



***WILSON SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2018**

## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	3 - 18
 <b>BASIC FINANCIAL STATEMENTS</b>	
 <b>Government-Wide Financial Statements</b>	
Statement of Net Position.....	19
Statement of Activities.....	20 - 21
 <b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds ..	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	25
Statement of Net Position - Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	27
Statement of Cash Flows - Proprietary Funds.....	28 - 29
Statement of Net Position - Fiduciary Funds .....	30
Statement of Changes in Net Position - Fiduciary Funds .....	31
 <b>Notes to Basic Financial Statements</b>	
Note 1 - Summary of Significant Accounting Policies.....	32
Note 2 - Stewardship, Compliance, and Accountability .....	45
Note 3 - Cash and Investments .....	46
Note 4 - Taxes Receivable and Unavailable Revenue.....	48
Note 5 - Intergovernmental Receivables/Payables.....	50
Note 6 - Changes in Capital Assets .....	52
Note 7 - Long-Term Liabilities.....	54
Note 8 - Employee Retirement Plans .....	59
Note 9 - Health Insurance Premium Assistance Program .....	66
Note 10 - District Other Postemployment Benefits Plan .....	73
Note 11 - Interfund Receivables, Payables, and Transfers.....	80
Note 12 - Joint Venture .....	80
Note 13 - Risk Management.....	81
Note 14 - Contingent Liabilities.....	81
Note 15 - Commitments.....	82
Note 16 - Restatement of Beginning Net Position .....	82
Note 17 - Fund Balance .....	83
Note 18 - New Accounting Pronouncements.....	84

## REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule for the General Fund .....	85
Note to Required Supplementary Information .....	86
Schedule of the District's Proportionate Share of the Net Pension	
Liability and Related Ratios - Pension Plan .....	87
Schedule of District Contributions - Pension Plan .....	88
Schedule of the District's Proportionate Share of the Net OPEB	
Obligation and Related Ratios - Health Insurance Premium Assistance Program .....	89
Schedule of District Contributions - Health Insurance Premium Assistance Program .....	90
Schedule of Changes of Total OPEB Obligation and Related Ratios - District OPEB Plan.....	91

## SUPPLEMENTARY INFORMATION

### General Fund

Schedule of Revenues and Other Financing Sources - Budget and Actual .....	92 - 93
Schedule of Expenditures and Other Financing Uses - Budget and Actual .....	94

### Single Audit

Schedule of Expenditures of Federal Awards .....	95
Notes to Schedule of Expenditures of Federal Awards.....	96

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

97 - 98

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

99 - 100

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....

101 - 102

## STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS .....

103 - 104

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wilson School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 16 to the financial statements, effective July 1, 2017, the Wilson School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 87 through 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 5, 2018**



# WILSON SCHOOL DISTRICT

2601 Grandview Boulevard, West Lawn, PA 19609 | 610-670-0180 | wilsonsd.org

## 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, 2018. 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 2017-18 fiscal year. District-wide revenues of \$107.4 million exceeded expenses of \$105.0 million by \$2.4 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$84.8 million or 79% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$22.6 million or 21% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$80.0 million or 76% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$25.0 million or 24% of total expenses.
- Effective July 1, 2017, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefit plans other than pensions (OPEB). The adoption of Statement No. 75 resulted in the District restating beginning net position as of July 1, 2017. Net position was restated by \$11.7 million, with a decrease of \$11.3 million and \$0.4 million in governmental activities and business-type activities, respectively. This created a deficiency in net position as of July 1, 2017 of \$18.0 million and \$3.6 million in governmental and business-type activities, respectively. Deferred outflows of resources were restated by \$0.7 million with the increase in deferred outflows for other postemployment benefits of \$0.7 million in the governmental activities. Liabilities were restated by \$12.5 million, with an increase in net other postemployment benefits obligation of \$12.1 million and \$0.4 million in governmental activities and business-type activities, respectively.

- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property base tax cap, or adjusted tax cap, if applicable, annually. For fiscal year 2017-18, the District's adjusted tax cap was 3.1% or 0.77 mills. The District increased millage by .34 to 25.29 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2017-18 Homestead and Farmstead Exclusion Resolution in June 2017 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2017 real estate tax bills of \$6,010 each, which resulted in a \$151.99 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1,366,119 as well as \$16,937 of Philadelphia tax credit reimbursement funds, and \$148 of remaining property tax reduction funds received in 2016-17, totaling \$1,383,204 available during the current year for real estate tax reduction.
- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option, in which three equal installments are due August 31, October 31, and December 31. Approximately 6% of District real estate taxpayers elected the installment method for the 2017-18 fiscal year, consistent with the prior year.
- As a member of the Berks County School District Health Trust, the District experienced a 1.5% increase in health insurance premiums over the prior year.
- District-wide salary increases averaged 3.0% during 2017-18.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 30.03% to 32.57% for 2017-18, with additional rate increases projected in future years. As of June 30, 2018, \$8.5 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- During 2017-18, net capital additions totaled \$3.1 million related to renovations and improvements to buildings, new vehicles and equipment, and energy savings performance contracts. Commitments remaining on construction contracts as of June 30, 2018 total \$2.6 million.
- The District issued three General Obligation Notes (GON): Series C of 2017 in the amount of \$5.0 million; Series B of 2017 in the amount of \$5.0 million; and Series A of 2017 in the amount of \$2.7 million. Proceeds from the issuance of GON Series C of 2017 were used to advance refund a portion of the outstanding balance of General Obligation Bonds (GOB), Series B of 2013, for a savings of \$0.2 million. Proceeds from the issuance of GON Series B of 2017 are to be drawn on as needed for various capital projects (\$0.8 million drawn during 2017-18) with the final draw down to be completed by February 2019. Proceeds from the issuance of GON Series A of 2017 were used to currently refund the outstanding balance on GOB Series of 2011 for a savings of \$40,197.

- Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 requires the financial statements to reflect the net unfunded liability for other postemployment benefits. The Health Insurance Premium Assistance Program (HIPAP) portion of PSERS and the District OPEB plan are both components of the recognized liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to OPEB. As of June 30, 2018, the HIPAP OPEB District-wide liability was \$6.8 million, HIPAP OPEB deferred inflows of resources was \$0.3 million and HIPAP OPEB deferred outflows of resources was \$0.5 million with the District OPEB plan liability reported at \$10.0 million and District OPEB plan deferred outflows of resources of \$0.7 million, included in the Statement of Net Position. The District has not funded the related liabilities, but rather pays these benefits as they become due.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments and establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability. Pension expense recognized in the Statement of Activities for the year ended June 30, 2018 totaled \$18.8 million, with a District-wide net pension liability of \$164.8 as of June 30, 2018 in the Statement of Net Position. Deferred outflows of resources of \$29.5 million and deferred inflows of resources of \$1.2 million as of June 30, 2018 related to the pension calculation in accordance with these GASB statements.

### **Overview of the Financial Statements**

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

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

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

**Figure 1**  
**Organization of the Wilson School District Annual Financial Report**

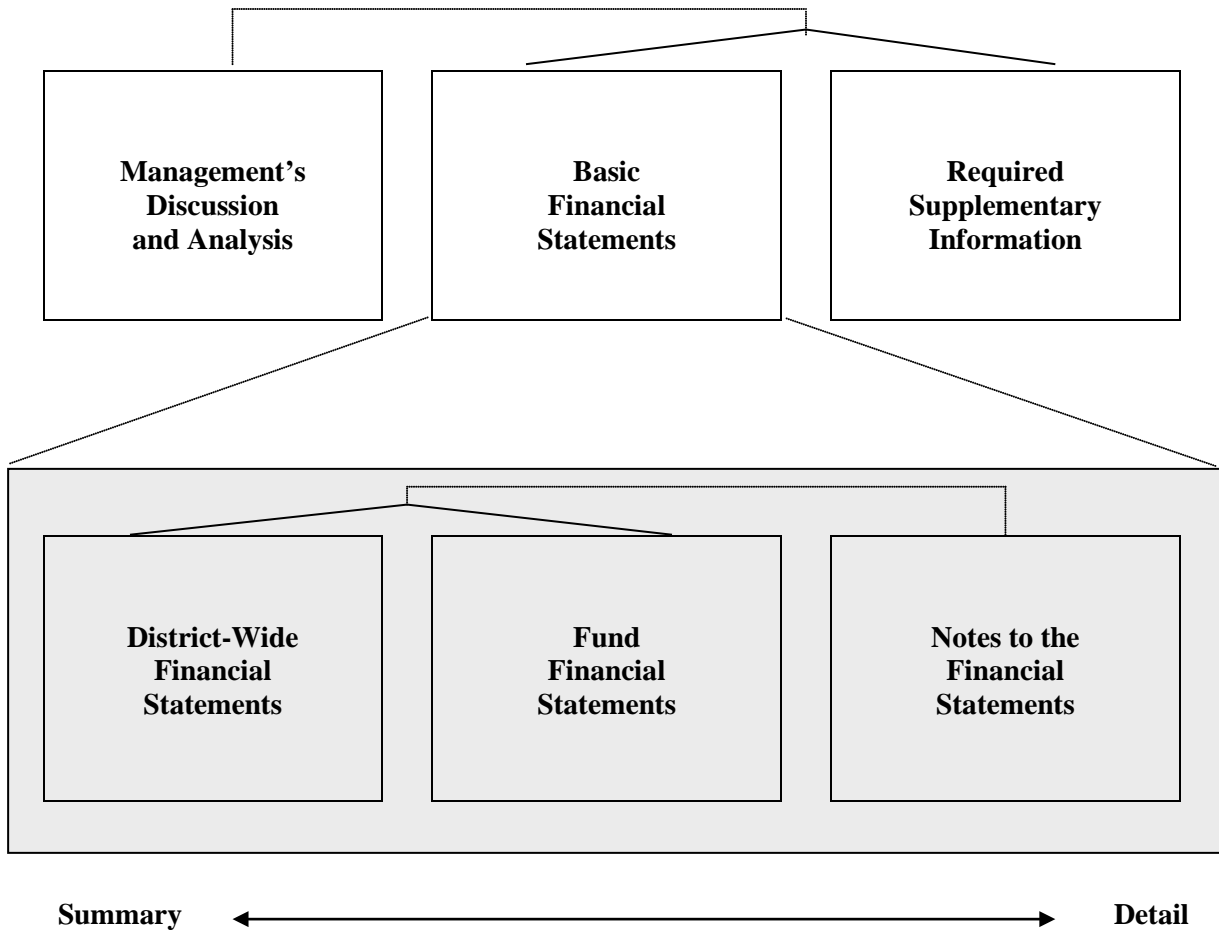


Figure 2 summarizes the major features of the District’s financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each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

**Figure 2**

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

## **District-Wide Statements**

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

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

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

Both statements report two activities:

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

## **Fund Financial Statements**

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

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

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

- **Proprietary Funds (Enterprise)** – Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method – the same method used by private sector businesses.

- **Fiduciary Funds** – The District acts as a trustee or fiduciary for assets that belong to others, such as scholarship funds or student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

### Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2017 and June 30, 2018.

