6,699	-
Mercantile/Bus. Privilege	763,902	-	763,902	763,902	-
Local services tax	889	-	889	889	-
Transfer tax	75,278	-	75,278	75,278	-
	<u>\$ 2,348,780</u>	<u>\$ 15,020</u>	<u>\$ 2,333,760</u>	<u>\$ 1,079,971</u>	<u>\$ 1,253,789</u>

The deferred revenue balance in the General Fund of \$1,484,107 consists of deferred real estate taxes of \$1,253,789, deferred revenue from summer school tuition of \$35,365, deferred revenue from camps and clinics of \$25,963, deferred revenue from a grant of \$2,164 and deferred revenue from sponsorships of \$166,826.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES

The following schedule represents net intergovernmental receivables at June 30, 2010:

Name of Government Unit	General Fund	Proprietary	
		Food Service	Child Care
Commonwealth of PA - Retirement	\$ 354,810	\$ 642	\$ 1,702
Commonwealth of PA - Social Security	176,827	1,125	3,112
Commonwealth of PA - Project 720	8,544	-	-
Commonwealth of PA - Rental Subsidy	84,932	-	-
Commonwealth of PA - National School Lunch	-	14,367	-
Federal Subsidies - Title I	99,905	-	-
Federal Subsidies - Title II	36,030	-	-
Federal Subsidies - Title III	18,574	-	-
Federal Subsidies - ARRA - Title I Part A	9,159	-	-
Federal Subsidies - IDEA	305,592	-	-
Federal Subsidies - ARRA - IDEA	252,793	-	-
Federal Subsidies - Access	52,000	-	-
Federal Subsidies - ARRA - SFSF	130,777	-	-
Federal Subsidies - National School Lunch	-	100,887	-
School District of Philadelphia	60,457	-	-
Township of Spring	24,899	-	-
Wyomissing School District	11,583	-	-
Muhlenberg School District	13,077	-	-
Army JROTC	5,233	-	-
Lower Heidelberg Township	2,899	-	-
Berks County Intermediate Unit	-	-	19,078
	<u>\$ 1,648,091</u>	<u>\$ 117,021</u>	<u>\$ 23,892</u>

The following schedule represents intergovernmental payables at June 30, 2010:

Name of Government Unit	General Fund
Township of Spring	\$ 181,416
Borough of Wyomissing	138,894
Borough of Sinking Spring	26,137
Lower Heidelberg Township	25,462
	<u>\$ 371,909</u>

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,065,285	\$ -	\$ -	\$ 7,065,285
Construction in progress	24,792,242	32,818,924	(5,017,939)	52,593,227
Capital assets being depreciated:				
Land improvements	4,280,389	-	-	4,280,389
Buildings and building improvements	145,605,179	4,900,848	-	150,506,027
Machinery and equipment	3,822,291	361,347	(355,407)	3,828,231
Vehicles	3,392,302	427,994	(190,607)	3,629,689
Total at historical cost	157,100,161	5,690,189	(546,014)	162,244,336
Less accumulated depreciation for:				
Land improvements	3,317,621	150,788	-	3,468,409
Buildings and building improvements	35,407,666	2,610,675	-	38,018,341
Machinery and equipment	1,469,158	460,797	(321,360)	1,608,595
Vehicles	2,249,542	252,798	(190,607)	2,311,733
Total accumulated depreciation	42,443,987	3,475,058	(511,967)	45,407,078
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>114,656,174</u>	<u>2,215,131</u>	<u>(34,047)</u>	<u>116,837,258</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 146,513,701</u>	<u>\$ 35,034,055</u>	<u>\$ (5,051,986)</u>	<u>\$ 176,495,770</u>

