

WILSON SCHOOL DISTRICT
FINANCIAL AND COMPLIANCE REPORT
Year Ended June 30, 2009

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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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wilson School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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 express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2009, 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, 2009 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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Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund and the Schedule of Funding Progress - Post Employment Benefits Plan are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilson School District's basic financial statements. The schedules on pages 43 through 45 are presented for additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Herlein + Company, Inc.

Reading, Pennsylvania
November 10, 2009

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Management's Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Wilson School District's annual financial performance during the fiscal year ended June 30, 2009. 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 2008-09 fiscal year. In total, net assets increased by \$5.5 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 \$5.3 million which represents a 7.5% increase from 2008. Net assets of business-type activities (which includes the food service fund and child care fund) increased by \$0.2 million which represents a 21.4% increase from 2008.
- General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$66.2 million or 81.8% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$14.7 million or 18.2% of total revenues.
- The District had total expenses of \$75.4 million, of which \$71.6 million was for governmental activities and \$3.8 million was for business-type activities.
- The excess of revenue over expenditures of \$954,471 in the general fund was transferred into the capital reserve fund to ensure monies were available to maintain the District's physical plant and for future construction projects and other capital purchases. The District has a long-range replacement plan in place for its transportation, maintenance and building and grounds fleets as well as construction. All plans are reviewed 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 model to a middle school/high school model. During the fiscal year, net capital assets increased \$17.9 million due to ongoing capital projects including a new operations building, a new middle school, high school café and science room renovations, and planning costs related to athletic fields, stadium and Central Junior High locker room renovations, and transportation facilities. The additional high school classrooms were completed in August 2008. After completion of the new middle school, certain renovations are planned on the high school campus which will include joining the current Central Junior High as part of its facilities.

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

- In May 2009, the District refunded \$10.0 million of Series of 2004 General Obligation Bonds by issuing \$10.2 million of Series of 2009 General Obligation Bonds for a projected net present value savings of \$.3 million.
- 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 4.4% for fiscal year 2008-09. The District's 2008-09 millage of 19.55 included exceptions of .18 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, 2008 real estate tax bills of \$7,519 each, which resulted in a \$147 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 2008-09 fiscal year, consistent with the prior year.
- The District implemented the new Government Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions (OPEB) in the 2008-09 fiscal year. The statement 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. 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, 2009, 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

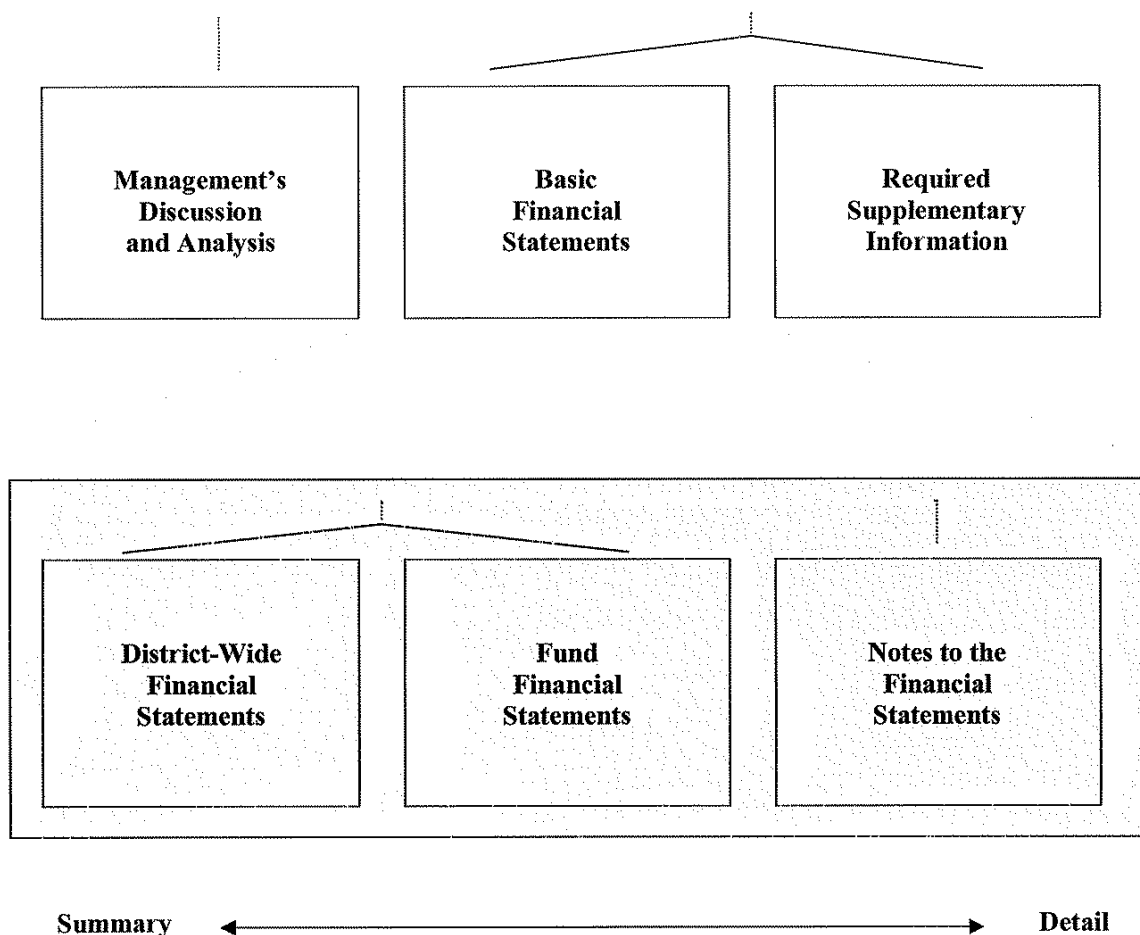


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each 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, 2008 and June 30, 2009.

Figure 3
Condensed Statement of Net Assets

| Fiscal Years Ended June 30, 2008 and June 30, 2009 | | | | | | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Current and other assets | \$ 68,196,462 | \$ 55,392,459 | \$ 747,686 | \$ 1,075,107 | \$ 68,944,148 | \$ 56,467,566 |
| Capital assets | 128,565,435 | 146,513,701 | 332,715 | 268,024 | 128,898,150 | 146,781,725 |
| Total Assets | 196,761,897 | 201,906,160 | 1,080,401 | 1,343,131 | 197,842,298 | 203,249,291 |
| Current liabilities | 14,409,809 | 20,061,260 | 104,609 | 150,015 | 14,514,418 | 20,211,275 |
| Long-term liabilities | 111,571,302 | 105,759,826 | - | 8,797 | 111,571,302 | 105,768,623 |
| Total Liabilities | 125,981,111 | 125,821,086 | 104,609 | 158,812 | 126,085,720 | 125,979,898 |
| Net Assets: | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 41,500,880 | 53,109,115 | 332,715 | 268,024 | 41,833,595 | 53,377,139 |
| Restricted | 13,700,141 | 10,031,297 | - | - | 13,700,141 | 10,031,297 |
| Unrestricted | 15,579,765 | 12,944,662 | 643,077 | 916,295 | 16,222,842 | 13,860,957 |
| Total Net Assets | \$ 70,780,786 | \$ 76,085,074 | \$ 975,792 | \$ 1,184,319 | \$ 71,756,578 | \$ 77,269,393 |

The District's combined net assets increased over the course of the fiscal year by \$5.5 million. The \$5.3 million increase in the District's governmental activities' net assets is the combined result of growth in the District's tax base, investment earnings and additional state subsidies. Net assets in business-type activities increased by \$0.2 million which was the net result of \$0.4 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 and the related spend down of prior year bond issue proceeds. During 2008-09 bond principal and interest payments totaled \$11.1 million. Series of 2004 General Obligation Bonds of \$10.0 million were refunded and \$10.2 million Series of 2009 General Obligation Bonds were issued for a net present value savings of \$0.3 million. Cash and cash equivalents decreased by \$12.7 million from the prior year primarily due to bond principal and interest payments totaling \$11.1 million and other capital expenditures. Capital assets, net of depreciation increased \$17.9 million, with \$20.3 million in current year capital outlays on the following capital projects: additional high school classrooms, a new operations building, a new middle school, high school café and science room renovations, and planning costs related to athletic fields, stadium and Central Junior High locker room renovations, and transportation facilities. Current liabilities increased by \$5.7 million primarily due to timing differences of operating expense payments compared to the prior year.

Restricted net assets of \$10.0 million are restricted for capital projects' expenditures. Unrestricted net assets in governmental activities total \$12.9 million, consisting of \$7.3 million of reserves for capital purchases/construction projects and general funds of \$5.6 million or 6.9% of the District's total 2009-10 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, 2009 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, 2008 and June 30, 2009. 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, 2008 and June 30, 2009 | | | | | | |
|--|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 1,249,606 | \$ 1,166,789 | \$ 3,034,456 | \$ 3,377,609 | \$ 4,284,062 | \$ 4,544,398 |
| Operating grants and contributions | 7,891,730 | 7,635,632 | 711,460 | 772,597 | 8,603,190 | 8,408,229 |
| Capital grants and contributions | 920,689 | 1,737,211 | - | - | 920,689 | 1,737,211 |
| General Revenues | | | | | | |
| Property taxes and other taxes levied for general purposes | 53,912,942 | 55,235,912 | - | - | 53,912,942 | 55,235,912 |
| State formula aid | 6,303,169 | 8,118,438 | - | - | 6,303,169 | 8,118,438 |
| Other | 4,088,639 | 3,004,994 | (137,442) | (160,897) | 3,951,197 | 2,844,097 |
| Total Revenues | 74,366,775 | 76,898,976 | 3,608,474 | 3,989,309 | 77,975,249 | 80,888,285 |
| Expenses | | | | | | |
| Instruction | 40,457,018 | 43,613,827 | - | - | 40,457,018 | 43,613,827 |
| Instructional student support | 7,462,305 | 7,697,300 | - | - | 7,462,305 | 7,697,300 |
| Administrative and financial support services | 5,197,289 | 5,537,740 | - | - | 5,197,289 | 5,537,740 |
| Operation and maintenance of plant services | 5,900,544 | 6,271,968 | - | - | 5,900,544 | 6,271,968 |
| Pupil transportation | 1,403,525 | 1,660,350 | - | - | 1,403,525 | 1,660,350 |
| Other | 6,788,051 | 6,813,503 | 3,708,405 | 3,780,782 | 10,496,456 | 10,594,285 |
| Total Expense | 67,208,732 | 71,594,688 | 3,708,405 | 3,780,782 | 70,917,137 | 75,375,470 |
| Increase (Decrease) in Net Assets | \$ 7,158,043 | \$ 5,304,288 | \$ (99,931) | \$ 208,527 | \$ 7,058,112 | \$ 5,512,815 |