**Figure 3**  
**Condensed Statements of Net Position**

Fiscal Years Ended June 30, 2017 and June 30, 2018						
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 36,890,015	\$ 40,655,820	\$ 960,481	\$ 859,593	\$ 37,850,496	\$ 41,515,413
Capital assets	181,571,277	178,529,512	641,829	779,512	182,213,106	179,309,024
<b>Total Assets</b>	<b>218,461,292</b>	<b>219,185,332</b>	<b>1,602,310</b>	<b>1,639,105</b>	<b>220,063,602</b>	<b>220,824,437</b>
<b>Deferred Outflows of Resources</b>	<b>32,558,811</b>	<b>30,123,814</b>	<b>1,389,372</b>	<b>1,204,076</b>	<b>33,948,183</b>	<b>31,327,890</b>
Current liabilities	22,394,548	24,799,370	150,813	159,335	22,545,361	24,958,705
Noncurrent liabilities	233,844,660	238,610,837	5,774,177	6,207,441	239,618,837	244,818,278
<b>Total Liabilities</b>	<b>256,239,208</b>	<b>263,410,207</b>	<b>5,924,990</b>	<b>6,366,776</b>	<b>262,164,198</b>	<b>269,776,983</b>
<b>Deferred Inflows of Resources</b>	<b>1,410,881</b>	<b>1,331,057</b>	<b>335,075</b>	<b>232,442</b>	<b>1,745,956</b>	<b>1,563,499</b>
Net Investment in Capital Assets	102,241,258	107,842,098	641,829	779,512	102,883,087	108,621,610
Restricted for Capital Projects	9,052,916	8,125,231	-	-	9,052,916	8,125,231
Restricted - Other	-	60,121	-	-	-	60,121
Unrestricted (Deficit)	(117,924,160)	(131,459,568)	(3,910,212)	(4,535,549)	(121,834,372)	(135,995,117)
<b>Total Net Position (Deficit)</b>	<b>\$ (6,629,986)</b>	<b>\$ (15,432,118)</b>	<b>\$ (3,268,383)</b>	<b>\$ (3,756,037)</b>	<b>\$ (9,898,369)</b>	<b>\$ (19,188,155)</b>

Total assets increased by \$0.8 million from the prior year primarily due to the depreciation of capital assets of \$6.0 million, net of \$3.1 million of net capital additions, net of an increase in cash of \$2.7 million, and \$1.0 million increase in receivables. Deferred outflows of resources decreased by \$2.6 million due to a \$3.4 million decrease in deferred pension, net of \$1.2 million increase in deferred OPEB, and a \$0.4 million charge on bond refunding amortization. The overall increase in liabilities of \$7.6 million is primarily the result of a \$13.1 million increase in the OPEB liability related to GASB Statement No. 75, \$1.4 million increase in net pension liability related to GASB Statements No. 68 and No. 71, \$2.4 million of net increases in other current liabilities, net of bond and note principal payments of \$9.1 million and \$0.2 million of net proceeds of debt issuance less amortization. Deferred inflows of resources decreased by \$0.2 million related to the decrease in deferred pension of \$0.5 million, net of the \$0.3 million increase in OPEB.

District revenues exceeded expenses by \$2.4 million, which effectively decreased the net deficit for the year ended June 30, 2018. Governmental activities' net deficit decreased by \$2.6 million from the combined result of a .34 millage increase with a collection rate of approximately 97%, increased local revenues, including investment income, earned income tax, mercantile/business privilege tax and strong fiscal control over expenditures. Net deficit in business-type activities increased by \$0.1 million from the prior year, which resulted from the combined net income of the food service and child care funds before operating transfers of \$0.1 million, less \$0.2 million of operating transfers to the general fund.

The results of operations for the fiscal year ended June 30, 2018 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ending June 30, 2017 and June 30, 2018.

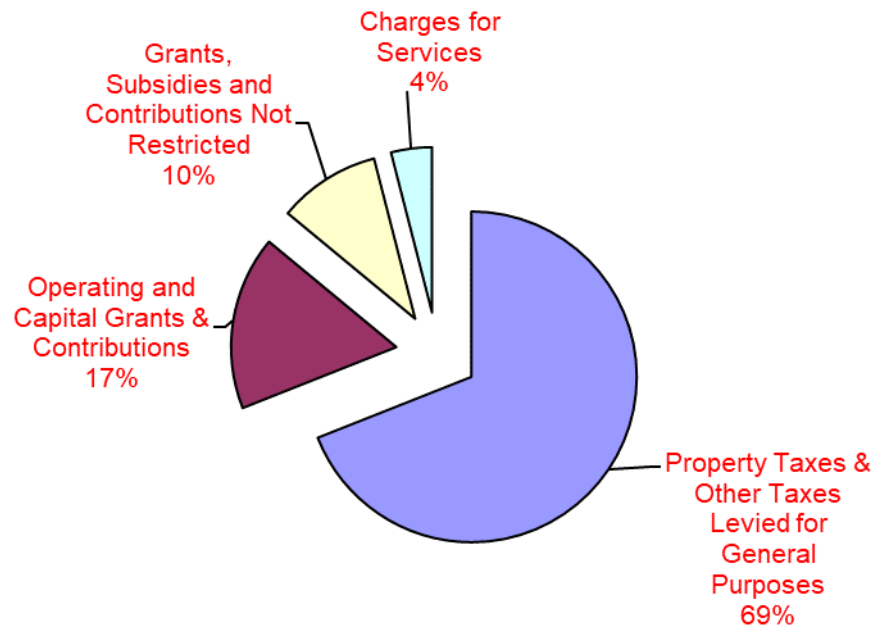
Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs. District-wide revenues totaled \$107.4 million, an increase of \$3.5 million or 3% over the prior year, of which governmental activities' revenue increased \$3.1 million or 3%, while business-type activities' revenue increased by \$0.4 million or 10%. Figure 5 depicts the 2017-18 sources of revenues as of percentage of district-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2017-18 district-wide expenses. District-wide expenses totaled \$105.0 million, an increase of \$2.9 million or 3% over the prior year, primarily due to increased required pension contributions of \$1.5 million, and increased salaries and other benefits of \$1.4 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 1,596,040	\$ 1,470,094	\$ 2,776,487	\$ 2,734,461	\$ 4,372,527	\$ 4,204,555
Operating grants and contributions	14,511,407	15,308,206	1,249,410	1,638,623	15,760,817	16,946,829
Capital grants and contributions	1,286,149	1,480,970	-	-	1,286,149	1,480,970
General Revenues						
Property taxes and other taxes levied for general purposes	72,933,102	74,516,459	-	-	72,933,102	74,516,459
Grants, Subsidies, and Contributions Not Restricted	9,226,251	9,407,831	-	-	9,226,251	9,407,831
Other	546,861	1,045,723	(217,058)	(202,118)	329,803	843,605
<b>Total Revenues</b>	<b>100,099,810</b>	<b>103,229,283</b>	<b>3,808,839</b>	<b>4,170,966</b>	<b>103,908,649</b>	<b>107,400,249</b>
<b>Expenses</b>						
Instruction	63,744,444	65,887,978	-	-	63,744,444	65,887,978
Instructional student support	10,522,128	10,718,232	-	-	10,522,128	10,718,232
Administrative and financial support services	7,393,378	7,593,861	-	-	7,393,378	7,593,861
Operation and maintenance of plant services	7,537,870	7,858,775	-	-	7,537,870	7,858,775
Pupil transportation	3,110,969	3,369,770	-	-	3,110,969	3,369,770
Other	5,568,121	5,244,767	4,219,782	4,296,047	9,787,903	9,540,814
<b>Total Expense</b>	<b>97,876,910</b>	<b>100,673,383</b>	<b>4,219,782</b>	<b>4,296,047</b>	<b>102,096,692</b>	<b>104,969,430</b>
<b>Change in Net Position</b>	<b>\$ 2,222,900</b>	<b>\$ 2,555,900</b>	<b>\$ (410,943)</b>	<b>\$ (125,081)</b>	<b>\$ 1,811,957</b>	<b>\$ 2,430,819</b>
<b>Beginning Net Position (Deficit)</b>	<b>(8,852,886)</b>	<b>(6,629,986)</b>	<b>(2,857,440)</b>	<b>(3,268,383)</b>	<b>(11,710,326)</b>	<b>(9,898,369)</b>
<b>Restatement for GASB Statement No. 75</b>	<b>-</b>	<b>(11,358,032)</b>	<b>-</b>	<b>(362,573)</b>	<b>-</b>	<b>(11,720,605)</b>
<b>Beginning Net Position (Deficit) - Restated</b>	<b>(8,852,886)</b>	<b>(17,988,018)</b>	<b>(2,857,440)</b>	<b>(3,630,956)</b>	<b>(11,710,326)</b>	<b>(21,618,974)</b>
<b>Ending Net Position (Deficit)</b>	<b>\$ (6,629,986)</b>	<b>\$ (15,432,118)</b>	<b>\$ (3,268,383)</b>	<b>\$ (3,756,037)</b>	<b>\$ (9,898,369)</b>	<b>\$ (19,188,155)</b>

**Figure 5**  
**Sources of District-Wide Revenues for Fiscal Year 2018**



**Figure 6**  
**District-Wide Expenses for Fiscal Year 2018**

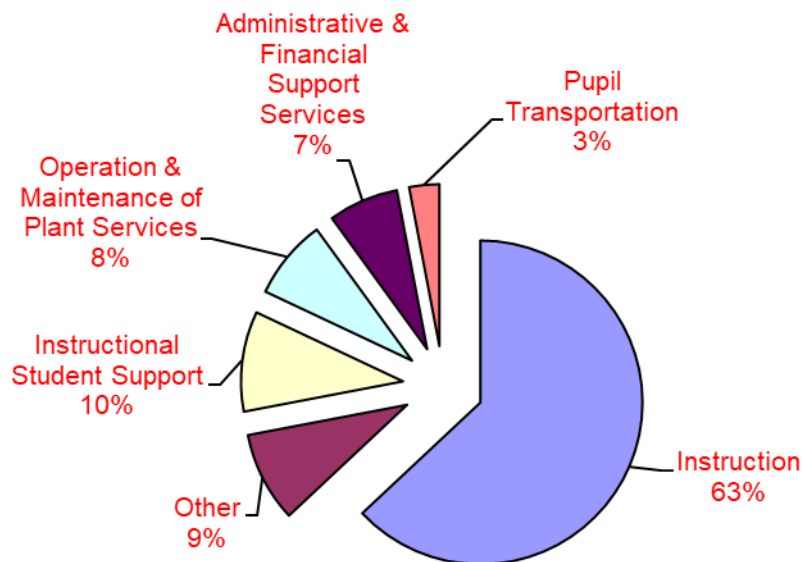


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended, June 30, 2018, general revenue supported 84% of governmental activities' costs, and program revenue supported 16% of governmental activities' costs.

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

Fiscal Years Ended June 30, 2017 and June 30, 2018				
	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	63,744,444	65,887,978	\$ 52,540,723	\$ 54,265,062
Instructional Student Support	10,522,128	10,718,232	8,986,677	9,088,003
Administrative and Financial Support Services	7,393,378	7,593,861	6,725,965	6,890,267
Operation and Maintenance of Plant Services	7,537,870	7,858,775	6,868,760	7,126,433
Pupil Transportation	3,110,969	3,369,770	1,777,290	1,992,935
Other	5,568,121	5,244,767	3,583,899	3,051,413
<b>Total</b>	<b>\$ 97,876,910</b>	<b>\$ 100,673,383</b>	<b>\$ 80,483,314</b>	<b>\$ 82,414,113</b>

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of both the child care activities and food services activities for the year ended June 30, 2018. The current year net income from services resulted in \$0.1 million. For fiscal year 2018-19, all the District buildings participated in the National School Lunch Program, contributing to the positive change in net income of Food Services compared to the prior year, during which time the high school voluntarily did not participate in that program.

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

Fiscal Years Ended June 30, 2017 and June 30, 2018				
	Total Cost of Services		Net Cost (Income) of Services	
	2017	2018	2017	2018
Food Services	\$ 2,781,852	\$ 2,874,283	\$ 222,774	\$ (74,357)
Child Care	1,437,930	1,421,764	(28,889)	(2,680)
<b>Total</b>	<b>\$ 4,219,782</b>	<b>\$ 4,296,047</b>	<b>\$ 193,885</b>	<b>\$ (77,037)</b>

## Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital projects fund, and debt service fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2018.