Business-Type Activities

Capital assets being depreciated:				
Building Improvements	\$ -	\$ 10,495	\$ -	\$ 10,495
Equipment	1,018,489	6,354	(36,646)	988,197
Total at historical cost	1,018,489	16,849	(36,646)	998,692
Accumulated depreciation for:				
Building Improvements	-	142	-	142
Equipment	750,465	61,005	(36,646)	774,824
Total accumulated depreciation	750,465	61,147	(36,646)	774,966
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 268,024</u>	<u>\$ (44,298)</u>	<u>\$ -</u>	<u>\$ 223,726</u>

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instruction, Regular	\$ 2,534,078
Instruction, Special	1,568
Support Services	927,439
Noninstructional Services	<u>11,973</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3,475,058</u>

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities except for compensated absences:

General Obligation Bond - Series of 2010:

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

\$ 16,400,000

General Obligation Bond - Series of 2009:

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

10,185,000

General Obligation Bond - Series of 2008:

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

9,840,000

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bond - Series of 2007:

The District is liable for general obligation bonds dated July 15, 2007 in the original principal amount of \$33,550,000. Principal maturities occur on June 1 through the year 2026. Interest is payable semi-annually on June 1 and December 1. Interest rates vary from 3.80% to 5.25%. The proceeds of this Bond will be used for capital improvement projects.

33,495,000

General Obligation Bond - Series of 2005:

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

20,050,000

General Obligation Bond - Second Series of 2003:

The District is liable for general obligation bonds dated December 1, 2003 in the original principal amount of \$14,995,000. Principal maturities occur on May 15 through the year 2019. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 1.00% to 5.00%. The proceeds of this Bond were used for capital improvement projects and to pay debt issuance costs.

9,900,000

General Obligation Bond - Second Series of 2002:

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

12,955,000

General Obligation Bond - Series of 1993:

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

6,975,000

\$ 119,800,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

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

	General Obligation Bonds, Series of 2010	General Obligation Bonds, Series of 2009	General Obligation Bonds, Series of 2008	General Obligation Bonds, Series of 2007
2011	\$ -	\$ 125,000	\$ 170,000	\$ 5,000
2012	125,000	210,000	175,000	5,000
2013	120,000	210,000	180,000	100,000
2014	120,000	1,215,000	1,815,000	65,000
2015	130,000	2,735,000	3,720,000	10,000
2016 - 2020	4,825,000	5,690,000	3,780,000	4,080,000
2021 - 2025	11,080,000	-	-	25,990,000
2026 - 2027	-	-	-	3,240,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total	16,400,000	10,185,000	9,840,000	33,495,000
Less: Unamortized discount on Capital Appreciation Bonds	<hr/> -	<hr/> -	<hr/> -	<hr/> -
	<hr/> <u>\$ 16,400,000</u>	<hr/> <u>\$ 10,185,000</u>	<hr/> <u>\$ 9,840,000</u>	<hr/> <u>\$ 33,495,000</u>

General Obligation Bonds, Series of 2005	General Obligation Bonds, Second Series of 2003	General Obligation Bonds, Second Series of 2002	General Obligation Bonds, Series of 1993	Total General Long-Term Debt	Total Interest
\$ 5,000	\$ 925,000	\$ 2,075,000	\$ 3,500,000	\$ 6,805,000	\$ 4,873,808
5,000	960,000	2,185,000	3,475,000	7,140,000	4,861,064
130,000	1,000,000	5,520,000	-	7,260,000	4,704,964
210,000	1,040,000	3,175,000	-	7,640,000	4,348,075
315,000	1,080,000	-	-	7,990,000	4,032,026
19,385,000	4,895,000	-	-	42,655,000	15,570,101
-	-	-	-	37,070,000	5,778,319
-	-	-	-	3,240,000	170,100
20,050,000	9,900,000	12,955,000	6,975,000	119,800,000	<u>\$ 44,338,457</u>
-	-	-	(525,500)	(525,500)	
<u>\$ 20,050,000</u>	<u>\$ 9,900,000</u>	<u>\$ 12,955,000</u>	<u>\$ 6,449,500</u>	<u>\$ 119,274,500</u>	