Figure 5
Sources of Revenues for Fiscal Year 2009

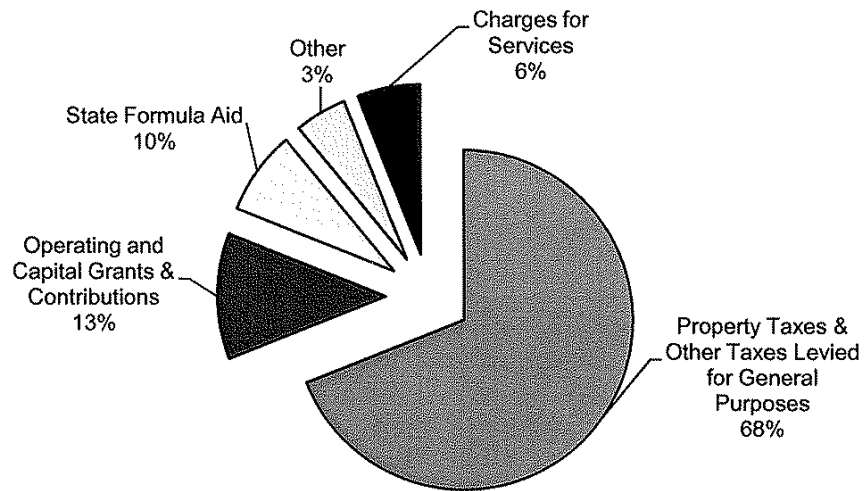
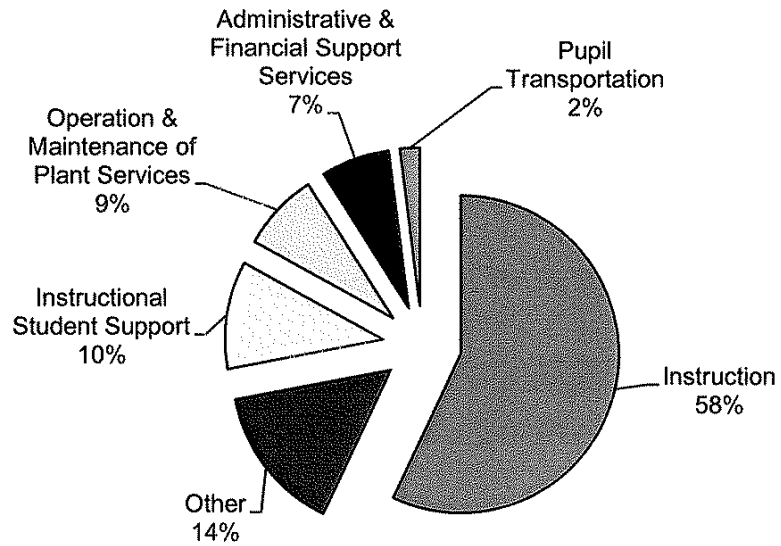


Figure 6
Expenses for Fiscal Year 2009



The District's sound financial position is the product of several factors. In governmental activities, growth of the tax base with a collection rate of about 98%, a 1.0 mill increase, investment earnings and increased state subsidies were significant contributors.

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). General revenue supports 86% of governmental activities' costs, and program revenue supports 14% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

| Fiscal Years Ended June 30, 2008 and June 30, 2009 | | | | |
|--|---------------------------|----------------------|-------------------------|----------------------|
| | Total Cost of Services | | Net Cost of Services | |
| | 2008 | 2009 | 2008 | 2009 |
| Instruction | \$ 40,457,018 | \$ 43,613,827 | \$ 33,520,799 | \$ 36,985,475 |
| Instructional Student Support | 7,462,305 | 7,697,300 | 6,731,802 | 6,982,563 |
| Administrative and Financial Support Services | 5,197,289 | 5,537,740 | 4,992,259 | 5,349,933 |
| Operation and Maintenance of Plant Services | 5,900,544 | 6,271,968 | 5,737,979 | 6,146,881 |
| Pupil Transportation | 1,403,525 | 1,660,350 | 696,979 | 933,662 |
| Other | 6,788,051 | 6,813,503 | 5,466,889 | 4,656,542 |
| Total | \$ 67,208,732 | \$ 71,594,688 | \$ 57,146,707 | \$ 61,055,056 |

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, 2009. The current year net income from services of \$0.4 million is attributable to a 10.8% increase in charges for services and state and federal grants over the prior year as a result of expanded programs and rate increases, net of a 2.0% increase in operating costs over the prior year.

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

| Fiscal Years Ended June 30, 2008 and June 30, 2009 | | | | |
|--|---------------------------|---------------------|----------------------------------|---------------------|
| | Total Cost of Services | | Net Cost (Income) of Services | |
| | 2008 | 2009 | 2008 | 2009 |
| Food Services | \$ 2,514,044 | \$ 2,524,733 | \$ 146,538 | \$ (45,029) |
| Child Care | 1,194,361 | 1,256,049 | (184,049) | (324,395) |
| Total | \$ 3,708,405 | \$ 3,780,782 | \$ (37,511) | \$ (369,424) |

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, 2009. Governmental funds' revenues totaled \$76.6 million, expenditures totaled \$95.3 million, and other financing sources totaled \$.4 million. The District's governmental funds reported combined fund balances of \$40.5 million which is a decrease of \$18.4 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, 2008 and June 30, 2009.

Figure 9
Fund Balances

For Fiscal Years Ended June 30, 2008 and June 30, 2009

| | Fund Balance | | Increase (Decrease) |
|-----------------------|----------------------|----------------------|--------------------------------|
| | 2008 | 2009 | |
| General Fund | \$ 5,425,645 | \$ 5,425,645 | \$ - |
| Capital Reserve Fund | 10,893,381 | 7,311,464 | (3,581,917) |
| Capital Projects Fund | 42,441,621 | 27,673,638 | (14,767,983) |
| Debt Service Fund | - | 336 | 336 |
| Non-Major Fund | 99,366 | 94,195 | (5,171) |
| Total | \$ 58,860,013 | \$ 40,505,278 | \$ (18,354,735) |

The Board authorized the transfer of the general fund excess of revenues over expenditures of \$954,471 for the year ended June 30, 2009 to be transferred to the capital reserve fund for use in future capital purchases and future building projects. Therefore, there was no change in the general fund balance from the prior year.

The capital reserve fund net decrease was due primarily to the \$4.8 million of capital outlays related to the new operations building and other capital expenditures, net of \$.2 million of investment earnings and \$1.0 million transferred from the general fund.

The capital projects fund had a \$14.8 million net decrease, primarily due to \$16.6 million of capital outlays and related capital project expenditures, net of \$1.8 million of investment earnings.

The debt service fund increase resulted from the excess of refunding bond proceeds over related bond issuance 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, 2009.

Capital Asset and Debt Administration

Capital Assets

In total, net capital assets increased \$17.9 million due to ongoing construction projects. Total depreciation expense for the year was \$3.4 million, which is a 3% increase over the prior year. The major projects reflected in the construction-in-progress account are the new operations building, the new middle school, high school café and science room renovations and costs associated with planning for the stadium locker room and Central Junior high locker replacement projects.

Figure 10
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2008 and June 30, 2009

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|----------------------------|-----------------------|-----------------------------|-------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Land | \$ 6,633,400 | \$ 7,065,285 | \$ - | \$ - | \$ 6,633,400 | \$ 7,065,285 |
| Land Improvements | 505,576 | 962,768 | - | - | 505,576 | 962,768 |
| Building and Building Improvements | 110,607,732 | 110,197,513 | - | - | 110,607,732 | 110,197,513 |
| Machinery and Equipment | 2,523,105 | 2,353,133 | 332,715 | 268,024 | 2,855,820 | 2,621,157 |
| Vehicles | 942,160 | 1,142,760 | - | - | 942,160 | 1,142,760 |
| Construction-in-Progress | 7,353,462 | 24,792,242 | - | - | 7,353,462 | 24,792,242 |
| Total | \$ 128,565,435 | \$ 146,513,701 | \$ 332,715 | \$ 268,024 | \$ 128,898,150 | \$ 146,781,725 |

Long-term Debt

During the fiscal year ended June 30, 2009, the District refunded \$10.0 million of the Series 2004 General Obligation Bonds by issuing Series of 2009 General Obligation Bonds of \$10.2 million. Bond principal payments for the year totaled \$6.4 million. The increase in the long-term portion for compensated absences is attributed to fewer retirements and staffing changes during the year.

Figure 11
Outstanding Long-Term Debt

For Fiscal Years Ended June 30, 2008 and June 30, 2009

| | Total | | Change |
|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | |
| General Obligation Bonds | \$ 116,085,000 | \$ 109,955,000 | \$ (6,130,000) |
| Compensated Absences | 984,248 | 1,061,966 | 77,718 |
| Total | \$ 117,069,248 | \$ 111,016,966 | \$ (6,052,282) |

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 tax cap of 4.1% and 2.9% for fiscal years 2009-10 and 2010-11, respectively. The District's 2009-10 millage of 20.75 included exceptions of .4 mills approved by the Pennsylvania Department of Education. The District's 2010-11 millage cannot be increased beyond the 2.9% increase or 21.35 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 17, 2010.
- 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 2009-10 were 9,584. Approximately 4% of eligible District real estate taxpayers elected the installment method for the 2009-10 fiscal year.
- 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 2009 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 \$1,366,099 as well as \$19,801 of Philadelphia tax credit reimbursement funds totaling \$1,385,826 paid to the District by the Pennsylvania Department of Education.
- Construction of a new middle school is ongoing, with a projected building opening in August 2010. Contractual commitments related to the new middle school, new operations building, high school café and science rooms, stadium locker room and Central Junior High locker replacement projects total approximately \$36 million. Upon the completion of the middle school, the District plans to renovate the high school campus and create additional space by connecting the current high school building with the Central Junior High building.
- The School Board plans to issue General Obligation Bonds in the Spring of 2010 for an amount yet to be determined, but at a minimum, at a level to satisfy ongoing capital project commitments. In order to have a minimal budget impact in any one given year, the Board began a five-year phase-in of the related millage required to fund these bonds beginning with the 2007-08 fiscal year budget and incorporated through the 2011-12 fiscal year budget.