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

For Fiscal Years Ended June 30, 2017 and June 30, 2018			
	Fund Balance		Increase (Decrease)
	2017	2018	
General Fund	\$ 13,976,255	\$ 16,490,685	\$ 2,514,430
Capital Projects Fund	9,052,916	8,125,231	(927,685)
Debt Service Fund	-	3,744	3,744
<b>Total</b>	<b>\$ 23,029,171</b>	<b>\$ 24,619,660</b>	<b>\$ 1,590,489</b>

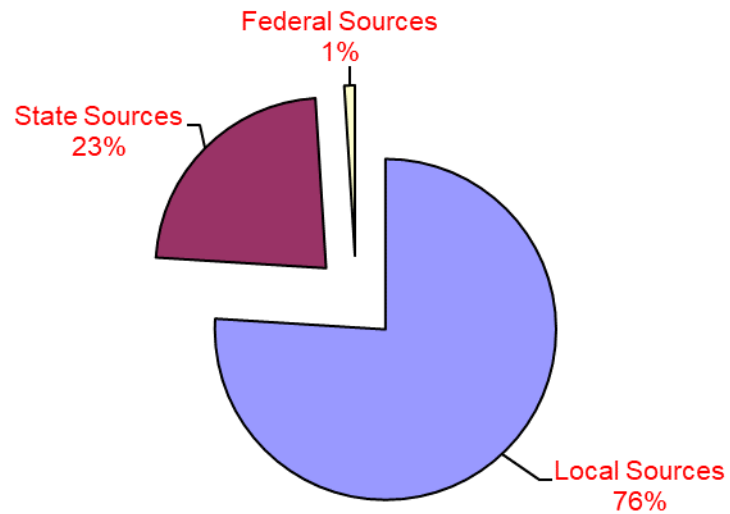
The District's governmental funds reported combined fund balances as of June 30, 2018 of \$24.6 million. The increase of \$1.6 million compared to the prior year is due primarily to capital outlay of \$0.9 million which is accounted for in expenditures, net of general fund current year excess of revenues over expenditures of \$2.5 million. The debt service fund balance resulted from excess cash at the issuance of GON Series C of 2017 which will be used for future debt service payments.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories—nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2018, general fund balance of \$16.5 million consisted of \$0.1 million in restricted fund balance related to special education settlements, \$8.5 million in committed fund balance for anticipated increases in PSERS contributions, \$2.0 million in assigned fund balance which represents the 2018-19 budgeted deficit, and unassigned fund balance of \$5.9 million. The capital projects fund had \$8.1 million in restricted fund balance, consisting primarily of reserve funds for capital expenditures.

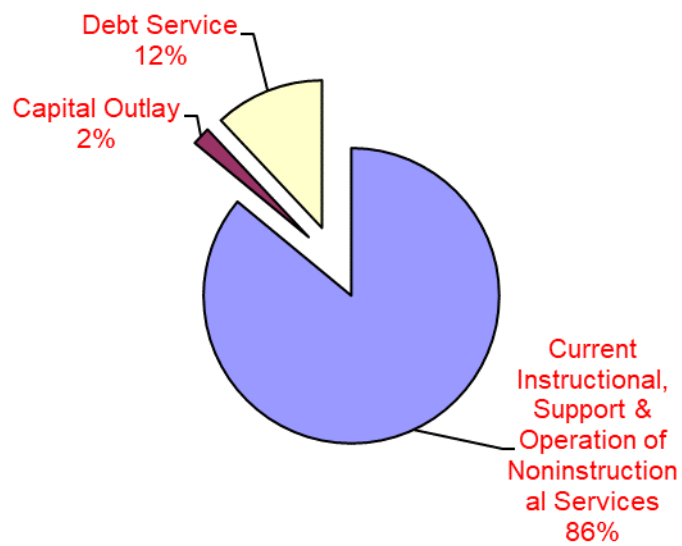
### Governmental Funds' Revenues and Expenditures

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2018, total revenues of \$103.0 million are comprised of local revenues of 76% with state and federal revenues contributing 23% and 1%, respectively. Expenditures of governmental funds totaling \$102.5 million are categorized as current (instructional, support and operation of noninstructional services) representing 86% of the total, with debt service and capital outlay comprising 12% and 2% of total expenditures, respectively. Other Financing Sources (Uses) of \$1.2 million consists of net proceeds from the issuance of general obligation notes, the sale of fixed assets and net transfers in. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2017-18.

**Figure 10**  
**Sources of Governmental Funds' Revenues for Fiscal Year 2018**



**Figure 11**  
**Governmental Funds' Expenditures for Fiscal Year 2018**



## Capital Assets and Debt Administration

### Capital Assets

In total, net capital assets decreased \$2.9 million as a result of \$3.1 million of net capital additions related to renovations and improvements to buildings, new vehicles and equipment, and energy savings performance contracts, less current year depreciation of \$6.0 million. Contractual commitments related to capital projects total \$2.6 million as of June 30, 2018.

**Figure 12**  
**Capital Assets (net of depreciation)**

Fiscal Years Ended June 30, 2017 and June 30, 2018						
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 10,872,388	\$ 10,872,388			\$ 10,872,388	\$ 10,872,388
Site Improvements	6,283,483	5,423,595			6,283,483	5,423,595
Building and Building Improvements	158,243,565	156,401,265	409,042	562,179	158,652,607	156,963,444
Machinery and Equipment	3,657,662	3,364,812	222,389	217,333	3,880,051	3,582,145
Vehicles	1,814,692	1,795,461	-	-	1,814,692	1,795,461
Construction-in-Progress	699,487	671,991	10,398	-	709,885	671,991
<b>Total</b>	<b>\$ 181,571,277</b>	<b>\$ 178,529,512</b>	<b>\$ 641,829</b>	<b>\$ 779,512</b>	<b>\$ 182,213,106</b>	<b>\$ 179,309,024</b>

### Long-term Debt

Outstanding long-term debt totaling \$70.2 million as of June 30, 2018, consists of general obligation bonds and notes of \$68.9 million with varying maturities through year 2026 and long-term compensated absences of \$1.3 million.

During 2017-18, the District issued three General Obligation Notes (GON): Series C of 2017 in the amount of \$5.0 million; Series B of 2017 in the amount of \$5.0 million; and Series A of 2017 in the amount of \$2.7 million. Proceeds from the issuance of GON Series C of 2017 were used to advance refund a portion of the outstanding balance of General Obligation Bonds (GOB), Series B of 2013, for a savings of \$0.2 million. Proceeds from the issuance of GON Series B of 2017 are to be drawn on as needed for various capital projects (\$0.8 million drawn during 2017-18) with the final draw down to be completed by February 2019. Proceeds from the issuance of GON Series A of 2017 were used to currently refund the outstanding balance on GOB Series of 2011 for a savings of \$40,197.

Principal payments on general obligation bonds and notes totaled \$9.1 million during the fiscal year, with interest payments totaling \$2.6 million.

Accrued compensated absences of \$1.3 million as of June 30, 2018 consist of certain benefits paid at retirement, including unused sick pay and other retirement benefits, based on specific eligibility requirements.

**Figure 13**  
**Outstanding Long-Term Debt**

For Fiscal Years Ended June 30, 2017 and June 30, 2018			
	Total		Change
	2017	2018	
General Obligation Bonds & Notes	\$ 76,790,000	\$ 68,918,382	\$ (7,871,618)
Compensated Absences	1,307,707	1,328,984	21,277
<b>Total</b>	<b>\$ 78,097,707</b>	<b>\$ 70,247,366</b>	<b>\$ (7,850,341)</b>

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- Under Act 1, Pennsylvania Public Schools are subject to a real estate property base tax cap of 2.4% for fiscal years 2018-19 and 2.3% for 2019-20. Due to the District's aid ratio exceeding 0.4 for both the 2018-19 and the 2019-20 fiscal years, the District's millage is limited to a 2.9% and a 2.8% increase, respectively. The District's 2018-19 millage of 25.67 represented a 1.5% increase. The District's 2019-20 millage is limited to 26.39 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in January 2019.
- All real estate taxpayers have the payment option of three equal installments due August 31, October 31, and December 31. Approximately 6% of eligible District real estate taxpayers elected the installment method for the 2018-19 fiscal year, consistent with the prior year.
- Contractual commitments related to GESA project (Guaranteed Energy Savings Act), high school auditorium project, and administration building improvements total approximately \$2.6 million.
- The District's collective bargaining agreement with the Wilson Education Association covering the period July 1, 2017 to June 30, 2021 provides for average salary increases of 3.9% for 2018-19, 3.8% for 2019-20 and 3.1% for 2020-21.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 32.57% to 33.43% for 2018-19 with rate increases projected in future years. The District has committed approximately \$8.5 million of fund balance as of June 30, 2018 in the General Fund for future retirement contribution increases, with approximately \$1.2 million budgeted to be used to balance the 2018-19 budget.
- Health Trust insurance premiums for 2018-19 increased by 9.5% over the prior year.

- Approximately \$1.5 million of the GOB Series B of 2017 is available for draw down through February 2019 for financing various capital projects of the School District.
- In September 2018, the District issued GON Series B of 2018, in the amount of \$9.6 million to currently refund the remaining balance of the GOB Series of 2014, with an estimated net present value savings of \$304,109.
- The District will be required to implement the following new GASB Statements in future fiscal years: Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, and Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The District has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

### **Contacting the District's Financial Management**

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

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 33,100,110	\$ 606,542	\$ 33,706,652
Restricted Cash	60,121	-	60,121
Internal Balances	(7,753)	7,753	-
Taxes Receivable, Net	1,693,147	-	1,693,147
Intergovernmental Receivables	5,363,842	172,202	5,536,044
Other Receivables	446,353	8,003	454,356
Inventories	-	65,093	65,093
Capital Assets Not Being Depreciated:			
Land	10,872,388	-	10,872,388
Construction in Progress	671,991	-	671,991
Capital Assets, Net of Accumulated Depreciation	166,985,133	779,512	167,764,645
<b>TOTAL ASSETS</b>	<b>219,185,332</b>	<b>1,639,105</b>	<b>220,824,437</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	682,650	-	682,650
Deferred Outflows of Resources for Pension	28,343,711	1,136,374	29,480,085
Deferred Outflows of Resources for Other Postemployment Benefits- Health Insurance Premium Assistance Program	443,646	16,046	459,692
Deferred Outflows of Resources for Other Postemployment Benefits- District Plan	653,807	51,656	705,463
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>30,123,814</b>	<b>1,204,076</b>	<b>31,327,890</b>
<b>LIABILITIES</b>			
Accounts Payable	1,701,745	31,246	1,732,991
Intergovernmental Payables	434,423	-	434,423
Accrued Interest	425,755	-	425,755
Accrued Salaries and Benefits	12,547,907	52,503	12,600,410
Unearned Revenues	256,427	75,586	332,013
Noncurrent Liabilities Due Within One Year	9,433,113	-	9,433,113
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	61,995,064	-	61,995,064
Long-Term Portion of Compensated Absences	1,270,871	-	1,270,871
Net Pension Liability	159,125,208	5,634,792	164,760,000
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	6,564,542	232,458	6,797,000
Total Other Postemployment Benefit Obligation - District Plan	9,655,152	340,191	9,995,343
<b>TOTAL LIABILITIES</b>	<b>263,410,207</b>	<b>6,366,776</b>	<b>269,776,983</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	1,025,864	221,635	1,247,499
Deferred Inflows of Resources for Other Postemployment Benefits- Health Insurance Premium Assistance Program	305,193	10,807	316,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,331,057</b>	<b>232,442</b>	<b>1,563,499</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	107,842,098	779,512	108,621,610
Restricted for Capital Projects	8,125,231	-	8,125,231
Restricted - Other	60,121	-	60,121
Unrestricted (Deficit)	(131,459,568)	(4,535,549)	(135,995,117)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (15,432,118)</b>	<b>\$ (3,756,037)</b>	<b>\$ (19,188,155)</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
<b>Instructional Services:</b>							
Regular Programs - Elementary/ Secondary	\$ 46,712,379	\$ 45,376	\$ 5,752,263	\$ -	\$ (40,914,740)	\$ -	\$ (40,914,740)
Special Programs - Elementary/ Secondary	16,036,979	526,352	5,025,047	-	(10,485,580)	-	(10,485,580)
Vocational Education	2,826,046	-	179,418	-	(2,646,628)	-	(2,646,628)
Other Instructional Programs - Elementary/ Secondary	294,030	64,025	11,891	-	(218,114)	-	(218,114)
Nonpublic School Programs	18,544	-	18,544	-	-	-	-
Total Instructional Services	65,887,978	635,753	10,987,163	-	(54,265,062)	-	(54,265,062)
<b>Support Services:</b>							
Students	3,640,826	-	442,744	-	(3,198,082)	-	(3,198,082)
Instructional Staff	6,018,288	-	981,778	-	(5,036,510)	-	(5,036,510)
Administration	6,115,229	-	564,279	-	(5,550,950)	-	(5,550,950)
Pupil Health	844,886	-	205,707	-	(639,179)	-	(639,179)
Business Services	868,645	-	92,741	-	(775,904)	-	(775,904)
Operation and Maintenance of Plant Services	7,858,775	228,883	503,459	-	(7,126,433)	-	(7,126,433)
Student Transportation Services	3,369,770	136,813	1,240,022	-	(1,992,935)	-	(1,992,935)
Central	609,987	-	46,574	-	(563,413)	-	(563,413)
Other Support Services	214,232	-	-	-	(214,232)	-	(214,232)
Total Support Services	29,540,638	365,696	4,077,304	-	(25,097,638)	-	(25,097,638)
<b>Operation of Noninstructional Services:</b>							
Student Activities	3,345,336	404,450	200,486	-	(2,740,400)	-	(2,740,400)
Community Services	131,987	64,195	43,253	-	(24,539)	-	(24,539)
Interest on Long-Term Debt	1,767,444	-	-	1,480,970	(286,474)	-	(286,474)
Total Operation of Noninstructional Services	5,244,767	468,645	243,739	1,480,970	(3,051,413)	-	(3,051,413)
<b>Total Governmental Activities</b>	<b>100,673,383</b>	<b>1,470,094</b>	<b>15,308,206</b>	<b>1,480,970</b>	<b>(82,414,113)</b>	<b>-</b>	<b>(82,414,113)</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES - CONTINUED**