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt					
Bonds and Notes Payable	\$ 109,955,000	\$ 16,400,000	\$ 6,555,000	\$ 119,800,000	\$ 6,805,000
Other Liabilities:					
Compensated Absences	1,061,966	154,500	297,752	918,714	51,806
 TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	<u>\$111,016,966</u>	<u>\$ 16,554,500</u>	<u>\$ 6,852,752</u>	<u>\$ 120,718,714</u>	<u>\$ 6,856,806</u>

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by several of the governmental funds. Total interest paid during the year ended June 30, 2010 was \$4,520,590.

Defeasance of Debt

During the year ended June 30, 2008, the District issued \$9,995,000 of general obligation refunding bonds to provide resources to purchase securities that were placed in irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,890,000 of general obligation bonds second series of 2002. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

As of June 30, 2010, outstanding general obligation bonds of the District in the amount of \$8,890,000 were considered defeased with a related \$8,959,506 held in escrow funds.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

Plan Description:

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Funding Policy:

The contribution policy is set by the Code and requires contributions by active members, employers and the commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 contribute at 7.50% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2010, the rate of employer contributions was 4.78% of covered payroll. The 4.78% rate is composed of a pension contribution, 4% of pension benefits and 0.78% for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2010, 2009 and 2008 were \$1,939,636, \$1,861,990 and \$2,461,745, respectively, which is equal to the required contribution

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

NOTE 8 - POST EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the union representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report and the District is implementing GASB Statement 45 prospectively.

Funding Policy:

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED

For eligible teachers retired on or before July 1, 1998 and eligible support staff retired on or before June 30, 2008, the District pays the full single premium for medical and prescription drug coverage. The spouse must pay the full premium as determined for the purpose of COBRA, if coverage is elected.

For teachers retiring after July 1, 1998 and have reached 10 years of service with the District and 20 years of PSERS service, the District contributes \$135 per month for medical and prescription drug coverage. The spouse must pay the full premium as determined for the purpose of COBRA, if coverage is elected.

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

For the post employment benefits mentioned above, if the member does not reach the requirements for the District subsidy but does reach eligibility through PSERS, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. The duration of all of the District's post employment benefits mentioned above is until the member reaches Medicare eligibility. Spouse coverage ends at age 65 if the spouse is older than the member. For the fiscal year ended June 30, 2010, the District contributed \$424,654 (as estimated by the actuary) to the post retirement plans related to retirees.

Annual OPEB Cost and Net OPEB Obligation:

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED

Annual required contribution	\$ 725,620
Interest on net OPEB obligation	16,038
Adjustment to annual required contribution	<u>(21,879)</u>
Annual OPEB Cost	719,779
Contributions made (estimated)	<u>(424,654)</u>
Estimated increase in net OPEB obligation	295,125
Net OPEB obligation - beginning of year	<u>356,390</u>
 Net OPEB obligation - end of year	 <u><u>\$ 651,515</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 725,620	50.9%	\$ 356,390
6/30/2010	719,779	59.0%	651,515

Funded Status and Funding Progress:

As of January 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$5,790,629, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,790,629. The covered payroll (annual payroll of active employees covered by the plan) was \$30,528,763, and the ratio of the UAAL to the covered payroll was 18.97%.

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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions:

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

In the January 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% initially, decreasing 0.5% per year to an ultimate rate of 5% in 2015 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, thirty year open period.