- In anticipation of the opening of the new middle school in 2010, the District plans to reconfigure the grade levels serviced in the District's various buildings. All elementary buildings will provide all-day kindergarten and serve primary grade levels through the fifth grade. The new middle school and the current Southern Junior High School will 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, 2010. Negotiations are anticipated to begin in January 2010.
- The required District contribution to the Pennsylvania School Employees Retirement System increased to 4.78% for 2009-10, with significant rate increases projected in future years.
- The increasing cost of health insurance will continue to impact the District's finances. In an effort to reduce this cost in fiscal year 2009-10, the District entered into an agreement with Teachers Protective Mutual Life Insurance Company to administer the Health Care Expense Reduced Outlay (HERO) program, enabling the District to restructure Capital Blue Cross deductibles, which effectively resulted in savings to the District of approximately \$0.3 million. The multi-year contract with Capital Blue Cross expires on June 30, 2010 and renewal rates are currently being sought.
- Fuel and energy cost increases will affect not only transportation and maintenance expenditures, but also the cost of construction. In an effort to mitigate the negative effect of the electricity rate deregulation effective January 2010, the District has joined an electricity purchasing consortium.
- 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.

Contacting the District's Financial Management

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

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WILSON SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|--|------------------------------------|--|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Investments | \$ 50,860,336 | \$ 918,473 | \$ 51,778,809 |
| Taxes Receivable, Net | 1,978,388 | - | 1,978,388 |
| Internal Balances | 10,331 | (10,331) | - |
| Intergovernmental Receivables | 1,409,092 | 88,179 | 1,497,271 |
| Other Receivables, Net | 13,787 | 30,862 | 44,649 |
| Inventories | - | 47,924 | 47,924 |
| TOTAL CURRENT ASSETS | 54,271,934 | 1,075,107 | 55,347,041 |
| CAPITAL ASSETS | | | |
| Land | 7,065,285 | - | 7,065,285 |
| Site Improvements, Net of Depreciation | 962,768 | - | 962,768 |
| Building and Building Improvements, Net of Depreciation | 110,197,513 | - | 110,197,513 |
| Machinery and Equipment, Net of Depreciation | 2,353,133 | 268,024 | 2,621,157 |
| Vehicles, Net of Depreciation | 1,142,760 | - | 1,142,760 |
| Construction in Progress | 24,792,242 | - | 24,792,242 |
| TOTAL CAPITAL ASSETS | 146,513,701 | 268,024 | 146,781,725 |
| OTHER - Unamortized Bond Issuance Costs | 1,120,525 | - | 1,120,525 |
| TOTAL ASSETS | \$ 201,906,160 | \$ 1,343,131 | \$ 203,249,291 |

See accompanying notes

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|-----------------------|
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Intergovernmental Payables | \$ 382,294 | \$ - | \$ 382,294 |
| Accounts Payable | 6,505,919 | 22,102 | 6,528,021 |
| Accrued Salaries and Benefits | 5,886,167 | 72,919 | 5,959,086 |
| Accrued Interest | 492,039 | - | 492,039 |
| Deferred Revenues | 169,011 | 54,994 | 224,005 |
| Current Portion of Compensated Absences | 70,830 | - | 70,830 |
| Current Portion of Bonds Payable | 6,555,000 | - | 6,555,000 |
| TOTAL CURRENT LIABILITIES | 20,061,260 | 150,015 | 20,211,275 |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable | 103,400,000 | - | 103,400,000 |
| Bond Discount, Net of Amortization | (57,629) | - | (57,629) |
| Bond Premium, Net of Amortization | 3,252,928 | - | 3,252,928 |
| Unamortized Bond Interest | (1,365,097) | - | (1,365,097) |
| Deferred Refunding Loss, Net of Amortization | (738,275) | - | (738,275) |
| Post Employment Benefits | 347,593 | 8,797 | 356,390 |
| Long-Term Portion of Compensated Absences | 920,306 | - | 920,306 |
| TOTAL NONCURRENT LIABILITIES | 105,759,826 | 8,797 | 105,768,623 |
| TOTAL LIABILITIES | 125,821,086 | 158,812 | 125,979,898 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 53,109,115 | 268,024 | 53,377,139 |
| Restricted for Capital Projects | 10,031,297 | - | 10,031,297 |
| Unrestricted | 12,944,662 | 916,295 | 13,860,957 |
| TOTAL NET ASSETS | 76,085,074 | 1,184,319 | 77,269,393 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 201,906,160 | \$ 1,343,131 | \$ 203,249,291 |

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenue | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 33,523,909 | \$ 197,605 | \$ 2,376,291 | \$ - |
| Special | 7,734,688 | 541,068 | 3,358,302 | - |
| Vocational | 2,139,991 | - | 49,477 | - |
| Other Instructional Programs | 215,239 | 37,870 | 67,739 | - |
| Total Instructional Services | 43,613,827 | 776,543 | 5,851,809 | - |
| Support Services: | | | | |
| Pupil Personnel | 2,496,840 | - | 203,281 | - |
| Instructional Staff | 4,381,425 | - | 370,755 | - |
| Administration | 4,672,216 | - | 158,741 | - |
| Pupil Health | 593,241 | - | 140,701 | - |
| Business Services | 771,190 | - | 29,066 | - |
| Operation of Plant and Maintenance Services | 6,271,968 | 6,590 | 118,497 | - |
| Student Transportation Services | 1,660,350 | 26,508 | 700,180 | - |
| Central | 94,334 | - | - | - |
| Other Support Services | 225,794 | - | - | - |
| Total Support Services | 21,167,358 | 33,098 | 1,721,221 | - |
| Noninstructional Services: | | | | |
| Student Activities | 1,801,367 | 309,590 | 60,366 | - |
| Community Services | 55,244 | 47,558 | 2,236 | - |
| Interest on Long-Term Debt | 4,956,892 | - | - | 1,737,211 |
| Total Noninstructional Services | 6,813,503 | 357,148 | 62,602 | 1,737,211 |
| Total Governmental Activities | 71,594,688 | 1,166,789 | 7,635,632 | 1,737,211 |
| Business-Type Activities: | | | | |
| Food Services | 2,524,733 | 1,868,437 | 701,325 | - |
| Child Care | 1,256,049 | 1,509,172 | 71,272 | - |
| Total Business-Type Activities | 3,780,782 | 3,377,609 | 772,597 | - |
| Total Primary Government | \$ 75,375,470 | \$ 4,544,398 | \$ 8,408,229 | \$ 1,737,211 |
| 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 | | | | |
| Miscellaneous Income | | | | |
| Transfers | | | | |
| 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 |
| \$ (30,950,013) | \$ - | \$ (30,950,013) |
| (3,835,318) | - | (3,835,318) |
| (2,090,514) | - | (2,090,514) |
| (109,630) | - | (109,630) |
| (36,985,475) | - | (36,985,475) |
| (2,293,559) | - | (2,293,559) |
| (4,010,670) | - | (4,010,670) |
| (4,513,475) | - | (4,513,475) |
| (452,540) | - | (452,540) |
| (742,124) | - | (742,124) |
| (6,146,881) | - | (6,146,881) |
| (933,662) | - | (933,662) |
| (94,334) | - | (94,334) |
| (225,794) | - | (225,794) |
| (19,413,039) | - | (19,413,039) |
| (1,431,411) | - | (1,431,411) |
| (5,450) | - | (5,450) |
| (3,219,681) | - | (3,219,681) |
| (4,656,542) | - | (4,656,542) |
| (61,055,056) | - | (61,055,056) |
| - | 45,029 | 45,029 |
| - | 324,395 | 324,395 |
| - | 369,424 | 369,424 |
| (61,055,056) | 369,424 | (60,685,632) |
| 47,431,249 | - | 47,431,249 |
| 7,804,663 | - | 7,804,663 |
| 8,118,438 | - | 8,118,438 |
| 2,806,813 | 6,742 | 2,813,555 |
| 24,581 | 5,961 | 30,542 |
| 173,600 | (173,600) | - |
| 66,359,344 | (160,897) | 66,198,447 |
| 5,304,288 | 208,527 | 5,512,815 |
| 70,780,786 | 975,792 | 71,756,578 |
| \$ 76,085,074 | \$ 1,184,319 | \$ 77,269,393 |

WILSON SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2009

| | <u>General</u> | <u>Capital Reserve</u> |
|--|----------------------|----------------------------|
| ASSETS | | |
| Cash and Investments | \$ 11,934,595 | \$ 6,514,408 |
| Taxes Receivable, Net | 1,988,967 | - |
| Interfund Receivables | 18,303 | 954,471 |
| Intergovernmental Receivables | 1,409,092 | - |
| Other Receivables, Net | 13,787 | - |
| TOTAL ASSETS | <u>\$ 15,364,744</u> | <u>\$ 7,468,879</u> |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Interfund Payable | \$ 958,708 | \$ - |
| Accounts Payable | 1,709,075 | 157,415 |
| Intergovernmental Payables | 382,294 | - |
| Accrued Salaries and Benefits | 5,886,167 | - |
| Deferred Revenues | 1,002,855 | - |
| TOTAL LIABILITIES | 9,939,099 | 157,415 |
| FUND BALANCES | | |
| Reserve for Capital Projects | - | - |
| Unreserved/Undesignated Fund Balances. | | |
| General Fund | 5,425,645 | - |
| Capital Reserve Fund | - | 7,311,464 |
| Debt Service Fund | - | - |
| Athletic Fund | - | - |
| TOTAL FUND BALANCES | <u>5,425,645</u> | <u>7,311,464</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 15,364,744</u> | <u>\$ 7,468,879</u> |