**For the Year Ended June 30, 2018**

For the Year Ended June 30, 2018							
Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Total Governmental Activities - from previous page	100,673,383	1,470,094	15,308,206	1,480,970	(82,414,113)	-	(82,414,113)
<b>Business-Type Activities:</b>							
Food Services	2,874,283	1,532,363	1,416,277	-	-	74,357	74,357
Child Care	1,421,764	1,202,098	222,346	-	-	2,680	2,680
Total Business-Type Activities	4,296,047	2,734,461	1,638,623	-	-	77,037	77,037
Total Primary Government	<u>\$ 104,969,430</u>	<u>\$ 4,204,555</u>	<u>\$ 16,946,829</u>	<u>\$ 1,480,970</u>	(82,414,113)	77,037	(82,337,076)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					64,174,113	-	64,174,113
Public Utility Realty, Earned Income, Local Services, and Mercantile/Business Privilege Taxes					10,342,346	-	10,342,346
Grants, Subsidies, and Contributions Not Restricted for a Specific Program					9,407,831	-	9,407,831
Investment Earnings					586,639	9,074	595,713
Miscellaneous Revenue					247,892	-	247,892
Transfers					211,192	(211,192)	-
Total General Revenues and Transfers					84,970,013	(202,118)	84,767,895
Change in Net Position					2,555,900	(125,081)	2,430,819
Net Position (Deficit) - Beginning of Year - Restated					(17,988,018)	(3,630,956)	(21,618,974)
Net Position (Deficit) - End of Year					\$ (15,432,118)	\$ (3,756,037)	\$ (19,188,155)

See accompanying notes.

**WILSON SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2018**

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 25,855,999	\$ 7,240,367	\$ 3,744	\$ 33,100,110
Restricted Cash	60,121	-	-	60,121
Interfund Receivables	12,048	1,000,000	-	1,012,048
Taxes Receivable	1,882,313	-	-	1,882,313
Intergovernmental Receivables	5,363,842	-	-	5,363,842
Other Receivables	145,645	300,708	-	446,353
<b>TOTAL ASSETS</b>	<b>\$ 33,319,968</b>	<b>\$ 8,541,075</b>	<b>\$ 3,744</b>	<b>\$ 41,864,787</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund Payables	\$ 1,019,801	\$ -	\$ -	\$ 1,019,801
Accounts Payable	1,285,901	415,844	-	1,701,745
Intergovernmental Payables	434,423	-	-	434,423
Accrued Salaries and Benefits	12,606,020	-	-	12,606,020
Unearned Revenues	256,427	-	-	256,427
<b>TOTAL LIABILITIES</b>	<b>15,602,572</b>	<b>415,844</b>	<b>-</b>	<b>16,018,416</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	1,226,711	-	-	1,226,711
<b>FUND BALANCES</b>				
Restricted	60,121	8,125,231	3,744	8,189,096
Committed	8,483,172	-	-	8,483,172
Assigned	2,025,000	-	-	2,025,000
Unassigned	5,922,392	-	-	5,922,392
<b>TOTAL FUND BALANCES</b>	<b>16,490,685</b>	<b>8,125,231</b>	<b>3,744</b>	<b>24,619,660</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 33,319,968</b>	<b>\$ 8,541,075</b>	<b>\$ 3,744</b>	<b>\$ 41,864,787</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

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

**June 30, 2018**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 24,619,660
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 \$262,960,143 and the accumulated depreciation is \$84,430,631.		178,529,512
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		1,037,545
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(131,807,361)
The other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(15,427,434)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and Notes Payable	\$ (68,918,382)	
Accrued Interest	(425,755)	
Unamortized Bond Premium	(2,536,152)	
Unamortized Bond Discount	84,470	
Deferred Charge on Bond Refunding	682,650	
Long-Term Portion of Compensated Absences	(1,270,871)	(72,384,040)
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ (15,432,118)</u></u>

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2018**

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 77,926,569	\$ 96,888	\$ -	\$ 78,023,457
State Sources	23,649,490	-	-	23,649,490
Federal Sources	1,309,451	-	-	1,309,451
<b>TOTAL REVENUES</b>	<b>102,885,510</b>	<b>96,888</b>	<b>-</b>	<b>102,982,398</b>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	58,672,261	-	-	58,672,261
Support Services	26,798,192	660,028	-	27,458,220
Operation of Noninstructional Services	2,410,301	-	-	2,410,301
Capital Outlay	-	2,242,927	-	2,242,927
Debt Service:				
Principal	-	-	9,105,000	9,105,000
Interest	-	-	2,640,133	2,640,133
Refund of Prior Year Revenue	14,866	-	-	14,866
<b>TOTAL EXPENDITURES</b>	<b>87,895,620</b>	<b>2,902,955</b>	<b>11,745,133</b>	<b>102,543,708</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>14,989,890</b>	<b>(2,806,067)</b>	<b>(11,745,133)</b>	<b>438,690</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Notes	-	878,382	7,645,000	8,523,382
Current Refunding Debt Service - Principal	-	-	(2,645,000)	(2,645,000)
Payment to Refunded Bond Escrow Agent	-	-	(4,971,256)	(4,971,256)
Transfers In	211,192	1,000,000	11,720,133	12,931,325
Sale of Capital Assets	33,481	-	-	33,481
Transfers Out	(12,720,133)	-	-	(12,720,133)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(12,475,460)</b>	<b>1,878,382</b>	<b>11,748,877</b>	<b>1,151,799</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,514,430</b>	<b>(927,685)</b>	<b>3,744</b>	<b>1,590,489</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>13,976,255</b>	<b>9,052,916</b>	<b>-</b>	<b>23,029,171</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 16,490,685</b>	<b>\$ 8,125,231</b>	<b>\$ 3,744</b>	<b>\$ 24,619,660</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

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

For the Year Ended June 30, 2018

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 1,590,489

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 2,907,597	
Less: Disposal of Capital Assets	(10,797)	
Less: Depreciation Expense	(5,938,565)	(3,041,765)

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. 35,692

Issuance of long-term debt (eg. 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.

Issuance of Notes	(8,523,382)	
Repayment of Debt Principal	9,105,000	
Current Refunding Debt Service - Principal	2,645,000	
Payment to Escrow Agent for Bond and Note Refunding	4,971,256	
Amortization of Bond Premium	843,905	
Amortization of Bond Discount	(11,018)	
Amortization of Deferred Charge on Bond Refunding	(388,157)	8,642,604

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 39,802

In the statement of activities, certain operating expenses - compensated absences (retirement bonus and sick days) are measured by the amounts earned during the year. (20,952)

The change in net pension liability and related deferred outflows and inflows of resources for pension are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (4,189,248)

The change in other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (500,722)

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$ 2,555,900**

**WILSON SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

June 30, 2018

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 275,947	\$ 330,595	\$ 606,542
Interfund Receivables (Payables)	13,544	(5,791)	7,753
Intergovernmental Receivables	166,908	5,294	172,202
Other Receivables	6,571	1,432	8,003
Inventories	65,093	-	65,093
<b>TOTAL CURRENT ASSETS</b>	<b>528,063</b>	<b>331,530</b>	<b>859,593</b>
<b>NONCURRENT ASSETS</b>			
Building Improvements, Net	-	562,179	562,179
Machinery and Equipment, Net	135,759	81,574	217,333
<b>TOTAL NONCURRENT ASSETS</b>	<b>135,759</b>	<b>643,753</b>	<b>779,512</b>
<b>TOTAL ASSETS</b>	<b>663,822</b>	<b>975,283</b>	<b>1,639,105</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources for Pension	583,090	553,284	1,136,374
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	9,418	6,628	16,046
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	47,383	4,273	51,656
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>639,891</b>	<b>564,185</b>	<b>1,204,076</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	30,101	1,145	31,246
Accrued Salaries and Benefits	15,536	36,967	52,503
Unearned Revenues	68,073	7,513	75,586
<b>TOTAL CURRENT LIABILITIES</b>	<b>113,710</b>	<b>45,625</b>	<b>159,335</b>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	3,196,344	2,438,448	5,634,792
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	131,862	100,596	232,458
Total Other Postemployment Benefit Obligation - District Plan	177,002	163,189	340,191
<b>TOTAL LIABILITIES</b>	<b>3,618,918</b>	<b>2,747,858</b>	<b>6,366,776</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	205,726	15,909	221,635
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	6,130	4,677	10,807
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>211,856</b>	<b>20,586</b>	<b>232,442</b>
<b>NET POSITION</b>			
Investment in Capital Assets	135,759	643,753	779,512
Unrestricted (Deficit)	(2,662,820)	(1,872,729)	(4,535,549)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (2,527,061)</b>	<b>\$ (1,228,976)</b>	<b>\$ (3,756,037)</b>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2018**

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<b>OPERATING REVENUES</b>			
Food Service Revenue	\$ 1,532,363	\$ -	\$ 1,532,363
Tuition and Fee Revenue	-	1,202,098	1,202,098
<b>TOTAL OPERATING REVENUES</b>	1,532,363	1,202,098	2,734,461
<b>OPERATING EXPENSES</b>			
Salaries	1,018,138	718,438	1,736,576
Employee Benefits	491,548	414,457	906,005
GASB Statement Nos. 68 and 71 Pension Expense	(2,311)	125,131	122,820
GASB Statement No. 75 Other Postemployment Benefit Expense	5,430	25,104	30,534
Supplies and Other Operating Expenses	1,343,176	103,050	1,446,226
Depreciation	18,302	35,584	53,886
<b>TOTAL OPERATING EXPENSES</b>	2,874,283	1,421,764	4,296,047
<b>OPERATING LOSS</b>	(1,341,920)	(219,666)	(1,561,586)
<b>NONOPERATING REVENUES</b>			
Earnings on Investments	4,781	4,293	9,074
State Sources	264,839	222,346	487,185
Federal Sources	1,151,438	-	1,151,438
<b>TOTAL NONOPERATING REVENUES</b>	1,421,058	226,639	1,647,697
<b>INCOME BEFORE OPERATING TRANSFERS</b>	79,138	6,973	86,111
<b>TRANSFERS OUT</b>	(46,753)	(164,439)	(211,192)
<b>CHANGE IN NET POSITION</b>	32,385	(157,466)	(125,081)
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR- RESTATED</b>	(2,559,446)	(1,071,510)	(3,630,956)
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ (2,527,061)</u>	<u>\$ (1,228,976)</u>	<u>\$ (3,756,037)</u>

See accompanying notes.