NOTE 9 - SPECIAL TERMINATION BENEFITS

a. Retirement Bonuses

The District pays retirement bonuses to certain long-term employees based on years of service and employee classification. These bonuses vary from \$200 - \$340 per year for every year of service that exceeds the service requirement. Service requirements vary from 10 to 17 years. An accrual of \$244,396 has been made to the government-wide statements, included as compensated absences.

b. Unused Sick Leave

The District reimburses certain employees for unused accumulated sick leave upon retirement. Reimbursement varies from \$10 - \$45 per day with a maximum of 25 or 100 days, depending upon employment classification. An accrual of the expense of \$622,512 has been made to the government-wide statements, included as compensated absences, with an estimated current portion of \$51,806 expensed in the general fund.

c. Retirement Incentive

Administrators receive retirement incentives from the District if they meet all of the following requirements: 20 years of employment by the Commonwealth in education, 10 years of employment in administration by Wilson School District and have attained at least age 52 before retirement. Incentives range from 5% to 15% of final base salary based upon certain criteria. The cost of this benefit is recognized as expenditure in the year of termination limited to \$80,000 in any one fiscal year for all administrative retirees.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2010:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 22,647	\$ 1,522,998
Capital Reserve	1,520,000	-
Nonmajor Governmental Fund - Athletic	-	7,445
Enterprise Fund - Food Service	17,777	-
Nonmajor Enterprise Fund - Child Care	-	29,981
	<u>\$ 1,560,424</u>	<u>\$ 1,560,424</u>

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

Interfund transfers are summarized as follows at June 30, 2010:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 184,600	\$ 11,460,049
Capital Projects	-	1,135,205
Capital Reserve	1,520,000	-
Debt Service	11,075,254	-
Enterprise Fund - Food Service	-	60,000
Nonmajor Enterprise Fund - Child Care	-	124,600
	<u>\$ 12,779,854</u>	<u>\$ 12,779,854</u>

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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 2009/10 year was \$788,050.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds are being used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2009/10 year was \$352,336.

Summary financial information as of June 30, 2009 (most recent available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets	\$ 35,159,005
Total Liabilities	<u>(23,653,354)</u>
Total Net Assets	<u>\$ 11,505,651</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 2009/10 year.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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, 2010, the District has entered into a number of contracts related to school expansion and renovation projects. Contracts awarded and commitments outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
Cornwall Terrace and Whitfield	\$ 11,939,529	\$ 6,001
Operations Building	3,329,223	9,993
New Middle School	48,414,496	6,082,260
High School Café and Science Rooms	1,409,288	23,908
Transportation Facility	<u>2,110,920</u>	<u>1,248,804</u>
	<u>\$ 67,203,456</u>	<u>\$ 7,370,966</u>

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

In relation to road improvements included with the new middle school project, the District has executed an irrevocable letter of credit in the amount of \$326,606 for the benefit of the PA Department of Transportation to ensure completion of road improvements agreed upon by the District. The letter of credit is in effect until April, 2013 and can be reduced by 80%, to \$65,321, upon the Department of Transportation's written acknowledgement that all work is completed and accepted. No amounts have been drawn against the letter of credit to date.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 15 - NEW ACCOUNTING STANDARDS

The GASB has issued the following standards which have not yet been implemented:

- Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information and classifies fund balances into the following categories - nonspendable, restricted, committed, assigned and unassigned. The District is required to implement Statement No. 54 by the year ended June 30, 2011.
- Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans which is required to be implemented by the year ended June 30, 2012.
- Statement No 59, Financial Instruments Omnibus which is required to be implemented by the year ended June 30, 2011.