See accompanying notes

| Capital Projects | Debt Service Fund | Nonmajor Fund (Athletic Fund) | Total Governmental Funds |
|----------------------|----------------------|-------------------------------------|--------------------------------|
| \$ 32,312,255 | \$ 336 | \$ 98,742 | \$ 50,860,336 |
| - | - | - | 1,988,967 |
| - | - | - | 972,774 |
| - | - | - | 1,409,092 |
| - | - | - | 13,787 |
| <u>\$ 32,312,255</u> | <u>\$ 336</u> | <u>\$ 98,742</u> | <u>\$ 55,244,956</u> |
| | | | |
| \$ - | \$ - | \$ 3,735 | \$ 962,443 |
| 4,638,617 | - | 812 | 6,505,919 |
| - | - | - | 382,294 |
| - | - | - | 5,886,167 |
| - | - | - | 1,002,855 |
| 4,638,617 | - | 4,547 | 14,739,678 |
| 27,673,638 | - | - | 27,673,638 |
| - | - | - | 5,425,645 |
| - | - | - | 7,311,464 |
| - | 336 | - | 336 |
| - | - | 94,195 | 94,195 |
| <u>27,673,638</u> | <u>336</u> | <u>94,195</u> | <u>40,505,278</u> |
| <u>\$ 32,312,255</u> | <u>\$ 336</u> | <u>\$ 98,742</u> | <u>\$ 55,244,956</u> |

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WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 40,505,278**

**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 \$188,957,688 and the accumulated depreciation is \$42,443,987 146,513,701

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 833,844

Establish allowance for doubtful accounts - property taxes receivable (10,579)

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 | \$ (109,955,000) | |
| Accrued Interest on Bonds | (492,039) | |
| Unamortized Capitalized Bond Interest | 1,365,097 | |
| Unamortized Bond Premium | (3,252,928) | |
| Unamortized Bond Issuance Costs | 1,120,525 | |
| Unamortized Deferred Refunding Loss | 738,275 | |
| Unamortized Bond Discount | 57,629 | |
| Compensated Absences | (991,136) | |
| Post Employment Benefits | (347,593) | (111,757,170) |

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 76,085,074**

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

| | <u>General</u> | <u>Capital Reserve</u> |
|--|---------------------|----------------------------|
| REVENUES | | |
| Local Sources | \$ 58,001,861 | \$ 249,312 |
| State Sources | 15,360,922 | - |
| Federal Sources | 968,261 | - |
| TOTAL REVENUES | <u>74,331,044</u> | <u>249,312</u> |
| EXPENDITURES | | |
| Instructional Services | 40,578,758 | - |
| Support Services | 20,201,430 | 811,261 |
| Operation of Noninstructional Services | 1,592,284 | 19,247 |
| Capital Outlay | - | 3,955,192 |
| Debt Service | | |
| Principal | - | - |
| Interest | - | - |
| Refund of Prior Years Revenues | 127,316 | - |
| TOTAL EXPENDITURES | <u>62,499,788</u> | <u>4,785,700</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>11,831,256</u> | <u>(4,536,388)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds from Refunding Bonds | - | - |
| Payments to Escrow Agent - Refunding Bonds | - | - |
| Bond Discount | - | - |
| Sale of Fixed Assets | 1,225 | - |
| Operating Transfers In | 186,623 | 954,471 |
| Operating Transfers Out | (12,019,104) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(11,831,256)</u> | <u>954,471</u> |
| NET CHANGE IN FUND BALANCES | <u>-</u> | <u>(3,581,917)</u> |
| FUND BALANCES - BEGINNING | <u>5,425,645</u> | <u>10,893,381</u> |
| FUND BALANCES - ENDING | <u>\$ 5,425,645</u> | <u>\$ 7,311,464</u> |

See accompanying notes

| Capital Projects | Debt Service Fund | Nonmajor Fund (Athletic Fund) | Total Governmental Funds |
|----------------------|----------------------|-------------------------------------|--------------------------------|
| \$ 1,787,312 | \$ - | \$ 249,456 | \$ 60,287,941 |
| - | - | - | 15,360,922 |
| - | - | - | 968,261 |
| 1,787,312 | - | 249,456 | 76,617,124 |
| 52,234 | - | - | 40,630,992 |
| 198,218 | 180,295 | - | 21,391,204 |
| - | - | 254,627 | 1,866,158 |
| 16,304,843 | - | - | 20,260,035 |
| - | 6,350,000 | - | 6,350,000 |
| - | 4,714,633 | - | 4,714,633 |
| - | - | - | 127,316 |
| 16,555,295 | 11,244,928 | 254,627 | 95,340,338 |
| (14,767,983) | (11,244,928) | (5,171) | (18,723,214) |
| - | 10,190,000 | - | 10,190,000 |
| - | (9,970,000) | - | (9,970,000) |
| - | (39,369) | - | (39,369) |
| - | - | - | 1,225 |
| - | 11,064,633 | - | 12,205,727 |
| - | - | - | (12,019,104) |
| - | 11,245,264 | - | 368,479 |
| (14,767,983) | 336 | (5,171) | (18,354,735) |
| 42,441,621 | - | 99,366 | 58,860,013 |
| <u>\$ 27,673,638</u> | <u>\$ 336</u> | <u>\$ 94,195</u> | <u>\$ 40,505,278</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, 2009

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (18,354,735)**

**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 | \$ 21,372,084 | |
| Less: Depreciation Expense | <u>(3,423,819)</u> | 17,948,265 |

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 235,568

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 | 6,350,000 | |
| Issuance of Refunding Bonds | (10,190,000) | |
| Payments to Escrow Agent - Refunding Bonds | 9,970,000 | |
| Bond Issue Costs - New Issue | 180,295 | |
| Bond Discount - New Issue | 39,369 | |
| Amortization of Bond Premium | 293,334 | |
| Amortization of Bond Discount | (559,769) | |
| Amortization of Deferred Refunding Loss | (87,679) | |
| Amortization of Bond Issuance Costs | <u>(115,917)</u> | 5,879,633 |

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, 2009

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.

24,176

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.

(81,026)

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.

(347,593)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 5,304,288

WILSON SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS

June 30, 2009

| | Enterprise Fund Food Service | Nonmajor Fund (Child Care) | Totals |
|---|---------------------------------|-------------------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 424,643 | \$ 493,830 | \$ 918,473 |
| Intergovernmental Receivables | 79,516 | 8,663 | 88,179 |
| Other Receivables, Net | 5,622 | 25,240 | 30,862 |
| Inventories | 47,924 | - | 47,924 |
| TOTAL CURRENT ASSETS | 557,705 | 527,733 | 1,085,438 |
| NONCURRENT ASSETS | | | |
| Machinery and Equipment, Net | 235,331 | 32,693 | 268,024 |
| TOTAL ASSETS | <u>\$ 793,036</u> | <u>\$ 560,426</u> | <u>\$ 1,353,462</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Interfund Payable | \$ (16,421) | \$ 26,752 | \$ 10,331 |
| Accounts Payable | 20,337 | 1,765 | 22,102 |
| Accrued Salaries and Benefits | 11,290 | 61,629 | 72,919 |
| Deferred Revenues | 54,994 | - | 54,994 |
| TOTAL CURRENT LIABILITIES | 70,200 | 90,146 | 160,346 |
| NONCURRENT LIABILITIES | | | |
| Post Employment Benefits | 15,132 | (6,335) | 8,797 |
| TOTAL LIABILITIES | 85,332 | 83,811 | 169,143 |
| NET ASSETS | | | |
| Invested in Capital Assets | 235,331 | 32,693 | 268,024 |
| Unrestricted | 472,373 | 443,922 | 916,295 |
| TOTAL NET ASSETS | 707,704 | 476,615 | 1,184,319 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 793,036</u> | <u>\$ 560,426</u> | <u>\$ 1,353,462</u> |

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

| | Enterprise Fund Food Service | Nonmajor Fund (Child Care) | Totals |
|---|---------------------------------|-------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Food Service Revenue | \$ 1,868,437 | \$ - | \$ 1,868,437 |
| Tuition and Fee Revenue | - | 1,509,172 | 1,509,172 |
| TOTAL OPERATING REVENUES | 1,868,437 | 1,509,172 | 3,377,609 |
| OPERATING EXPENSES | | | |
| Salaries | 890,920 | 906,702 | 1,797,622 |
| Employee Benefits | 246,533 | 137,504 | 384,037 |
| Supplies and Other Operating Expenses | 1,328,352 | 206,078 | 1,534,430 |
| Depreciation | 58,928 | 5,765 | 64,693 |
| TOTAL OPERATING EXPENSES | 2,524,733 | 1,256,049 | 3,780,782 |
| OPERATING INCOME (LOSS) | (656,296) | 253,123 | (403,173) |
| NONOPERATING REVENUES | | | |
| Local Sources | 10,758 | 1,945 | 12,703 |
| State Sources | 128,540 | 71,272 | 199,812 |
| Federal Sources | 572,785 | - | 572,785 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 712,083 | 73,217 | 785,300 |
| INCOME BEFORE OPERATING TRANSFERS | 55,787 | 326,340 | 382,127 |
| OPERATING TRANSFERS OUT | (60,000) | (113,600) | (173,600) |
| CHANGE IN NET ASSETS | (4,213) | 212,740 | 208,527 |
| TOTAL NET ASSETS - BEGINNING | 711,917 | 263,875 | 975,792 |
| TOTAL NET ASSETS - ENDING | \$ 707,704 | \$ 476,615 | \$ 1,184,319 |

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2009

| | Enterprise Fund Food Service | Nonmajor Fund (Child Care) | Totals |
|--|------------------------------------|----------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Users | \$ 1,866,737 | \$ 1,487,484 | \$ 3,354,221 |
| Cash Payments to Employees for Services | (1,119,533) | (1,037,291) | (2,156,824) |
| Cash Payments for Supplies and Other Operating Expenses | (1,189,355) | (208,041) | (1,397,396) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (442,151) | 242,152 | (199,999) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Local Sources | 5,961 | - | 5,961 |
| State Sources | 128,042 | 71,012 | 199,054 |
| Federal Sources | 451,978 | - | 451,978 |
| Operating Transfers Out | (60,000) | (113,600) | (173,600) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | 525,981 | (42,588) | 483,393 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Earnings on Investments | 4,797 | 1,945 | 6,742 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 88,627 | 201,509 | 290,136 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 336,016 | 292,321 | 628,337 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 424,643 | \$ 493,830 | \$ 918,473 |

WILSON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2009

| | Enterprise Fund Food Service | Nonmajor Fund (Child Care) | Totals |
|---|------------------------------------|----------------------------------|----------------------------|
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:</u> | | | |
| Operating Income (Loss) | \$ (656,296) | \$ 253,123 | \$ (403,173) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash From Net Operating Activities: | | | |
| Depreciation | 58,928 | 5,765 | 64,693 |
| Donated Commodities Used | 109,261 | - | 109,261 |
| Changes in Assets and Liabilities: | | | |
| Intergovernmental and Other Receivables | (350) | (21,687) | (22,037) |
| Inventories | 5,349 | - | 5,349 |
| Interfund Balances | (4,684) | (3,611) | (8,295) |
| Accounts Payable | 11,430 | 1,646 | 13,076 |
| Accrued Salaries and Benefits | 7,472 | 13,251 | 20,723 |
| Deferred Revenues | 11,607 | - | 11,607 |
| Post Employment Benefits | 15,132 | (6,335) | 8,797 |
| Total Adjustments | 214,145 | (10,971) | 203,174 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (442,151)</u> | <u>\$ 242,152</u> | <u>\$ (199,999)</u> |

Noncash, Noncapital Financing Activities:

During the year the District used \$109,261 of food commodities from the Department of Agriculture.