**WILSON SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2018**

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from Customers	\$ 1,518,500	\$ 1,205,648	\$ 2,724,148
Payments to Employees for Services	(1,517,513)	(1,126,059)	(2,643,572)
Payments for Supplies and Other Operating Expenses	(1,191,203)	(120,456)	(1,311,659)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	(1,190,216)	(40,867)	(1,231,083)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	260,799	221,539	482,338
Federal Sources	944,838	-	944,838
Transfers Out	(46,753)	(164,439)	(211,192)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	1,158,884	57,100	1,215,984
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	(21,047)	(170,522)	(191,569)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	4,781	4,293	9,074
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(47,598)	(149,996)	(197,594)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	323,545	480,591	804,136
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 275,947	\$ 330,595	\$ 606,542

*See accompanying notes.*

**WILSON SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - CONTINUED**

**For the Year Ended June 30, 2018**

	Enterprise Fund Food Service	Enterprise Fund Child Care	Totals
<b><u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</u></b>			
Operating Loss	\$ (1,341,920)	\$ (219,666)	\$ (1,561,586)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:			
Depreciation	18,302	35,584	53,886
Donated Commodities Used	158,853	-	158,853
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Interfund Balances	(13,204)	1,686	(11,518)
Intergovernmental and Other Receivables	(4,407)	(1,562)	(5,969)
Inventories	(27,207)	-	(27,207)
Deferred Outflows of Resources for Pension	44,981	208,017	252,998
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	(2,260)	(1,146)	(3,406)
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	(47,383)	(4,273)	(51,656)
Accounts Payable	20,534	(16,430)	4,104
Accrued Salaries and Benefits	5,169	5,054	10,223
Unearned Revenues	(9,455)	4,232	(5,223)
Net Pension Liability	60,235	(76,973)	(16,738)
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	(5,878)	(4,484)	(10,362)
Total Other Postemployment Benefit Obligation - District Plan	54,821	30,330	85,151
Deferred Inflows of Resources for Pension	(107,527)	(5,913)	(113,440)
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	6,130	4,677	10,807
Total Adjustments	151,704	178,799	330,503
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>\$ (1,190,216)</b>	<b>\$ (40,867)</b>	<b>\$ (1,231,083)</b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$158,853 of commodities from the U.S. Department of Agriculture.

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

**June 30, 2018**

	Private Purpose Trust Funds Scholarship	Agency Funds Student Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 37,471	\$ 194,648
<b>TOTAL ASSETS</b>	37,471	<u>\$ 194,648</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Other Current Liabilities	-	\$ 194,648
<b>TOTAL LIABILITIES</b>	-	<u>\$ 194,648</u>
<b>NET POSITION HELD IN TRUST</b>	<u>\$ 37,471</u>	

*See accompanying notes.*

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

**For the Year Ended June 30, 2018**

	Private Purpose Trust Funds Scholarship
<b>ADDITIONS</b>	
Contributions	\$ 21,354
Earnings on Investments	<u>259</u>
<b>TOTAL ADDITIONS</b>	21,613
<b>DEDUCTIONS</b>	
Scholarships	<u>20,000</u>
<b>CHANGE IN NET POSITION</b>	1,613
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>35,858</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 37,471</u></u>

## **WILSON SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

The District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

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

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

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The financial statements of the Wilson School District have been prepared in accordance with accounting principles generally accepted in the United States of America (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. The more significant of these accounting principles are as follows:

##### **A. Reporting Entity**

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

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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##### A. Reporting Entity - continued

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

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

**Joint Venture:** The District is a participating member of the Berks Career and Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

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

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

##### B. Basis of Presentation - Government-Wide Financial Statements

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

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

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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##### B. Basis of Presentation - Government-Wide Financial Statements - continued

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

##### C. Basis of Presentation - Fund Financial Statements

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

##### The District Reports the Following Major Governmental Funds:

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

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

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

##### The District has the Following Major Enterprise Funds:

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

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

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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##### C. Basis of Presentation - Fund Financial Statements - continued

###### Additionally, the District Reports the Following Fund Type:

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

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

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

##### D. Measurement Focus and Basis of Accounting

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

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

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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##### D. Measurement Focus and Basis of Accounting - continued

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

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

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

##### E. Budgetary Process

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

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

##### **Accelerated Budget Process Option**

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

## **WILSON SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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##### **E. Budgetary Process - continued**

###### **Accelerated Budget Process Option - continued**

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

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

###### **Board Resolution Option**

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2017/2018 budget transfers.

##### **F. Financial Position**

###### **1. Cash and Cash Equivalents**

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

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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**F. Financial Position - continued**

**2. Investments**

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

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

**3. Interfund Transactions**

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

**4. Inventories**

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

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, utilize the purchase method; that is, they are charged to expenditure when purchased.

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2018, consist of the following:

Purchased food	\$ 41,641
Supplies	10,420
Donated commodities	<u>13,032</u>
	<u>\$ 65,093</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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**F. Financial Position - continued**

**5. Capital Assets, Depreciation, and Amortization**

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

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

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

*A deferred charge on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Deferred outflows of resources for pension* relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

*Deferred outflows of resources for other postemployment benefit obligations* relates to the District's obligation for postemployment benefits other than pensions and related expenses and arises from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit obligation in the following year.

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

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##### F. Financial Position - continued

###### 6. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category.

*Unavailable revenue* arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Deferred inflows of resources for pensions* relate to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

*Deferred inflows of resources for other postemployment benefit obligations* relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

###### 7. Unearned Revenues

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

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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**F. Financial Position - continued**

**8. Net Position**

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

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

**9. Fund Balance Policies and Flow Assumptions**

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

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

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

## **WILSON SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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##### **F. Financial Position - continued**

###### **9. Fund Balance Policies and Flow Assumptions- continued**

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

The unassigned fund balance of the general fund at the end of each fiscal year end shall not be less than 3% of the following year's projected budgeted expenditures. In any fiscal year where the District is unable to maintain this minimum reservation of fund balance as required in this section, the District shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

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

##### **G. Revenues and Expenditures/Expense**

###### **1. Program Revenues**

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

###### **2. Compensated Absences**

###### **Sick Pay**

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

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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

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**G. Revenues and Expenditures/Expense - continued**

**2. Compensated Absences - continued**

**Vacation Leave**

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

**Retirement Benefits**

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

**Retirement Incentive**

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

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**H. Use of Estimates**

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

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. Compliance with Finance Related Legal and Contractual Provisions**

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

**B. Deficit Fund Balance or Net Position of Individual Funds**

**Deficit Net Position - Proprietary Funds (Food Service Fund and Child Care Fund)**

For the year ended June 30, 2018, the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created the following deficiencies in net position as of June 30, 2018:

	Food Service Fund	Child Care Fund
Net Position Before Effects of GASB Statements Noted Below	\$ 550,112	\$ 929,658
Cumulative Effect of GASB Statement Nos. 68 and 71	(2,818,980)	(1,901,073)
Cumulative Effect of GASB Statement No. 75	(258,193)	(257,561)
Ending Net Position (Deficit)	<u>\$ (2,527,061)</u>	<u>\$ (1,228,976)</u>

**C. Excess of Expenditures Over Appropriations in Individual Funds**

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

**D. Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2018. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 3 - CASH AND INVESTMENTS**

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

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

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

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

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

The breakdown of total cash and investments on the financial statements at June 30, 2018, was as follows:

Petty cash	\$ 2,795
Demand deposits	17,603,163
Pooled cash and investments	<u>16,392,934</u>
	<u>\$ 33,998,892</u>

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2018, the carrying amount of the District's deposits was \$17,603,163 and the bank balance was \$17,909,345. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$16,909,345 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Investments**

As of June 30, 2018, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 9,200,000	\$ 9,200,000
Collateralized Pool	< 1 year	2,000,000	2,000,000
Certificates of Deposit	< 1 year	2,205,000	2,205,000
MAX Account Balance		<u>2,987,934</u>	<u>2,987,934</u>
	Total Investments		<u>\$ 16,392,934</u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$16,392,934 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDLAF Full Flex Pool and Collateralized Pool, as part of the Fixed-Term Series at PSDLAF, are a fixed-term investment collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

As of June 30, 2018, the entire PSDLAF book balance of \$16,392,934 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**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. At June 30, 2018, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the District's investments were rated as:

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

**Concentration of Credit Risk**

The District does not have a policy that would limit the amount they may invest in any one issue.

**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 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

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

# WILSON SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

### NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$2,608,522,100. In accordance with Act 1 of 2006, the District received \$1,383,056 in property tax reduction funds for the 2017/2018 fiscal year. The District tax rate for the year ended June 30, 2018, was 25.29 mills (\$25.29 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

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

The balances at June 30, 2018, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Share of Taxes Due to Municipalities	Tax Revenue Recognized	Unavailable Revenue
Property tax	\$ 1,335,938	\$ 189,166	\$ 1,146,772	\$ -	\$ 109,227	\$ 1,226,711
Per capita tax	13,086	-	13,086	-	13,086	-
Mercantile/Bus. Privilege tax	92,028	-	92,028	41,890	50,138	-
Earned income tax	364,534	-	364,534	-	364,534	-
Transfer tax	76,727	-	76,727	-	76,727	-
	<u>\$ 1,882,313</u>	<u>\$ 189,166</u>	<u>\$ 1,693,147</u>	<u>\$ 41,890</u>	<u>\$ 613,712</u>	<u>\$ 1,226,711</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

The following schedule represents intergovernmental receivables at June 30, 2018:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Proprietary</u>	
		<u>Food Service</u>	<u>Child Care</u>
Commonwealth of Pennsylvania:			
Retirement	\$ 2,610,115	\$ 1,140	\$ 2,966
Social Security	670,420	309	723
Transportation Subsidy	95,726	-	-
Rental Subsidy	1,303,747	-	-
School Lunch Program	-	11,081	-
Federal Subsidies:			
Supporting Effective Instruction State Grants	8,630	-	-
Student Support and Academic Enrichment Grants	5,246	-	-
IDEA - B Special Education Grants to States	433,250	-	-
ACCESS	75,000	-	-
Medicaid Admin Claims	14,325	-	-
School Lunch Program	-	154,265	-
Army JROTC	2,830	-	-
Berks Career and Technology Center	2,922	113	-
Berks County Intermediate Unit	101	-	2,270
Borough of Sinking Spring	2,829	-	-
Conrad Weiser Area School District	65,736	-	-
Daniel Boone Area School District	10,523	-	-
Governor Mifflin School District	4,950	-	-
Lower Heidelberg Township	5,610	-	-
School District of Philadelphia	5,665	-	-
Spring Township	33,716	-	-
Wyomissing Borough	-	-	(665)
Wyomissing School District	12,501	-	-
	<u>\$ 5,363,842</u>	<u>\$ 166,908</u>	<u>\$ 5,294</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES - CONTINUED**