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

REQUIRED SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2010

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount	
	Original	Final
REVENUES		
Local Sources	\$ 60,745,468	\$ 60,745,468
State Sources	15,810,890	15,810,890
Federal Sources	2,312,642	2,312,642
TOTAL REVENUES	78,869,000	78,869,000
EXPENDITURES AND OTHER FINANCING USES		
EXPENDITURES - INSTRUCTION		
Regular Programs - Elementary/Secondary	32,696,802	32,725,467
Special Programs - Elementary/Secondary	8,303,525	8,298,273
Vocational Education Programs	2,176,004	2,174,801
Other Instructional Programs - Elementary/Secondary	253,896	254,026
Nonpublic School Programs	19,483	19,483
TOTAL INSTRUCTION	43,449,710	43,472,050
SUPPORT SERVICES		
Pupil Personnel	2,731,235	2,737,987
Instructional Staff	4,732,921	4,679,154
Administration	4,471,702	4,509,830
Pupil Health	664,500	666,217
Business	840,727	839,727
Operation and Maintenance of Plant Services	6,527,261	6,518,469
Student Transportation Services	1,847,641	1,846,891
Central	110,750	110,750
Other Support Services	232,100	214,512
TOTAL SUPPORT SERVICES	22,158,837	22,123,537
OPERATION OF NONINSTRUCTIONAL SERVICES		
Student Activities	1,553,082	1,561,265
Community Services	78,455	83,232
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,631,537	1,644,497
Refund of Prior Year Revenues	-	-
TOTAL EXPENDITURES	67,240,084	67,240,084
EXCESS OF REVENUES OVER EXPENDITURES	11,628,916	11,628,916

See notes to required supplementary information.

Actual (GAAP) Basis	Variances Final to Actual
\$ 60,580,122	\$ (165,346)
14,854,646	(956,244)
2,868,985	556,343
78,303,753	(565,247)
31,552,520	1,172,947
8,357,256	(58,983)
2,241,231	(66,430)
176,837	77,189
56,807	(37,324)
42,384,651	1,087,399
2,619,145	118,842
4,288,831	390,323
4,539,728	(29,898)
644,047	22,170
807,500	32,227
5,829,610	688,859
1,602,017	244,874
115,450	(4,700)
212,467	2,045
20,658,795	1,464,742
1,522,194	39,071
54,515	28,717
1,576,709	67,788
75,217	(75,217)
64,695,372	2,544,712
13,608,381	1,979,465

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2010

	Budgeted Amount	
	Original	Final
OTHER FINANCING SOURCES (USES)		
Budgetary Reserve	(1,000,000)	(1,000,000)
Sale of Capital Assets	-	-
Transfers from Other Funds	170,000	170,000
Transfers to Other Funds	(12,798,916)	(12,798,916)
TOTAL OTHER FINANCING SOURCES (USES)	(13,628,916)	(13,628,916)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (2,000,000)	\$ (2,000,000)
FUND BALANCE - JULY 1, 2009		
FUND BALANCE - JUNE 30, 2010		

<u>Actual (GAAP) Basis</u>	<u>Variances Final to Actual</u>
-	1,000,000
38,438	38,438
184,600	14,600
<u>(11,460,049)</u>	<u>1,338,867</u>
<u>(11,237,011)</u>	<u>2,391,905</u>
2,371,370	<u>\$ 4,371,370</u>
<u>5,425,645</u>	
<u>\$ 7,797,015</u>	

WILSON SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS -
POST EMPLOYMENT BENEFITS PLAN

June 30, 2010

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Governmental Activities	1/1/2008	\$ -	\$ 5,602,068	\$ 5,602,068	0.00%	\$ 30,150,998	18.58%
Business-Type Activities	1/1/2008	-	188,561	188,561	0.00%	377,765	49.91%
		<u>\$ -</u>	<u>\$ 5,790,629</u>	<u>\$ 5,790,629</u>	<u>0.00%</u>	<u>\$ 30,528,763</u>	<u>18.97%</u>