WILSON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

June 30, 2009

| | Expendable Trust Funds Scholarship | Agency Funds Student Activities |
|--------------------------------|---|--|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Investments | \$ 18,048 | \$ 158,942 |
| | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u> \$ 18,048 </u> | <u> \$ 158,942 </u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Other Current Liabilities | \$ - | \$ 158,942 |
| | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u> \$ - </u> | <u> \$ 158,942 </u> |
| NET ASSETS | | |
| Held in Trust for Scholarships | <u> \$ 18,048 </u> | |

WILSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2009

| | <u>Expendable Trust Funds Scholarship</u> |
|---------------------------------------|---|
| ADDITIONS | |
| Contributions | \$ 20,000 |
| Earnings on Investments | <u>302</u> |
| TOTAL ADDITIONS | 20,302 |
| DEDUCTIONS | |
| Scholarships | <u>27,000</u> |
| CHANGE IN NET ASSETS | (6,698) |
| NET ASSETS - BEGINNING OF YEAR | <u>24,746</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 18,048</u></u> |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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, 2009

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, 2009

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, 2009

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 major and accounts for all revenues, food purchases, and costs and expenses for the food service program.

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

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

Measurement Focus and Basis of Accounting

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

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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

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

Receivables/Payables

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of 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, 2009, consist of the following:

| | |
|---------------------|------------------|
| Purchased food | \$ 18,103 |
| Supplies | 9,731 |
| Donated commodities | <u>20,090</u> |
| | <u>\$ 47,924</u> |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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, 2009

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, 2009, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2009 the carrying amount of the District's deposits was \$2,170,617 and the bank balance was \$2,183,226. Of the bank balance, \$560,624 was covered by federal depository insurance, and \$1,622,602 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, 2009

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, 2009, the District had the following investments:

| | <u>Fair Value</u> |
|---|---------------------|
| PA Invest | \$ 378,477 |
| Pennsylvania School District Liquid Asset Fund (PSDLAF) | <u>49,730,524</u> |
| Total Investments and Pooled Cash | 50,109,001 |
| Less Pooled Cash | <u>(50,109,001)</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, 2009

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, 2009, 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 \$19.55 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, 2009

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

The balances at June 30, 2009 are as follows:

| | Gross Taxes Receivable | Allowance Uncollectible Taxes | Net Estimated to be Collectible | Tax Revenue Recognized | Deferred Taxes |
|--------------------------|------------------------------|-------------------------------------|--|------------------------------|-------------------|
| Real estate/Interims | \$ 1,057,878 | \$ 10,579 | \$ 1,047,299 | \$ 213,455 | \$ 833,844 |
| Per capita | 3,740 | - | 3,740 | 3,740 | - |
| Mercantile/Bus Privilege | 766,561 | - | 766,561 | 766,561 | - |
| LST | 63,329 | - | 63,329 | 63,329 | - |
| Transfer tax | 97,459 | - | 97,459 | 97,459 | - |
| | <u>\$ 1,988,967</u> | <u>\$ 10,579</u> | <u>\$ 1,978,388</u> | <u>\$ 1,144,544</u> | <u>\$ 833,844</u> |

The deferred revenue balance in the General Fund of \$1,002,855 consists of deferred real estate taxes of \$833,844, deferred revenue from summer school tuition of \$46,018, deferred revenue from camps and clinics of \$12,320 and deferred revenue from sponsorships of \$110,673.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES / PAYABLES

The following schedule represents net intergovernmental receivables at June 30, 2009:

| Name of Government Unit | General Fund | Proprietary | |
|--|---------------------|------------------|-----------------|
| | | Food Service | Child Care |
| Commonwealth of PA - Retirement | \$ 331,995 | \$ - | \$ 2,091 |
| Commonwealth of PA - Social Security | 184,839 | - | 1,190 |
| Commonwealth of PA - Project 720 | 12,382 | - | - |
| Commonwealth of PA - Rental Subsidy | 86,285 | - | - |
| Commonwealth of PA - National School Lunch | - | 11,237 | - |
| Federal Subsidies - Title I | 2,103 | - | - |
| Federal Subsidies - Title II | 27,243 | - | - |
| Federal Subsidies - Title III | 19,741 | - | - |
| Federal Subsidies - Title I AA | 8,000 | - | - |
| Federal Subsidies - IDEA | 543,679 | - | - |
| Federal Subsidies - Access | 109,337 | - | - |
| Federal Subsidies - National School Lunch | - | 68,278 | - |
| School District of Philadelphia | 26,989 | - | - |
| Township of Spring | 23,591 | - | - |
| Wyomissing School District | 15,571 | - | - |
| Downingtown Area School District | 8,119 | - | - |
| Army JROTC | 4,810 | - | - |
| Lower Heidelberg Township | 2,917 | - | - |
| Berks County Intermediate Unit | 1,491 | - | 5,383 |
| | <u>\$ 1,409,092</u> | <u>\$ 79,515</u> | <u>\$ 8,664</u> |

The following schedule represents intergovernmental payables at June 30, 2009.

| Name of Government Unit | General Fund |
|--------------------------------------|-------------------|
| Township of Spring | \$ 186,746 |
| Borough of Wyomissing | 146,202 |
| Borough of Sinking Spring | 26,762 |
| Lower Heidelberg Township | 22,159 |
| Commonwealth of PA - Dual Enrollment | 425 |
| | <u>\$ 382,294</u> |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,633,400 | \$ 431,885 | \$ - | \$ 7,065,285 |
| Construction in progress | 7,353,462 | 20,260,035 | (2,821,255) | 24,792,242 |
| Capital assets being depreciated: | | | | |
| Land improvements | 3,624,215 | 656,174 | - | 4,280,389 |
| Buildings and building improvements | 143,474,358 | 2,149,691 | (18,870) | 145,605,179 |
| Machinery and equipment | 4,131,749 | 263,758 | (573,216) | 3,822,291 |
| Vehicles | 3,190,888 | 433,520 | (232,106) | 3,392,302 |
| Totals at historical cost | 154,421,210 | 3,503,143 | (824,192) | 157,100,161 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 3,118,639 | 198,982 | - | 3,317,621 |
| Buildings and building improvements | 32,866,626 | 2,559,910 | (18,870) | 35,407,666 |
| Machinery and equipment | 1,608,644 | 433,730 | (573,216) | 1,469,158 |
| Vehicles | 2,248,728 | 231,197 | (230,383) | 2,249,542 |
| Total accumulated depreciation | 39,842,637 | 3,423,819 | (822,469) | 42,443,987 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET | <u>114,578,573</u> | <u>79,324</u> | <u>(1,723)</u> | <u>114,656,174</u> |
| GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET | <u>\$ 128,565,435</u> | <u>\$ 20,771,244</u> | <u>\$ (2,822,978)</u> | <u>\$ 146,513,701</u> |

Business-Type Activities

| | | | | |
|---|-------------------|--------------------|-----------------|-------------------|
| Capital assets being depreciated: | | | | |
| Equipment | \$ 1,035,832 | \$ - | \$ (17,343) | \$ 1,018,489 |
| Accumulated depreciation for: | | | | |
| Equipment | <u>703,115</u> | <u>64,693</u> | <u>(17,343)</u> | <u>750,465</u> |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 332,717</u> | <u>\$ (64,693)</u> | <u>\$ -</u> | <u>\$ 268,024</u> |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

| | |
|---------------------------|--------------|
| Instruction, Regular | \$ 2,607,545 |
| Instruction, Special | 454 |
| Support Services | 810,567 |
| Noninstructional Services | <u>5,253</u> |

| | |
|---|----------------------------|
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | <u>\$ 3,423,819</u> |
|---|----------------------------|

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities except for compensated absences:

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

\$ 10,190,000

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.

9,985,000

General Obligation Bond - Series of 2007:

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

33,500,000

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

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.

20,070,000

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.

10,795,000

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.

14,955,000

General Obligation Bond - Series of 2002:

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

205,000

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.

10,255,000

\$ 109,955,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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 2009 | General Obligation Bonds, Series of 2008 | General Obligation Bonds, Series of 2007 | General Obligation Bonds, Series of 2005 |
|---|---|---|---|---|
| 2010 | \$ 5,000 | \$ 145,000 | \$ 5,000 | \$ 20,000 |
| 2011 | 125,000 | 170,000 | 5,000 | 5,000 |
| 2012 | 210,000 | 175,000 | 5,000 | 5,000 |
| 2013 | 210,000 | 180,000 | 100,000 | 130,000 |
| 2014 | 1,215,000 | 1,815,000 | 65,000 | 210,000 |
| 2015 - 2019 | 8,425,000 | 7,500,000 | 370,000 | 18,975,000 |
| 2020 - 2024 | - | - | 23,970,000 | 725,000 |
| 2025 - 2026 | - | - | 8,980,000 | - |
| Total | 10,190,000 | 9,985,000 | 33,500,000 | 20,070,000 |
| Less: Unamortized discount on Capital Appreciation Bonds | - | - | - | - |
| | <u>\$ 10,190,000</u> | <u>\$ 9,985,000</u> | <u>\$ 33,500,000</u> | <u>\$ 20,070,000</u> |

| General Obligation Bonds, Second Series of 2003 | General Obligation Bonds, Second Series of 2002 | General Obligation Bonds, Series of 2002 | General Obligation Bonds, Series of 1993 | Total General Long-Term Debt | Total Interest |
|--|--|---|---|---------------------------------------|----------------------|
| \$ 895,000 | \$ 2,000,000 | \$ 205,000 | \$ 3,280,000 | \$ 6,555,000 | \$ 4,233,468 |
| 925,000 | 2,075,000 | - | 3,500,000 | 6,805,000 | 4,109,701 |
| 960,000 | 2,185,000 | - | 3,475,000 | 7,015,000 | 3,984,298 |
| 1,000,000 | 5,520,000 | - | - | 7,140,000 | 3,834,898 |
| 1,040,000 | 3,175,000 | - | - | 7,520,000 | 3,484,609 |
| 5,975,000 | - | - | - | 41,245,000 | 13,879,605 |
| - | - | - | - | 24,695,000 | 6,371,462 |
| - | - | - | - | 8,980,000 | 641,550 |
| 10,795,000 | 14,955,000 | 205,000 | 10,255,000 | 109,955,000 | <u>\$ 40,539,591</u> |
| - | - | - | (1,365,098) | (1,365,098) | |
| <u>\$ 10,795,000</u> | <u>\$ 14,955,000</u> | <u>\$ 205,000</u> | <u>\$ 8,889,902</u> | <u>\$ 108,589,902</u> | |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2009 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|----------------------|-------------------|-------------------|--------------------|--------------------------------------|
| Governmental Activities | | | | | |
| General Obligation Debt | | | | | |
| Bonds and Notes Payable | \$ 116,085,000 | \$ 10,190,000 | \$ 16,320,000 | \$ 109,955,000 | \$ 6,550,000 |
| Other Liabilities: | | | | | |
| Compensated Absences | 984,248 | 231,864 | 154,146 | 1,061,966 | 70,830 |
| TOTAL GOVERNMENTAL LONG-TERM LIABILITIES | \$ 117,069,248 | \$ 10,421,864 | \$ 16,474,146 | \$ 111,016,966 | \$ 6,620,830 |

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, 2009 was \$4,714,633.