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The following schedule represents intergovernmental payables at June 30, 2018:

<u>Name of Government Unit</u>	<u>General Fund</u>
Berks County Intermediate Unit	\$ 89,192
Blue Mountain School District	6,665
Chester County Intermediate Unit	7,442
Colonial School District	423
Conrad Weiser Area School District	141,181
Grove City Area School District	7,024
Lehighon Area School District	6,461
Lower Heidelberg Township	(366)
PA Department of Education	14,866
PA Department of Labor & Industry	414
PA Department of Revenue	41
PA UC Fund	5,219
Rose Tree Media School District	13,118
Salisbury Township School District	1,200
Shippensburg University	7,472
Sinking Spring Borough	5,773
Spring Township	75,724
Twin Valley School District	12,465
Wyomissing Borough	40,109
	<u>\$ 434,423</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 10,872,388	\$ -	\$ -	\$ -	\$ 10,872,388
Construction in progress	699,487	2,242,927	-	(2,270,423)	671,991
Total assets not being depreciated	11,571,875	2,242,927	-	(2,270,423)	11,544,379
Capital assets being depreciated:					
Buildings and building improvements	222,221,869	-	-	2,270,423	224,492,292
Site improvements	13,185,185	-	-	-	13,185,185
Machinery and equipment	8,129,330	183,486	(155,794)	-	8,157,022
Vehicles	5,497,820	481,184	(397,739)	-	5,581,265
Total assets being depreciated	249,034,204	664,670	(553,533)	2,270,423	251,415,764
Less accumulated depreciation for:					
Buildings and building improvements	63,978,304	4,112,723	-	-	68,091,027
Site improvements	6,901,702	859,888	-	-	7,761,590
Machinery and equipment	4,471,668	465,539	(144,997)	-	4,792,210
Vehicles	3,683,128	500,415	(397,739)	-	3,785,804
Total accumulated depreciation	79,034,802	5,938,565	(542,736)	-	84,430,631
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>169,999,402</u>	<u>(5,273,895)</u>	<u>(10,797)</u>	<u>2,270,423</u>	<u>166,985,133</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 181,571,277</u>	<u>\$ (3,030,968)</u>	<u>\$ (10,797)</u>	<u>\$ -</u>	<u>\$ 178,529,512</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED**

<b>Business-Type Activities</b>					
	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	\$ 10,398	\$ -	\$ -	\$ (10,398)	\$ -
Capital assets being depreciated:					
Building improvements	459,028	170,522	-	10,398	639,948
Machinery and equipment	928,607	21,047	(18,421)	-	931,233
Total assets being depreciated	1,387,635	191,569	(18,421)	10,398	1,571,181
Accumulated depreciation for:					
Building improvements	49,986	27,783	-	-	77,769
Machinery and equipment	706,218	26,103	(18,421)	-	713,900
Total accumulated depreciation	756,204	53,886	(18,421)	-	791,669
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>631,431</u>	<u>137,683</u>	<u>-</u>	<u>10,398</u>	<u>779,512</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 641,829</u>	<u>\$ 137,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,512</u>

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

Instructional, Regular	\$ 3,884,067
Instructional, Special	1,774
Support Services	1,054,019
Noninstructional Services	<u>998,705</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<u>\$ 5,938,565</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 7 - LONG-TERM LIABILITIES**

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Bonds and notes payable are as follows at June 30, 2018:

General Obligation Notes - Series C of 2017:

The District is liable for general obligation notes dated December 27, 2017, in the original principal amount of \$4,975,000. Principal maturities occur on May 15, 2019, through the year 2025. Interest is payable semi-annually on May 15 and November 15 at a fixed rate of 2.39%. The proceeds of this issuance were used to advance refund a portion of the outstanding balance on General Obligation Bonds - Series B of 2013, as well as pay debt issuance costs. The District realized a savings of \$153,571 as a result of the refunding.

\$ 4,975,000

General Obligation Notes - Series B of 2017:

The District is liable for general obligation notes dated August 31, 2017, in the original principal amount of \$5,000,000. Principal maturities occur on May 15, 2018, through the year 2026. Interest is payable semi-annually on May 15 and November 15 at a fixed rate of 2.180%. The proceeds of this issuance will be drawn on as needed for various capital projects with the final draw down to be completed by February 2019. As of June 30, 2018, \$572,674 has been drawn on the note. In addition, a receivable and liability of \$300,708 is recorded for expenses which will be drawn on the note during 2018-2019.

873,382

General Obligation Notes - Series A of 2017:

The District is liable for general obligation notes dated August 31, 2017, in the original principal amount of \$2,670,000. Principal maturities occur on May 15, 2018, through the year 2019. Interest is payable semi-annually on May 15 and November 15 at a fixed rate of 1.55%. The proceeds of this issuance were used to currently refund the outstanding balance on General Obligation Bonds - Series of 2011, as well as pay debt issuance costs. The District realized a savings of \$40,197 as a result of the refunding.

1,340,000

General Obligation Bonds - Series B of 2016:

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

5,430,000

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

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General Obligation Bonds - Series A of 2016:

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

9,720,000

General Obligation Bonds - Series of 2016:

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

9,240,000

General Obligation Bonds - Series of 2014:

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

9,465,000

General Obligation Bonds - Series C of 2013:

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

14,635,000

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

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General Obligation Bonds - Series B of 2013:

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

5,955,000

General Obligation Bonds - Series of 2012:

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

7,285,000

Total Bonds and Notes Payable

\$ 68,918,382

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

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

	General Obligation Notes,			General Obligation Bonds
	Series C of 2017	Series B of 2017	Series A of 2017	Series B of 2016
2019	\$ 5,000	\$ 5,000	\$ 1,340,000	\$ 5,000
2020	20,000	5,000	-	4,425,000
2021	70,000	5,000	-	1,000,000
2022	70,000	5,000	-	-
2023	70,000	5,000	-	-
2024-2026	4,740,000	4,970,000	-	-
Less: Amount not drawn down	-	(4,121,618)	-	-
Total	<u>\$ 4,975,000</u>	<u>\$ 873,382</u>	<u>\$ 1,340,000</u>	<u>\$ 5,430,000</u>

	General Obligation Bonds,			
	Series A of 2016	Series of 2016	Series of 2014	Series C of 2013
2019	\$ 55,000	\$ 5,000	\$ 150,000	\$ 75,000
2020	55,000	5,000	155,000	4,300,000
2021	110,000	3,355,000	165,000	4,500,000
2022	60,000	4,765,000	155,000	4,735,000
2023	520,000	1,110,000	3,600,000	1,025,000
2024-2026	8,920,000	-	5,240,000	-
Less: Amount not drawn down	-	-	-	-
Total	<u>\$ 9,720,000</u>	<u>\$ 9,240,000</u>	<u>\$ 9,465,000</u>	<u>\$ 14,635,000</u>

	General Obligation Bonds,			
	Series B of 2013	Series of 2012	Total Principal	Total Interest
2019	\$ 450,000	\$ 7,285,000	\$ 9,375,000	\$ 2,514,735
2020	30,000	-	8,995,000	2,091,067
2021	5,000	-	9,210,000	1,739,281
2022	5,000	-	9,795,000	1,333,623
2023	3,660,000	-	9,990,000	964,517
2024-2026	1,805,000	-	25,675,000	1,062,583
Less: Amount not drawn down	-	-	(4,121,618)	-
Total	<u>\$ 5,955,000</u>	<u>\$ 7,285,000</u>	<u>\$ 68,918,382</u>	<u>\$ 9,705,806</u>

**WILSON SCHOOL DISTRICT****NOTES TO BASIC FINANCIAL STATEMENTS****June 30, 2018****NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable	\$ 76,790,000	\$ 8,523,382	\$ 16,395,000	\$ 68,918,382	\$ 9,375,000
Discounts	(95,488)	-	(11,018)	(84,470)	-
Premiums	3,714,079	-	1,177,927	2,536,152	-
Total Bonds and Notes Payable	80,408,591	8,523,382	17,561,909	71,370,064	9,375,000
Compensated Absences	1,307,707	238,152	216,875	1,328,984	58,113
Total Governmental Long-term Liabilities	<u>\$ 81,716,298</u>	<u>\$ 8,761,534</u>	<u>\$ 17,778,784</u>	<u>\$ 72,699,048</u>	<u>\$ 9,433,113</u>

Payments on bonds and notes payable are made by the debt service fund. The compensated absence liabilities will be liquidated by the general fund. Total interest paid during the year ended June 30, 2018, was \$2,640,133.

**Subsequent Event**

Subsequent to year end, the District issued the General Obligation Notes, Series B of 2018 in the amount of \$9,585,000 to currently refund the remaining balance of the General Obligation Bonds, Series of 2014. Estimated net present value savings is \$304,109.

**Defeased Debt**

During the year ended June 30, 2018, the District issued General Obligation Notes, Series of 2017C in the amount of \$4,975,000 which was used to advance refund a portion of the General Obligation Bonds, Series of 2013B. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District's long-term liabilities.

As of June 30, 2018, outstanding general obligation notes of the District in the amount of \$4,645,000 were considered to be defeased with a related \$4,769,504 (market value at June 30, 2018) held in escrow funds.

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 8 - EMPLOYEE RETIREMENT PLANS

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##### Employee Defined Benefit Pension Plan

##### *Summary of Significant Accounting Policies*

###### Pension Plan

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

##### *General Information About the Pension Plan*

###### Plan Description

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

###### Benefits Provided

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

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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##### Employee Defined Benefit Pension Plan - continued

##### *General Information About the Pension Plan - continued*

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

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

##### Contributions

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

##### Member Contributions:

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

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

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

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

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

**Employer Contributions:**

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018, was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$14,481,553 for the year ended June 30, 2018.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$7,398,511.

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

At June 30, 2018, the District reported a liability of \$164,760,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.3336%, which was an increase of 0.004% from its proportion measured as of June 30, 2017. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the general, food service, and child care funds.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

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

For the year ended June 30, 2018, the District recognized pension expense of \$18,793,621. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 3,817,000	\$ -
Difference between expected and actual experience	1,719,000	995,000
Changes in proportions - Plan Level	4,307,000	68,000
Changes in assumptions	4,476,000	-
Changes in proportions - Internal	184,499	184,499
Difference between employer contributions and proportionate share of total contributions	495,033	-
Contributions made subsequent to the measurement date	14,481,553	-
	<u>\$ 29,480,085</u>	<u>\$ 1,247,499</u>

The \$14,481,553 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2019	\$ 3,932,623
2020	5,786,666
2021	4,151,287
2022	<u>(119,543)</u>
	<u>\$ 13,751,033</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

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

Actuarial Assumptions

The total pension liability as of June 30, 2017, was determined by rolling forward the System's total pension liability at June 30, 2016 to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 202,805,000	\$ 164,760,000	\$ 132,639,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

Payables to the Pension Plan

At June 30, 2018, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$5,273,005. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

**403(b) Tax Shelter Plan**

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

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

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##### **Employee Defined Benefit Other Postemployment Benefits Plan**

The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered by PSERS.

##### ***Summary of Significant Accounting Policies***

###### Other Postemployment Benefits

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

##### ***General Information About the Health Insurance Premium Assistance Program***

###### Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental, cost-sharing, multiple-employer, other postemployment benefits plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

###### Premium Assistance Eligibility Criteria

Retirees of PSERS can participate in the HIPAP if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

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##### **Employee Defined Benefit Other Postemployment Benefits Plan - continued**

##### ***General Information About the Health Insurance Premium Assistance Program - continued***

##### Pension Plan Description

PSERS is a governmental, cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

##### Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

##### Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2018, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$378,692 for the year ended June 30, 2018.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net HIPAP obligation and related expense represents 100 percent of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018 for pension and OPEB benefits was \$7,398,511.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED**

**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the District reported an obligation of \$6,797,000 for its proportionate share of the net OPEB obligation. The net OPEB obligation was measured as of June 30, 2017, and the total OPEB obligation used to calculate the net OPEB obligation was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB obligation was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.3336%, which was an increase of 0.004% from its proportion measured as of June 30, 2017. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general, food service, and child care funds.