WILSON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

BUDGETARY DATA

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

CAPITAL RESERVE FUND BUDGET

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

SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

		Budget	Actual	Variance
6000 Revenues from Local Sources				
	<u>Taxes</u>			
6111	Taxes, Current Real Estate	\$ 49,162,608	\$ 49,092,932	\$ (69,676)
6112	Taxes, Interim Real Estate	300,000	258,647	(41,353)
6113	Public Utility Realty Tax	66,500	75,562	9,062
6114	Taxes, Current, Payments in Lieu of Taxes	1,015	1,015	-
6120	Current Per Capita Taxes, Section 679	124,000	122,691	(1,309)
6140	Current Act 511 Per Capita Taxes	124,000	122,691	(1,309)
6143	Current 511 Local Services Taxes	80,000	104,497	24,497
6151	Current Act 511 Earned Income Taxes	4,512,103	4,827,584	315,481
6153	Current Act 511 Real Estate Transfer Taxes	840,000	676,876	(163,124)
6155	Current Act 511 Business Privilege Taxes	1,900,000	1,688,148	(211,852)
6400	Delinquent Taxes (All Levies)	1,100,000	1,321,594	221,594
	Total	58,210,226	58,292,237	82,011
	<u>Other</u>			
6510	Earnings from Temporary Deposits and Investments	450,000	229,000	(221,000)
6810	Revenue from other Governments	62,000	60,830	(1,170)
6820	Revenue from I.U. - State	32,400	25,000	(7,400)
6830	Revenue from I.U. - Federal	13,866	13,262	(604)
6832	Revenue from I.U. - Federal - Special Ed	989,915	989,892	(23)
6910	Rental of Facilities	4,000	44,566	40,566
6920	Donation from Private Source	21,000	63,845	42,845
6940	Tuition from Patrons	771,640	669,088	(102,552)
6950	Advertising Income	-	150	150
6960	Services Provided other Local Gov't Units	28,421	27,798	(623)
6980	Community Swim and Physical Fitness	66,000	61,087	(4,913)
6990	Miscellaneous Revenue	96,000	103,367	7,367
	Total	2,535,242	2,287,885	(247,357)
	TOTAL REVENUES FROM LOCAL SOURCES	60,745,468	60,580,122	(165,346)
7000 Revenues from State Sources				
7110	Basic Instructional Subsidy	6,814,658	5,831,606	(983,052)
7140	Charter Schools	180,000	135,087	(44,913)
7160	Tuition/Court Placed Institutions	138,075	187,773	49,698
7170	School Improvement	25,000	-	(25,000)
7210	Homebound Instruction	420	-	(420)
7220	Vocational Education	21,500	-	(21,500)
7240	Driver Education	4,100	5,250	1,150

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2010

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
7000 Revenues from State Sources - continued				
7270	Special Education of Exceptional Pupils	2,056,695	2,083,622	26,927
7310	Transportation	674,790	761,716	86,926
7320	Rentals and Sinking Fund Payments	1,408,101	1,562,204	154,103
7330	Medical and Dental Services	112,800	113,455	655
7340	Property Tax Reduction Allocation	1,385,826	1,385,810	(16)
7500	Extra Grants	472,294	447,678	(24,616)
7810	Social Security	1,495,720	1,404,711	(91,009)
7820	Retirement	948,658	935,734	(12,924)
7920	Classrooms for the Future	72,253	-	(72,253)
	TOTAL REVENUES FROM STATE SOURCES	15,810,890	14,854,646	(956,244)
8000 Revenues from Federal Sources				
8514	Title I	451,658	458,262	6,604
8515	Title II	136,215	135,113	(1,102)
8516	LEP/Immigrant	34,547	18,574	(15,973)
8690	Other Restricted Federal Grants	35,000	34,998	(2)
8701	ARRA IDEA Part B	926,781	912,958	(13,823)
8703	ARRA Title I Part A	242,233	237,143	(5,090)
8705	ARRA Title II Part D	10,100	-	(10,100)
8708	ARRA SFS Fund	151,300	784,660	633,360
8810	Access Medical Assistance Reimbursement	324,808	287,277	(37,531)
	TOTAL REVENUES FROM FEDERAL SOURCES	2,312,642	2,868,985	556,343
9000 Other Financing Sources				
9359	Other Enterprise Fund Transfers	170,000	184,600	14,600
9400	Proceeds from Sale of Capital Assets	-	38,438	38,438
	TOTAL REVENUES FROM OTHER FINANCING SOURCES	170,000	223,038	53,038
	TOTAL REVENUES	<u>\$ 79,039,000</u>	<u>\$ 78,526,791</u>	<u>\$ (512,209)</u>

WILSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2010

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1000 Instruction				
1100	Regular Programs	\$ 32,725,467	\$ 31,552,520	\$ 1,172,947
1200	Special Programs	8,298,273	8,357,256	(58,983)
1300	Vocational Education Program	2,174,801	2,241,231	(66,430)
1400	Other Instructional Programs	254,026	176,837	77,189
1500	Nonpublic Schools	19,483	56,807	(37,324)
	Total Instruction	43,472,050	42,384,651	1,087,399
2000 Support Services				
2100	Pupil Personnel	2,737,987	2,619,145	118,842
2200	Instructional Staff	4,679,154	4,288,831	390,323
2300	Administration	4,509,830	4,539,728	(29,898)
2400	Pupil Health	666,217	644,047	22,170
2500	Business	839,727	807,500	32,227
2600	Operation and Maintenance of Plant Services	6,518,469	5,829,610	688,859
2700	Student Transportation Services	1,846,891	1,602,017	244,874
2800	Central	110,750	115,450	(4,700)
2900	Other Support Services	214,512	212,467	2,045
	Total Support Services	22,123,537	20,658,795	1,464,742
3000 Operation of Noninstructional Services				
3200	Student Activities	1,561,265	1,522,194	39,071
3300	Community Services	83,232	54,515	28,717
	Total Operation of Noninstructional Services	1,644,497	1,576,709	67,788
5000 Other Financing Uses				
5100	Refund of Prior Year Revenues	-	75,217	(75,217)
5200	Fund Transfers	12,798,916	11,460,049	1,338,867
5900	Budgetary Reserve	1,000,000	-	1,000,000
	Total Other Financing Uses	13,798,916	11,535,266	2,263,650
	TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 81,039,000</u>	<u>\$ 76,155,421</u>	<u>\$ 4,883,579</u>

WILSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Federal Pass-Through Grantor's Number</u>
<u>U.S. Department of Education</u>			
Passed through the Commonwealth of Pennsylvania Department of Education:			
Title I - Grants to Local Education Agencies - Basic	I	84.010	13-10-490
Title I - Grants to Local Education Agencies - Basic	I	84.010	13-09-490
ARRA Title I Supplement - Grants to Local Education Agencies	I	84.389	127-10-490
Title I - Grants to Local Education Agencies - Academic Achievement	I	84.010	077-10-490
Title I - Grants to Local Education Agencies - Academic Achievement	I	84.010	077-09-490
Title II(a) Improving Teacher Quality	I	84.367	020-10-490
Title II(a) Improving Teacher Quality	I	84.367	020-09-490
Title III Language Instructional LEP	I	84.365	010-10-490
Title III Language Instructional LEP	I	84.365	010-09-490
Pub Lib-Improve Services (LSTA)	I	45.310	202-909-075
ARRA - State Fiscal Stabilization Fund - Education State Grants	I	84.394	126-10-490
Passed through the Berks County Intermediate Unit:			
Safe and Drug Free Schools and Community	I	84.186	100-000814
IDEA - B Special Education Grants to States	I	84.027	62-010-14
IDEA - B Special Education Grants to States	I	84.027	62-010-14
ARRA IDEA - B Special Education Grants to States	I	84.391	128-100014
Total U.S. Department of Education			
<u>U.S. Department of Welfare</u>			
Passed through the Commonwealth of Pennsylvania Department of Education:			
Medical Assistance Program	I	93.778	44-008514
Total U.S. Department of Welfare			
<u>U.S. Department of Agriculture</u>			
Passed through the Commonwealth of Pennsylvania Department of Education:			
National School Lunch Program	I	10.555	N/A
National School Lunch Program	I	10.555	N/A
School Breakfast Program	I	10.553	N/A
School Breakfast Program	I	10.553	N/A
Passed through the Commonwealth of Pennsylvania Department of Agriculture:			
Donated Commodities	I	10.555	N/A
Total U.S. Department of Agriculture			
TOTAL FEDERAL AWARDS			