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, 2009, outstanding general obligation bonds of the District in the amount of \$8,890,000 were considered defeased with a related \$9,437,344 held in escrow funds.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

Plan Description.

The District contributes to a governmental cost-sharing multiple-employer defined pension plan administered by the Commonwealth of Pennsylvania Public School Employees Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code ("the Code") and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, PO Box 125, Harrisburg, PA 17108-0125. The 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, 2009

NOTE 7 - EMPLOYEE RETIREMENT PLAN - 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, 2009, the rate of employer contributions was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution, 4% of pension benefits and 0.76% for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2009, 2008 and 2007 were \$1,861,990, \$2,461,745 and \$1,991,664, respectively, which is equal to the required contribution.

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.

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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED

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, 2009, the District contributed \$369,230 (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.

| | |
|--|--------------------------|
| Annual required contribution | \$ 725,620 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB Cost | <u>725,620</u> |
| Contributions made (estimated) | <u>(369,230)</u> |
| Estimated increase in net OPEB obligation | 356,390 |
| Net OPEB obligation - beginning of year | <u>-</u> |
| Net OPEB obligation - end of year | <u><u>\$ 356,390</u></u> |

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - POST EMPLOYMENT BENEFITS - CONTINUED

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, 2009 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 | <u>\$ 725,620</u> | <u>50.9%</u> | <u>\$ 356,390</u> |

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.

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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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 \$290,020 has been made to the government wide statements.

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 has been made to the government wide statements (see Note 6), with an estimated current portion of \$70,830 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.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2009.

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|---------------------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 18,303 | \$ 958,708 |
| Capital Reserve | 954,471 | - |
| Nonmajor Governmental Fund - Athletic | - | 3,735 |
| Enterprise Fund - Food Service | 16,421 | - |
| Nonmajor Enterprise Fund - Child Care | - | 26,752 |
| | <u>\$ 989,195</u> | <u>\$ 989,195</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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows at June 30, 2009:

| | Operating Transfers In | Operating Transfers Out |
|---------------------------------------|------------------------------|-------------------------------|
| General Fund | \$ 186,623 | \$ 12,019,104 |
| Capital Reserve | 954,471 | - |
| Debt Service | 11,064,633 | - |
| Enterprise Fund - Food Service | - | 60,000 |
| Nonmajor Enterprise Fund - Child Care | - | 113,600 |
| Trust Fund - Activity Fund | - | 13,023 |
| | <u>\$ 12,205,727</u> | <u>\$ 12,205,727</u> |

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

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 2008/09 year was \$692,774.

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 2008/09 year was \$362,407.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 11 - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2008 (most recent available) is as follows:

| <u>Berks Career & Technology Center (Governmental Activities)</u> | |
|---|----------------------|
| Total Assets | \$ 36,699,860 |
| Total Liabilities | <u>(25,423,566)</u> |
| Total Net Assets | <u>\$ 11,276,294</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 2008/09 year

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.

WILSON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 14 - COMMITMENTS

At June 30, 2009, 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 | \$ 9,810,299 | \$ 242,265 |
| Operations Building | 3,339,437 | 194,831 |
| New Middle School | 47,777,557 | 33,505,205 |
| High School Café and Science Rooms | 1,226,191 | 845,379 |
| Stadium Locker Room & Central Junior High Locker Replacement | <u>89,490</u> | <u>32,023</u> |
| | <u>\$ 62,242,974</u> | <u>\$ 34,819,703</u> |

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

Subsequent to year end, additional contracts were entered into for the stadium locker room and Central Junior High Locker replacement project. Total commitments of these contracts totaled \$1,263,010.

NOTE 15 - NEW ACCOUNTING STANDARD

The Government Accounting Standards Board ("GASB") has issued 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 has not yet determined the impact of Statement No. 54 to its fund balances. The District is required to implement Statement No. 54 by the year ended June 30, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2009

| REVENUES AND OTHER FINANCING SOURCES | Budgeted Amount | |
|---|------------------------|-------------------|
| | Original | Final |
| REVENUES | | |
| Local Sources | \$ 58,489,763 | \$ 58,489,763 |
| State Sources | 15,850,587 | 15,850,587 |
| Federal Sources | 969,609 | 969,609 |
| TOTAL REVENUES | 75,309,959 | 75,309,959 |
| EXPENDITURES AND OTHER FINANCING USES | | |
| EXPENDITURES - INSTRUCTION | | |
| Regular Programs - Elementary/Secondary | 32,124,315 | 32,132,242 |
| Special Programs - Elementary/Secondary | 7,604,816 | 7,599,591 |
| Vocational Education Programs | 2,059,913 | 2,059,813 |
| Other Instructional Programs - Elementary/Secondary | 395,400 | 395,400 |
| TOTAL INSTRUCTION | 42,184,444 | 42,187,046 |
| SUPPORT SERVICES | | |
| Pupil Personnel | 2,492,565 | 2,504,515 |
| Instructional Staff | 4,521,958 | 4,520,508 |
| Administration | 4,528,009 | 4,525,156 |
| Pupil Health | 624,973 | 619,378 |
| Business | 851,979 | 852,854 |
| Operation and Maintenance of Plant Services | 6,492,389 | 6,489,039 |
| Student Transportation Services | 1,812,317 | 1,812,897 |
| Central | 88,771 | 88,571 |
| Other Support Services | 221,772 | 215,772 |
| TOTAL SUPPORT SERVICES | 21,634,733 | 21,628,690 |
| OPERATION OF NONINSTRUCTIONAL SERVICES | | |
| Student Activities | 1,591,027 | 1,594,468 |
| Community Services | 91,575 | 91,575 |
| TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES | 1,682,602 | 1,686,043 |
| Refund of Prior Year Revenues | 3,000 | 3,000 |
| TOTAL EXPENDITURES | 65,504,779 | 65,504,779 |
| EXCESS OF REVENUES OVER EXPENDITURES | 9,805,180 | 9,805,180 |

See notes to required supplementary information

| Actual (GAAP) Basis | Variances Final to Actual |
|------------------------|---------------------------------|
| \$ 58,001,861 | \$ (487,902) |
| 15,360,922 | (489,665) |
| 968,261 | (1,348) |
| 74,331,044 | (978,915) |
| 30,540,507 | 1,591,735 |
| 7,686,564 | (86,973) |
| 2,138,409 | (78,596) |
| 213,278 | 182,122 |
| 40,578,758 | 1,608,288 |
| 2,472,742 | 31,773 |
| 4,309,230 | 211,278 |
| 4,241,256 | 283,900 |
| 587,782 | 31,596 |
| 768,227 | 84,627 |
| 5,800,575 | 688,464 |
| 1,701,491 | 111,406 |
| 94,333 | (5,762) |
| 225,794 | (10,022) |
| 20,201,430 | 1,427,260 |
| 1,536,385 | 58,083 |
| 55,899 | 35,676 |
| 1,592,284 | 93,759 |
| 127,316 | (124,316) |
| 62,499,788 | 3,004,991 |
| 11,831,256 | 2,026,076 |

WILSON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2009

| | Budgeted Amount | |
|--|-----------------------|-----------------------|
| | Original | Final |
| OTHER FINANCING SOURCES (USES) | | |
| Budgetary Reserve | (1,000,000) | (1,000,000) |
| Sale of Capital Assets | - | - |
| Transfers from Other Funds | 146,000 | 146,000 |
| Transfers to Other Funds | (10,951,180) | (10,951,180) |
| TOTAL OTHER FINANCING SOURCES (USES) | (11,805,180) | (11,805,180) |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | \$ (2,000,000) | \$ (2,000,000) |
| FUND BALANCE - JULY 1, 2008 | | |
| FUND BALANCE - JUNE 30, 2009 | | |

| <u>Actual (GAAP) Basis</u> | <u>Variances Final to Actual</u> |
|--------------------------------|--|
| - | 1,000,000 |
| 1,225 | 1,225 |
| 186,623 | 40,623 |
| <u>(12,019,104)</u> | <u>(1,067,924)</u> |
| <u>(11,831,256)</u> | <u>(26,076)</u> |
| - | <u><u>\$ 2,000,000</u></u> |
| <u>5,425,645</u> | |
| <u><u>\$ 5,425,645</u></u> | |

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

June 30, 2009

| | 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, 2009

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.