For the year ended June 30, 2018, the District recognized OPEB expense of \$301,728. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 316,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportion	74,000	-
Contributions made subsequent to the measurement date	378,692	-
	<u>\$ 459,692</u>	<u>\$ 316,000</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued***

The \$378,692 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$ (39,000)
2020	(39,000)
2021	(39,000)
2022	(39,000)
2023	(39,000)
Thereafter	<u>(40,000)</u>
	<u>\$ (235,000)</u>

**Actuarial Assumptions**

The total OPEB obligation as of June 30, 2017, was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued***

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

*HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued*

Discount Rate

The discount rate used to measure the total OPEB obligation was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Obligation to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB obligation for the June 30, 2017 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB obligation would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
District's proportionate share of the net OPEB obligation	\$ 6,795,000	\$ 6,797,000	\$ 6,798,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

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Employee Defined Benefit Other Postemployment Benefits Plan - continued

*HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued*

Sensitivity of the District's Proportionate Share of the Net OPEB Obligation to Changes in the Discount Rate

The following presents the net OPEB obligation, calculated using the discount rate of 3.13%, as well as what the net OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB obligation	\$ 7,726,000	\$ 6,797,000	\$ 6,025,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS of \$5,273,005, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN**

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**Employee Defined Benefit Other Postemployment Benefits Plan**

***General Information About the OPEB Plan***

Plan Description

Wilson School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, and dental 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 unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Government Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, and Support Staff. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

**Administrators**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
10 years of service with the district and 20 years of PSERS service, or Act 110/43	<u>Coverage</u> Medical, Prescription Drug, and Dental  <u>Premium Sharing</u> If the member reaches 10 years of service with the district and 20 years of PSERS service, the district will contribute the full single premiums for medical, prescription drug, and dental coverage less the cost- share for an active employee. The spouse must pay 102% of the premiums as determined for the purpose of COBRA if coverage is elected.  If the member does not reach the requirements for the district subsidy but meets the requirements for Act 110/43, the member and spouse may continue coverage by paying 102% of the premiums as determined for the purpose of COBRA.  <u>Dependents</u> Families Included	Until earlier of member Medicare age and member death. Spouse coverage ends at Medicare age if the spouse is older than the member.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***General Information About the OPEB Plan - continued***

**Teachers**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Age 50 with 20 years of service with the district and retirement through PSERS, or Act 110/43	<p><u>Coverage</u> Medical, Prescription Drug, and Dental</p> <p><u>Premium Sharing</u> If the member reaches age 50, 20 years of service with the district and retires through PSERS, the district will contribute \$135/month on coverage for the member. The member is responsible for any excess premiums and increases as they occur up to 102% of the premiums as determined for the purpose of COBRA. The spouse must pay 102% of the premiums as determined for the purpose of COBRA if coverage is elected.</p> <p>If the member does not reach the requirements for the district subsidy but meets the requirements for Act 110/43, the member and spouse may continue coverage by paying 102% of the premiums as determined for the purpose of COBRA.</p> <p><u>Dependents</u> Families Included</p>	Until earlier of member Medicare age and member death. Spouse coverage ends at Medicare age if the spouse is older than the member.

**Support Staff**

Retired on or before June 30, 2008	<p><u>Coverage</u> Medical, and Prescription Drug</p> <p><u>Premium Sharing</u> The District will pay the full premiums for single coverage for the member. The spouse must pay 102% of the premiums as determined for the purpose of COBRA if coverage is elected.</p> <p><u>Dependents</u> Families Included</p>	Until earlier of member Medicare age and member death. Spouse coverage ends at Medicare age if the spouse is older than the member.
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**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***General Information About the OPEB Plan - continued***

**Support Staff - continued**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Retired after June 30, 2008, age 55 with 20 years of service with the District, or Act 110/43	<p><u>Coverage</u> Medical and Prescription Drug</p> <p><u>Premium Sharing</u> If the member reaches age 55 and 20 years of service with the district, the district will contribute the full single premiums for medical and prescription drug coverage less the cost- share for an active employee. If the member had reached age 55 and 20 years of service with the district by 7/1/08 and retires after 7/1/08 the monthly member contribution for single coverage will not exceed \$50. The spouse must pay 102% of the premiums as determined for the purpose of COBRA if coverage is elected.</p> <p>If the member does not reach the requirements for the district subsidy but meets the requirements for Act 110/43, the member and spouse may continue coverage by paying 102% of the premiums as determined for the purpose of COBRA.</p> <p><u>Dependents</u> Families Included</p>	Until earlier of member Medicare age and member death. Spouse coverage ends at Medicare age if the spouse is older than the member.

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement. In accordance with these Acts, the District is required to give eligible retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***General Information About the OPEB Plan - continued***

PSERS Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
- 3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2016, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	625
Vested Former Participants	9
Retired participants	<u>45</u>
Total	<u><u>679</u></u>

***OPEB Liability***

Actuarial Assumptions and Other Inputs

The total OPEB obligation as of July 1, 2017, was determined by rolling forward the District's total OPEB obligation as of July 1, 2016 to July 1, 2017, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***OPEB Liability - continued***

Actuarial Assumptions and Other Inputs - continued

- Discount rate - 3.13% - based on the Standards & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/17.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of administrators and support staff and 80% of teachers eligible for subsidized coverage and 60% of all employees not eligible for subsidized coverage are assumed to elect coverage. 100% of vested former participants eligible for subsidized coverage are assumed to begin coverage at the later of age 62 and the valuation date. 35% of these vested former participants are assumed to elect coverage for their spouses.

The actuarial assumptions were selected using input from the District based on actual experience.

***Changes in the Total OPEB Liability***

	<u>Total OPEB Obligation</u>
Balance at July 1, 2017	<u>\$ 9,059,895</u>
Changes for the year:	
Service cost	703,506
Interest	238,006
Changes of assumptions or other inputs	372,171
Benefit payments	(378,235)
Net changes	<u>935,448</u>
Balance at June 30, 2018	<u><u>\$ 9,995,343</u></u>

**WILSON SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***Changes in the Total OPEB Liability***

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.49% to 3.13%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate

The following presents the total OPEB obligation of the District, as well as what the District's total OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current discount rate:

	<u>1% Decrease 2.13%</u>	<u>Current Discount Rate 3.13%</u>	<u>1% Increase 4.13%</u>
OPEB Plan - Total OPEB Obligation	\$ 10,822,879	\$ 9,995,343	\$ 9,218,634

Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB obligation of the District, as well as what the District's total OPEB obligation would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Obligation	\$ 8,768,729	\$ 9,995,343	\$ 11,479,760

At June 30, 2018, the District reported an OPEB obligation of \$9,995,343 related to the OPEB Plan. The net OPEB obligation was measured as of July 1, 2017, and was determined by rolling forward an actuarial valuation performed as of July 1, 2016 to July 1, 2017. The liability will be liquidated through future payments from the general, food service, and child care funds.

**WILSON SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the District recognized OPEB expense of \$966,323. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 347,360	\$ -
Benefit payments made subsequent to the measurement date	358,103	-
	<u>\$ 705,463</u>	<u>\$ -</u>

The \$358,103 reported as deferred outflows of resources related to OPEB obligations resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$ 24,811
2020	24,811
2021	24,811
2022	24,811
2023	24,811
Thereafter	<u>223,305</u>
Total	<u>\$ 347,360</u>

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 11 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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The following is a summary of interfund receivables and payables at June 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 12,048	\$ 1,019,801
Capital Projects Fund	1,000,000	-
Enterprise Fund - Food Service	13,544	-
Enterprise Fund - Child Care	-	5,791
	<u>\$ 1,025,592</u>	<u>\$ 1,025,592</u>

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

Interfund transfers are summarized as follows at June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 211,192	\$ 12,720,133
Capital Projects Fund	1,000,000	-
Debt Service Fund	11,720,133	-
Enterprise Fund - Food Service	-	46,753
Enterprise Fund - Child Care	-	164,439
	<u>\$ 12,931,325</u>	<u>\$ 12,931,325</u>

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

**NOTE 12 - JOINT VENTURE**

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The District is a participating member of the Berks Career and Technology Center. The Berks Career and 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 and Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career and Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2017/2018 year was \$1,006,473.

## **WILSON SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

#### **NOTE 12 - JOINT VENTURE - CONTINUED**

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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 and Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2017/2018 year was \$346,806.

Summary financial information as of June 30, 2017 (the most recent information available) is as follows:

<u>Berks Career and Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 33,405,464
Total Liabilities and Deferred Inflows of Resources	<u>32,156,625</u>
Total Net Position	<u>\$ 1,248,839</u>

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

#### **NOTE 13 - RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages of the 2017/2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years. The District has no unfunded liability.

#### **NOTE 14 - CONTINGENT LIABILITIES**

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The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

**WILSON SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 15 - COMMITMENTS**

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At June 30, 2018, 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>
Guaranteed Energy Savings Act Project	\$ 3,285,000	\$ 2,622,083
Admin Lobby & Board Room Renovations	15,000	10,500
High School Auditorium Renovations	15,000	12,000
	<u>\$ 3,315,000</u>	<u>\$ 2,644,583</u>

The District intends to use capital project funds and drawdowns on the General Obligation Bonds, Series B of 2017, to satisfy the remaining commitments.

**NOTE 16 - RESTATEMENT OF BEGINNING NET POSITION**

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**Restatement of Beginning Net Position**

Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles.

Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefit plans other than pensions. The statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. The statement also enhances note disclosure and required supplementary information for these plans.

# **WILSON SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

### **NOTE 16 - RESTATEMENT OF BEGINNING NET POSITION - CONTINUED**

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2017, as follows:

	Governmental Activities	Business-Type Activities Food Service Fund	Child Care Fund	Total
Net Position (Deficit) at June 30, 2017	\$ (6,629,986)	\$ (2,394,778)	\$ (873,605)	\$ (9,898,369)
Restatement for:				
Deferred Outflow - HIPAP contributions made subsequent to the measurement date	357,088	7,158	5,482	369,728
Other postemployment benefit obligation - HIPAP	(6,857,180)	(137,740)	(105,080)	(7,100,000)
Deferred Outflow - District benefit plan payments made subsequent to the measurement date	378,235	-	-	378,235
Other postemployment benefit obligation - District Plan	(5,236,175)	(34,086)	(98,307)	(5,368,568)
Net Position (Deficit) at July 1, 2017 - restated	<u>\$ (17,988,018)</u>	<u>\$ (2,559,446)</u>	<u>\$ (1,071,510)</u>	<u>\$ (21,618,974)</u>

### **NOTE 17 - FUND BALANCE**

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2018, were as follows:

#### **General Fund**

The general fund has restricted funds of \$60,121 for a special education settlement, committed funds of \$8,483,172 for retirement rate increases, an assigned fund balance of \$2,025,000 representing the 2018/2019 budget appropriation, and unassigned fund balance of \$5,922,392. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

## WILSON SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 17 - FUND BALANCE- CONTINUED

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##### Capital Projects

The capital projects fund has restricted funds of \$8,125,231 consisting of unspent cumulative transfers from the general fund authorized by the board of school directors for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

#### NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 88 is effective for the District's fiscal year ending June 30, 2019.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WILSON SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