Source Codes: I = Indirect, D = Direct

Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Deferred) Revenue at July 1, 2009	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2010
05/15/09-09/30/10	\$ 447,862	\$ 358,357	\$ -	\$ 447,862	\$ 447,862	\$ 89,505
07/01/08-09/30/09	453,761	2,103	2,103	-	-	-
05/15/09-09/30/11	240,923	227,984	-	237,143	237,143	9,159
05/15/09-09/30/11	10,400	-	-	10,400	10,400	10,400
07/02/08-09/30/10	8,000	8,000	8,000	-	-	-
05/15/09-09/30/10	135,113	99,083	-	135,113	135,113	36,030
07/01/08-09/30/09	136,215	27,243	27,243	-	-	-
08/13/09-09/30/10	33,349	-	-	18,574	18,574	18,574
08/13/08-09/30/09	34,547	19,741	19,741	-	-	-
05/21/09-05/31/10	35,000	32,305	(2,692)	34,997	34,997	-
07/01/09-06/30/10	784,660	653,883	-	784,660	784,660	130,777
07/01/09-06/30/10	13,262	13,262	-	13,262	13,262	-
07/01/09-06/30/10	989,892	684,300	-	989,892	989,892	305,592
07/01/08-06/30/09	924,471	543,679	543,679	-	-	-
02/17/09-09/30/11	1,238,671	660,165	-	912,958	912,958	252,793
		3,330,105	598,074	3,584,861	3,584,861	852,830
07/01/09-06/30/10	3,227	3,227	-	3,227	3,227	-
		3,227	-	3,227	3,227	-
07/01/09-06/30/10	N/A	451,735	-	540,954	540,954	89,219
07/01/08-06/30/09	N/A	65,255	65,255	-	-	-
07/01/09-06/30/10	N/A	39,054	-	50,723	50,723	11,669
07/01/08-06/30/09	N/A	3,024	3,024	-	-	-
07/01/09-06/30/10	N/A	131,667	(20,090)	134,823	134,823	(16,934)
		690,735	48,189	726,500	726,500	83,954
		<u>\$ 4,024,067</u>	<u>\$ 646,263</u>	<u>\$ 4,314,588</u>	<u>\$ 4,314,588</u>	<u>\$ 936,784</u>

WILSON SCHOOL DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

NOTE 1 - BASIS OF ACCOUNTING

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information Wilson School District as of and for the year ended June 30, 2010, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wilson School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wilson School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilson School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Wilson School District in a separate letter dated November 10, 2010.

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

Herbein + Company, Inc.

**Reading, Pennsylvania
November 10, 2010**



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**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited Wilson School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wilson School District's major federal programs for the year ended June 30, 2010. Wilson School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wilson School District's management. Our responsibility is to express an opinion on Wilson School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilson School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wilson School District's compliance with those requirements.

In our opinion, Wilson School District complied, in all material respects, with the 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, 2010.

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Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

**Reading, Pennsylvania
November 10, 2010**

WILSON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA State Fiscal Stabilization Fund - Education State Grants
<u>Title I Cluster</u>	
84.010	Title I Grants to Local Education Agencies - Basic
84.010	Title I Grants to Local Education Agencies - Academic Achievement
84.389	ARRA Title I Supplement - Grants to Local Education Agencies
<u>IDEA Cluster</u>	
84.027	IDEA - B Special Education Grants to States
84.391	ARRA IDEA - B Special Education Grants to States

Dollar threshold used to distinguish between Type A and Type
B programs: \$300,000
Auditee qualified as low-risk auditee? _____ X yes _____ no

WILSON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2010

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

WILSON SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

There were no federal award findings in the prior year.