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SUPPLEMENTARY INFORMATION

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

| | | Fund Budget | Actual | Variance |
|---|--|-------------------|-------------------|------------------|
| 6000 Revenues from Local Sources | | | | |
| <u>Taxes</u> | | | | |
| 6111 | Taxes, Current Real Estate | \$ 46,034,047 | \$ 45,883,167 | \$ (150,880) |
| 6112 | Taxes, Interim Real Estate | 650,318 | 320,066 | (330,252) |
| 6113 | Public Utility Realty Tax | 68,000 | 67,857 | (143) |
| 6114 | Taxes, Current, Payments in Lieu of Taxes | 1,000 | 1,015 | 15 |
| 6120 | Current Per Capita Taxes, Section 679 | 123,600 | 123,085 | (515) |
| 6140 | Current Act 511 Per Capita Taxes | 123,600 | 123,085 | (515) |
| 6143 | Current 511 Local Services Taxes | 60,000 | 119,944 | 59,944 |
| 6151 | Current Act 511 Earned Income Taxes | 5,022,400 | 4,756,600 | (265,800) |
| 6153 | Current Act 511 Real Estate Transfer Taxes | 1,000,000 | 858,580 | (141,420) |
| 6155 | Current Act 511 Business Privilege Taxes | 1,990,000 | 1,754,497 | (235,503) |
| 6400 | Delinquent Taxes (All Levies) | 800,000 | 992,449 | 192,449 |
| | Total | 55,872,965 | 55,000,345 | (872,620) |
| <u>Other</u> | | | | |
| 6510 | Earnings from Temporary Deposits and Investments | 600,000 | 768,839 | 168,839 |
| 6810 | Revenue from other Governments | 60,000 | 56,315 | (3,685) |
| 6820 | Revenue from I U - State | 2,400 | 30,000 | 27,600 |
| 6830 | Revenue from I U - Federal | 13,866 | 11,517 | (2,349) |
| 6832 | Revenue from I U - Federal - Special Ed | 940,000 | 924,471 | (15,529) |
| 6910 | Rental of Facilities | 2,700 | 6,590 | 3,890 |
| 6920 | Donation from Private Source | 55,000 | 139,796 | 84,796 |
| 6940 | Tuition from Patrons | 740,885 | 776,543 | 35,658 |
| 6960 | Services Provided other Local Gov't Units | 26,947 | 26,508 | (439) |
| 6980 | Community Swim and Physical Fitness | 82,000 | 63,717 | (18,283) |
| 6990 | Miscellaneous Revenue | 93,000 | 197,220 | 104,220 |
| | Total | 2,616,798 | 3,001,516 | 384,718 |
| | TOTAL REVENUES FROM LOCAL SOURCES | 58,489,763 | 58,001,861 | (487,902) |
| 7000 Revenues from State Sources | | | | |
| 7110 | Basic Instructional Subsidy | 6,318,588 | 6,300,468 | (18,120) |
| 7140 | Charter Schools | 150,000 | 177,232 | 27,232 |
| 7160 | Tuition/Court Placed Institutions | 150,000 | 156,870 | 6,870 |
| 7170 | School Improvement | 28,500 | 9,000 | (19,500) |
| 7210 | Homebound Instruction | 475 | 389 | (86) |
| 7220 | Vocational Education | 26,000 | 290 | (25,710) |
| 7240 | Driver Education | 4,000 | 4,335 | 335 |

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

| | | Fund Budget | Actual | Variance |
|---|--|----------------------|----------------------|---------------------|
| 7000 Revenues from State Sources - continued | | | | |
| 7270 | Special Education of Exceptional Pupils | 2,084,560 | 2,057,029 | (27,531) |
| 7299 | Program Subsidies not listed in 7200 Series | 157,000 | - | (157,000) |
| 7310 | Transportation | 652,000 | 644,842 | (7,158) |
| 7320 | Rentals and Sinking Fund Payments | 1,015,023 | 1,737,211 | 722,188 |
| 7330 | Medical and Dental Services | 114,000 | 112,681 | (1,319) |
| 7340 | Property Tax Reduction Allocation | 1,381,635 | 1,381,635 | - |
| 7500 | Extra Grants | 480,770 | 470,895 | (9,875) |
| 7810 | Social Security | 1,478,632 | 1,365,821 | (112,811) |
| 7820 | Retirement | 1,381,312 | 869,971 | (511,341) |
| 7920 | Classrooms for the Future | 428,092 | 72,253 | (355,839) |
| | TOTAL REVENUES FROM STATE SOURCES | 15,850,587 | 15,360,922 | (489,665) |
| 8000 Revenues from Federal Sources | | | | |
| 8514 | Title I | 451,658 | 461,761 | 10,103 |
| 8515 | Title II | 126,791 | 136,215 | 9,424 |
| 8516 | LEP/Immigrant | 48,045 | 34,547 | (13,498) |
| 8810 | Access Medical Assistance Reimbursement | 343,115 | 335,738 | (7,377) |
| | TOTAL REVENUES FROM FEDERAL SOURCES | 969,609 | 968,261 | (1,348) |
| 9000 Other Financing Sources | | | | |
| 9359 | Other Enterprise Fund Transfers | 146,000 | 173,600 | 27,600 |
| 9370 | Trust & Agency Fund Transfers | - | 13,023 | 13,023 |
| 9400 | Proceeds from Sale of Capital Assets | - | 1,225 | 1,225 |
| | TOTAL REVENUES FROM OTHER FINANCING SOURCES | 146,000 | 187,848 | 41,848 |
| | TOTAL REVENUES | \$ 75,455,959 | \$ 74,518,892 | \$ (937,067) |

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WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2009

| | | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---|----------------------|----------------------|---------------------|
| 1000 Instruction | | | | |
| 1100 | Regular Programs | \$ 32,132,242 | \$ 30,540,507 | \$ 1,591,735 |
| 1200 | Special Programs | 7,599,591 | 7,686,564 | (86,973) |
| 1300 | Vocational Education Program | 2,059,813 | 2,138,409 | (78,596) |
| 1400 | Other Instructional Programs | 238,400 | 213,278 | 25,122 |
| 1800 | Pre-Kindergarten | 157,000 | - | 157,000 |
| | Total Instruction | 42,187,046 | 40,578,758 | 1,608,288 |
| 2000 Support Services | | | | |
| 2100 | Pupil Personnel | 2,504,515 | 2,472,742 | 31,773 |
| 2200 | Instructional Staff | 4,520,508 | 4,309,230 | 211,278 |
| 2300 | Administration | 4,525,156 | 4,241,256 | 283,900 |
| 2400 | Pupil Health | 619,378 | 587,782 | 31,596 |
| 2500 | Business | 852,854 | 768,227 | 84,627 |
| 2600 | Operation and Maintenance of Plant Services | 6,489,039 | 5,800,575 | 688,464 |
| 2700 | Student Transportation Services | 1,812,897 | 1,701,491 | 111,406 |
| 2800 | Central | 88,571 | 94,333 | (5,762) |
| 2900 | Other Support Services | 215,772 | 225,794 | (10,022) |
| | Total Support Services | 21,628,690 | 20,201,430 | 1,427,260 |
| 3000 Operation of Noninstructional Services | | | | |
| 3200 | Student Activities | 1,594,468 | 1,536,385 | 58,083 |
| 3300 | Community Services | 91,575 | 55,899 | 35,676 |
| | Total Operation of Noninstructional Services | 1,686,043 | 1,592,284 | 93,759 |
| 5000 Other Financing Uses | | | | |
| 5100 | Refund of Prior Year Revenues | 3,000 | 127,316 | (124,316) |
| 5200 | Fund Transfers | 10,951,180 | 12,019,104 | (1,067,924) |
| 5900 | Budgetary Reserve | 1,000,000 | - | 1,000,000 |
| | Total Other Financing Uses | 11,954,180 | 12,146,420 | (192,240) |
| | TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 77,455,959 | \$ 74,518,892 | \$ 2,937,067 |

WILSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

| <u>Grantor/Program Title</u> | <u>Source Code</u> | <u>Federal CFDA Number</u> | <u>Federal Pass-Through Grantor's Number</u> | <u>Grant Period Beginning/Ending Date</u> |
|--|--------------------|----------------------------|--|---|
| <u>U.S. Department of Education</u> | | | | |
| Passed through the Commonwealth of Pennsylvania Department of Education: | | | | |
| Title I Improving Basic Programs | I | 84 010 | 13-09-490 | 07/01/08-09/30/09 |
| Title I Improving Basic Programs | I | 84 010 | 13-08-490 | 07/01/07-06/30/08 |
| Title I Academic Achievement Awards | I | 84 010 | 077-09-490 | 07/02/08-09/30/09 |
| Title I Academic Achievement Awards | I | 84 010 | 077-08-490 | 07/01/07-09/30/08 |
| Title V Innovative Education | I | 84 298 | 11-08-490 | 07/01/07-06/30/08 |
| Title II Improving Teacher Quality | I | 84 367 | 020-09-490 | 07/01/08-09/30/09 |
| Title II Improving Teacher Quality | I | 84 367 | 020-08-490 | 07/01/07-06/30/08 |
| Title III Language Instructional LEP | I | 84 365 | 010-09-490 | 08/13/08-09/30/09 |
| Title III Language Instructional LEP | I | 84 365 | 010-08-490 | 07/01/07-06/30/08 |
| Pub Lib-Improve Services (LSTA) | I | 45 310 | 202-909-075 | 05/21/09-05/31/10 |
| Passed through the Allegheny Intermediate Unit: | | | | |
| Individual Disability Education Act - Inclusion | I | 84 027 | | 07/01/07-06/30/08 |
| Passed through the Berks County Intermediate Unit: | | | | |
| Drug Free Schools | I | 84 186 | 100-000814 | 07/01/08-06/30/09 |
| Individual Disability Education Act | I | 84 027 | 62-010-14 | 07/01/08-06/30/09 |
| Individual Disability Education Act | I | 84 027 | 62-010-14 | 07/01/07-06/30/08 |
| 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 | 07/01/08-06/30/09 |
| 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 - Federal | I | 10 555 | N/A | 07/01/08-06/30/09 |
| National School Lunch Program - Federal | I | 10 555 | N/A | 07/01/07-06/30/08 |
| USDA Commodities | I | 10 555 | N/A | 07/01/07-06/30/08 |
| National School Breakfast Program - Federal | I | 10 553 | N/A | 07/01/08-06/30/09 |
| National School Breakfast Program - Federal | I | 10 553 | N/A | 07/01/07-06/30/08 |
| Total U.S. Department of Agriculture | | | | |
| TOTAL FEDERAL AWARDS | | | | |

Source Codes: I = Indirect, D = Direct

| Program or Award Amount | Total Received for Year | Accrued or (Deferred) Revenue at July 1, 2008 | Revenue Recognized | Expenditures | Accrued or (Deferred) Revenue at June 30, 2009 |
|-------------------------------|-------------------------------|--|-----------------------|---------------------|---|
| \$ 453,761 | \$ 451,658 | \$ - | \$ 453,761 | \$ 453,761 | \$ 2,103 |
| 233,064 | (49) | (49) | - | - | - |
| 8,000 | - | - | 8,000 | 8,000 | 8,000 |
| 8,304 | 3,322 | 3,322 | - | - | - |
| 5,206 | 1,388 | 1,388 | - | - | - |
| 136,215 | 108,972 | - | 136,215 | 136,215 | 27,243 |
| 126,791 | 25,358 | 25,358 | - | - | - |
| 34,547 | 14,806 | - | 34,547 | 34,547 | 19,741 |
| 48,045 | 7,392 | 7,392 | - | - | - |
| 35,000 | 2,692 | - | - | - | (2,692) |
| 20,000 | 20,000 | 20,000 | - | - | - |
| 11,517 | 11,517 | - | 11,517 | 11,517 | - |
| 924,471 | 380,792 | - | 924,471 | 924,471 | 543,679 |
| 879,263 | 561,247 | 561,247 | - | - | - |
| | 1,589,095 | 618,658 | 1,568,511 | 1,568,511 | 598,074 |
| 4,402 | 4,402 | - | 4,402 | 4,402 | - |
| | 4,402 | - | 4,402 | 4,402 | - |
| N/A | 379,823 | - | 445,078 | 445,078 | 65,255 |
| N/A | 54,156 | 54,156 | - | - | - |
| N/A | 122,217 | (7,134) | 109,261 | 109,261 | (20,090) |
| N/A | 15,422 | - | 18,446 | 18,446 | 3,024 |
| N/A | 2,952 | 2,952 | - | - | - |
| | 574,570 | 49,974 | 572,785 | 572,785 | 48,189 |
| | <u>\$ 2,168,067</u> | <u>\$ 668,632</u> | <u>\$ 2,145,698</u> | <u>\$ 2,145,698</u> | <u>\$ 646,263</u> |

WILSON SCHOOL DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

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 of Wilson School District as of and for the year ended June 30, 2009, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 10, 2009. 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See 09-01, 09-02, and 09-03. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 09-01

We also noted certain other matters that we reported to management of Wilson School District in a separate letter dated November 10, 2009.

Wilson School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Wilson School District's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of the School Board of Directors, district management, 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.

Herliin + Company, Inc.

**Reading, Pennsylvania
November 10, 2009**



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

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

Compliance

We have audited the compliance of Wilson School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Wilson School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wilson School District's management. Our responsibility is to express an opinion on Wilson School District's compliance based on our audit.

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

In our opinion, Wilson School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report is intended solely for the information of the School Board of Directors, district management, 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.

Herliem + Company, Inc.

**Reading, Pennsylvania
November 10, 2009**

WILSON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

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? X yes 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> |
|-----------------------|---|
| 84 027 | Individual Disability Education Act |

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, 2009

Section II - Financial Statement Findings

09-01 Monitoring and Compliance with Grant Awards – Child Care Fund

Criteria

When the Child Care Fund receives grant revenues, designated individuals should be responsible for compliance with the grant provisions and monitoring grant activity

Condition/Cause

The Child Care Fund received a Keystone Stars grant for approximately \$16,000. During our audit, we observed that the final expenditure reports did not contain all appropriate signatures and supporting documentation for expenditures was not available in an organized fashion. Also, the eligible time frame for expenditures for this grant was not adequately monitored.

Effect

Without diligent compliance monitoring, a portion of grant funds may be required to be returned. In addition, future grants could be jeopardized

Recommendation

We recommend that individual(s) be designated as the program coordinator/director for specific grants. All grant documentation and award letters should be maintained in an organized fashion with compliance requirements properly understood and documented. These compliance requirements could include eligible expenditures, eligible time frame for expenditures and reporting requirements.

Benefit

Improving compliance and monitoring would allow the District to use and retain the grant funds for the intended purpose.

Management Response

See Corrective Action Plan included in this report package

09-02 Extension of Credit – Child Care Fund

Criteria

Pursuant to the Child Care Handbook of the District, parents are required to make their contracted payments by the first day of each service week. The late payments section of the Handbook describes policies for delinquent payments. Pursuant to the policy, services shall be terminated if payment is not received by the second service day of the week following the late payment.

Condition/Cause

During our audit procedures, we observed accounts receivable balances that indicated that the policies for late payments and providing services were not being followed.

Effect

The District may be providing services for which it will not receive payment and deny others on waiting lists for child care services.

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2009

Recommendation

We recommend the policies relating to payment for child care services be followed or amending the policy if greater credit risk is appropriate

Benefit

Greater tuition payments would be received by the District assuming others on waiting lists would pay for services.

Management Response

See Corrective Action Plan included in this report package.

09-03 Real Estate Tax Overpayment Approvals

Criteria

The District receives payments for real estate taxes that, at times, differ from the real estate tax bill. These variances could include duplicate payments. After proper review, the District refunds duplicate payments made by taxpayers.

Condition/Cause

During the year, the District uncovered fraud perpetrated by an individual charged to record real estate tax payments, investigate exceptions, and recommend appropriate actions. Falsified documents and reports were generated to suggest refunds of duplicate real estate tax payments were necessary. The District's internal controls included a review of exceptions by other business office personnel before payment was approved. However, this independent review did not include direct third party communications (i.e. financial institute and taxpayer) or other stronger controls and illegitimate refund payments were issued.

Effect

The District processed disbursements that were not legitimate refunds of duplicate payments.

Recommendation

Stronger controls have been instituted by the District. These include verifying overpayment documentation with the bank and/or other third parties, bank communication with the District's tax specialist is copied to other business office personnel and overpayment checks processed are now distributed by someone other than the tax specialist. In addition, adjustments to assessments are verified to the County's website and delinquent taxes turned over to the Tax Claim Bureau are verified and confirmed. These actions and controls have already been put in place, and if followed, significantly strengthen the internal controls relating to disbursements of real estate tax overpayments.

Benefit

The District will only reimburse for legitimate overpayments of real estate tax bills

Management Response

See Corrective Action Plan included in this report package.

WILSON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2009

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, 2009

There were no federal award findings in the prior year.

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**WILSON SCHOOL
DISTRICT**

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Ext. 1113

Steven Gerhard
Assistant Superintendent
of Schools
Ext. 1613

Michelle Saylor
Director of Curriculum,
Instruction, and
Staff Development
Ext. 1149

Georgann Syphard
Director of Pupil Services
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Diane J. Richards, CPA
Director of Finance &
Support Services
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Lori L. Lillis
Director of
Human Resources
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Beth Bausher
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**Corrective Action Plan
2008/2009 Audit Report**

Department of Education:

Wilson School District respectfully submits the following corrective action plan for the year ended June 30, 2009.

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

Audit period: Year Ended June 30, 2009

FINDINGS—FINANCIAL STATEMENT AUDIT

09-01 Monitoring and Compliance with Grant Awards – Child Care Fund

Condition/Cause

The Child Care Fund received a Keystone Stars grant for approximately \$16,000. During the audit, it was observed that the final expenditure reports did not contain all appropriate signatures and supporting documentation for expenditures was not available in an organized fashion. Also, the eligible time frame for expenditures for this grant was not adequately monitored.

Effect

Without diligent compliance monitoring, a portion of grant funds may be required to be returned. In addition, future grants could be jeopardized.

Recommendation

It is recommended that individual(s) be designated as the program coordinator/director for specific grants. All grant documentation and award letters should be maintained in an organized fashion with compliance requirements properly understood and documented. These compliance requirements could include eligible expenditures, eligible time frame for expenditures and reporting requirements.

Management Response

Wilson School District recognizes the need for compliance with grant requirements. The Wilson Child Care central office will designate a program coordinator/director for specific grants. This person will ensure that all grant documentation and award letters will be maintained in an organized fashion with compliance requirements properly understood and documented. The designee's responsibilities will include ensuring compliance requirements for eligible expenditures, eligible time frame for expenditures, and reporting requirements. This attention to compliance and monitoring will allow Wilson Child Care to use and retain the grant funds for intended purposes.

09-02 Extension of Credit – Child Care Fund

Condition/Cause

During the audit procedures, it was observed accounts receivable balances that indicated that the policies for late payments and providing services were not being followed.

Effect

The District may be providing services for which it will not receive payment and deny others on waiting lists for child care services.

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.

Recommendation

It is recommended the policies relating to payment for child care services be followed or amending the policy if greater credit risk is appropriate.

Management Response

Wilson School District recognizes the need to ensure compliance to approved policy with respect to contracted and delinquent payments. The District understands the importance of either following policies related to payment for child care services or amending the policy if greater credit risk is appropriate. Wilson Child Care central office will review existing policy and determine if amendments of policy pursuant to the Child Care Handbook of the District, late payments section, are deemed necessary. If policy needs to be amended, recommendations will be brought forth. Wilson Child Care will maintain compliance to existing policy and future amendments if amendments to the policy are deemed appropriate.

09-03 Real Estate Tax Overpayment Approvals

Condition/Cause

During the year, the District uncovered fraud perpetrated by an individual charged to record real estate tax payments, investigate exceptions, and recommend appropriate actions. Falsified documents and reports were generated to suggest refunds of duplicate real estate tax payments were necessary. The District's internal controls included a review of exceptions by other business office personnel before payment was approved. However, this independent review did not include direct third party communications (i.e., financial institute and taxpayer) or other stronger controls and illegitimate refund payments were issued.

Effect

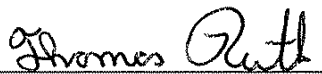
The District processed disbursements that were not legitimate refunds of duplicate payments.

Recommendation

Stronger controls have been instituted by the District. These include verifying overpayment documentation with the bank and/or other third parties, bank communication with the District's tax specialist is copied to other business office personnel and overpayment checks processed are now distributed by someone other than the tax specialist. In addition, adjustments to assessments are verified to the County's website and delinquent taxes turned over to the Tax Claim Bureau are verified and confirmed. These actions and controls have already been put in place, and if followed, significantly strengthen the internal controls relating to disbursements of real estate tax overpayments.

Management Response

Wilson School District has instituted stronger internal controls related to disbursements of real estate tax overpayments. These additional controls include independent, direct verification of overpayment documentation with the bank and/or other third parties, and overpayment check processing independent of the tax specialist position. In addition, adjustments to assessments are verified to the County's website and delinquent taxes turned over to the Tax Claim Bureau are verified and confirmed.


Thomas Ruth, Ed D, Superintendent