**For the Year Ended June 30, 2018**

	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 75,997,389	\$ 75,997,389	\$ 77,926,569	\$ 1,929,180
State Sources	24,102,788	24,102,788	23,649,490	(453,298)
Federal Sources	1,160,640	1,160,640	1,309,451	148,811
<b>TOTAL REVENUES</b>	<b>101,260,817</b>	<b>101,260,817</b>	<b>102,885,510</b>	<b>1,624,693</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES:</b>				
Regular Programs - Elementary/Secondary	41,135,481	41,036,956	40,391,219	645,737
Special Programs - Elementary/Secondary	15,757,810	15,708,024	15,196,783	511,241
Vocational Education	2,790,646	2,797,566	2,783,908	13,658
Other Instructional Programs - Elementary/Secondary	355,592	364,041	281,807	82,234
Nonpublic School Programs	33,000	33,000	18,544	14,456
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>60,072,529</b>	<b>59,939,587</b>	<b>58,672,261</b>	<b>1,267,326</b>
<b>SUPPORT SERVICES:</b>				
Students	3,477,181	3,526,918	3,439,624	87,294
Instructional Staff	6,053,916	6,055,292	5,681,901	373,391
Administration	5,460,015	5,506,436	5,231,334	275,102
Pupil Health	844,825	844,825	788,474	56,351
Business	930,732	933,268	826,672	106,596
Operation and Maintenance of Plant Services	7,513,312	7,585,979	7,331,064	254,915
Student Transportation Services	2,823,249	2,848,775	2,746,644	102,131
Central	781,764	778,514	554,044	224,470
Other Support Services	217,280	211,384	198,435	12,949
<b>TOTAL SUPPORT SERVICES</b>	<b>28,102,274</b>	<b>28,291,391</b>	<b>26,798,192</b>	<b>1,493,199</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>				
Student Activities	2,525,822	2,475,998	2,273,149	202,849
Community Services	154,092	147,741	137,152	10,589
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>2,679,914</b>	<b>2,623,739</b>	<b>2,410,301</b>	<b>213,438</b>
<b>REFUND OF PRIOR YEAR REVENUE</b>	<b>-</b>	<b>-</b>	<b>14,866</b>	<b>(14,866)</b>
<b>TOTAL EXPENDITURES</b>	<b>90,854,717</b>	<b>90,854,717</b>	<b>87,895,620</b>	<b>2,959,097</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>10,406,100</b>	<b>10,406,100</b>	<b>14,989,890</b>	<b>4,583,790</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	223,000	223,000	211,192	(11,808)
Sale of Capital Assets	-	-	33,481	33,481
Transfers Out	(11,823,100)	(11,823,100)	(12,720,133)	(897,033)
Budgetary Reserve	(1,000,000)	(1,000,000)	-	1,000,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(12,600,100)</b>	<b>(12,600,100)</b>	<b>(12,475,460)</b>	<b>124,640</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (2,194,000)</b>	<b>\$ (2,194,000)</b>	<b>2,514,430</b>	<b>\$ 4,708,430</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>13,976,255</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 16,490,685</b>	

See note to required supplementary information.

**WILSON SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

**BUDGETARY DATA**

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

**WILSON SCHOOL DISTRICT**

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

	<b>LAST TEN FISCAL YEARS</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.3336%	0.3296%	0.3211%	0.3215%	0.3146%
District's proportionate share of the collective net pension liability	\$ 164,760,000	\$ 163,339,000	\$ 139,086,000	\$ 127,252,000	\$ 128,785,000
District's covered employee payroll	\$ 44,418,252	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.93%	382.69%	336.60%	310.16%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015, 2014, and 2013).

**NOTES TO SCHEDULE**

*Changes of Benefit Terms*

With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

*Changes of Assumptions*

None.

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

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 14,481,553	\$ 13,007,301	\$ 10,785,146	\$ 8,487,879	\$ 6,600,252	\$ 4,659,173	\$ 3,244,761	\$ 2,075,902	\$ 1,623,126	\$ 1,564,697
Contributions in relation to the contractually required contribution	<u>14,481,553</u>	<u>13,007,301</u>	<u>10,785,146</u>	<u>8,487,879</u>	<u>6,600,252</u>	<u>4,659,173</u>	<u>3,244,761</u>	<u>2,075,902</u>	<u>1,623,126</u>	<u>1,564,697</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 44,589,873	\$ 44,418,252	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523				
Contributions as a percentage of covered employee payroll	32.48%	29.28%	25.27%	20.54%	16.09%	11.54%				

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

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB OBLIGATION  
AND RELATED RATIOS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (HIPAP)**

**LAST TEN FISCAL YEARS**

	2018	2017
District's proportion of the collective HIPAP obligation	0.3336%	0.3296%
District's proportionate share of the collective net HIPAP obligation	\$ 6,797,000	\$ 7,100,000
District's covered employee payroll	\$ 44,418,252	\$ 42,681,352
District's proportionate share of the net HIPAP obligation as a percentage of its covered employee payroll	15.30%	16.63%
Plan fiduciary net position as a percentage of the total HIPAP obligation	5.73%	5.47%

The District's covered employee payroll noted above is as of the measurement date of the net HIPAP obligation (June 30, 2017 and 2016).

**NOTES TO SCHEDULE**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

Significant changes of assumptions for the June 30, 2017 measurement date are as follows:

- The discount rate changed from 2.71% to 3.13%.

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

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 378,692	\$ 369,728	\$ 362,381	\$ 372,639	\$ 383,640	\$ 348,425	\$ 263,637	\$ 265,715	\$ 316,510	\$ 297,293
Contributions in relation to the contractually required contribution	<u>378,692</u>	<u>369,728</u>	<u>362,381</u>	<u>372,639</u>	<u>383,640</u>	<u>348,425</u>	<u>263,637</u>	<u>265,715</u>	<u>316,510</u>	<u>297,293</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 44,589,873	\$ 44,418,252	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523				
Contributions as a percentage of covered employee payroll	0.85%	0.83%	0.85%	0.90%	0.94%	0.86%				

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

**WILSON SCHOOL DISTRICT**

**SCHEDULE OF CHANGES OF TOTAL OPEB OBLIGATION AND RELATED RATIOS -  
DISTRICT OPEB PLAN**

**LAST TEN FISCAL YEARS**

	<u>2018</u>
Total OPEB Obligation	
Service cost	\$ 703,506
Interest	238,006
Changes in assumptions	372,171
Benefit payments	<u>(378,235)</u>
Net change in total OPEB obligation	935,448
Total OPEB obligation, beginning	<u>9,059,895</u>
Total OPEB obligation, ending	<u><u>\$ 9,995,343</u></u>
Covered Employee Payroll	<u><u>\$ 37,552,928</u></u>
Total OPEB Obligation as a Percentage of Covered Employee Payroll	26.62%

**NOTES TO SCHEDULE**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

Significant changes in assumptions for the July 1, 2017 measurement date are as follows:

- The discount rate changed from 2.49% to 3.13%.
- The trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

## **SUPPLEMENTARY INFORMATION**

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2018**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>6000 Revenues from Local Sources</b>				
<u>Taxes</u>				
6111	Current Real Estate Taxes	\$ 62,646,515	\$ 62,875,479	\$ 228,964
6112	Interim Real Estate Taxes	230,000	252,401	22,401
6113	Public Utility Realty Tax	79,093	73,014	(6,079)
6114	Payments in Lieu of Current Taxes	1,015	1,015	-
6120	Current Per Capita Taxes, Section 679	123,000	120,145	(2,855)
6140	Current Act 511 Per Capita Taxes	123,000	120,145	(2,855)
6143	Current 511 Local Services Taxes	119,000	121,980	2,980
6151	Current Act 511 Earned Income Taxes	5,800,000	6,128,475	328,475
6153	Current Act 511 Real Estate Transfer Taxes	980,000	1,129,733	149,733
6155	Current Act 511 Mercantile/Business Privilege Taxes	2,150,000	2,647,839	497,839
6400	Delinquent Taxes (All Levies)	1,068,000	1,010,540	(57,460)
	<b>Total</b>	<b>73,319,623</b>	<b>74,480,766</b>	<b>1,161,143</b>
<u>Other</u>				
6510	Interest on Investments	120,000	489,751	369,751
6700	Revenue from District Activities	382,600	355,741	(26,859)
6810	Revenue from other Governments	60,000	43,526	(16,474)
6832	Revenue from Intermediate Unit - Federal - Special Education	971,697	977,229	5,532
6836	Revenue from Intermediate Unit - Federal -ARRA	-	10,000	10,000
6910	Rental of Facilities	172,000	228,883	56,883
6920	Donation from Private Source	37,500	94,440	56,940
6940	Tuition from Patrons	476,250	593,616	117,366
6950	Advertising Income	2,000	2,000	-
6960	Services Provided Other Local Government Units	134,630	136,813	2,183
6980	Community/Age Group Swim	112,500	115,319	2,819
6990	Miscellaneous Revenue	208,589	398,485	189,896
	<b>Total</b>	<b>2,677,766</b>	<b>3,445,803</b>	<b>768,037</b>
	<b>TOTAL REVENUES FROM LOCAL SOURCES</b>	<b>75,997,389</b>	<b>77,926,569</b>	<b>1,929,180</b>
<b>7000 Revenues from State Sources</b>				
7110	Basic Instructional Subsidy	7,941,819	7,938,056	(3,763)
7160	Tuition/Court-Placed Institutions	175,000	86,719	(88,281)
7270	Special Education of Exceptional Pupils	2,413,286	2,387,113	(26,173)
7299	Other Programs	-	883	883
7311	Pupil Transportation	733,874	810,260	76,386
7312	Nonpublic Transportation	102,000	95,865	(6,135)
7320	Rentals and Sinking Fund Payments	1,350,782	1,480,970	130,188
7330	Medical and Dental Services	115,175	114,135	(1,040)
7340	Property Tax Reduction Allocation	1,383,056	1,383,056	-
7500	Extra Grants	579,495	579,495	-
7810	Social Security	1,747,597	1,634,732	(112,865)
7820	Retirement	7,560,704	7,138,206	(422,498)
	<b>TOTAL REVENUES FROM STATE SOURCES</b>	<b>24,102,788</b>	<b>23,649,490</b>	<b>(453,298)</b>

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2018**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>8000 Revenues from Federal Sources</b>				
8514	Title I	736,264	763,274	27,010
8515	Title II	103,468	152,856	49,388
8516	Title III	45,908	43,067	(2,841)
8517	Title IV	-	14,306	14,306
8810	Access Medical Assistance Reimbursement	250,000	315,000	65,000
8820	Access Medical Assistance Reimbursement - Admin	25,000	20,948	(4,052)
	<b>TOTAL REVENUES FROM FEDERAL SOURCES</b>	<u>1,160,640</u>	<u>1,309,451</u>	<u>148,811</u>
<b>9000 Other Financing Sources</b>				
9359	Transfers In	223,000	211,192	(11,808)
9400	Sale of Capital Assets	<u>-</u>	<u>33,481</u>	<u>33,481</u>
	<b>TOTAL REVENUES FROM OTHER FINANCING SOURCES</b>	<u>223,000</u>	<u>244,673</u>	<u>21,673</u>
	<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u><u>\$ 101,483,817</u></u>	<u><u>\$ 103,130,183</u></u>	<u><u>\$ 1,646,366</u></u>

**WILSON SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2018**

	Budget	Actual	Variance
<b>1000 Instructional Services</b>			
1100 Regular Programs- Elementary/ Secondary	\$ 41,036,956	\$ 40,391,219	\$ 645,737
1200 Special Programs- Elementary/ Secondary	15,708,024	15,196,783	511,241
1300 Vocational Education	2,797,566	2,783,908	13,658
1400 Other Instructional Programs - Elementary/ Secondary	364,041	281,807	82,234
1500 Nonpublic School Programs	33,000	18,544	14,456
Total Instructional Services	59,939,587	58,672,261	1,267,326
<b>2000 Support Services</b>			
2100 Students	3,526,918	3,439,624	87,294
2200 Instructional Staff	6,055,292	5,681,901	373,391
2300 Administration	5,506,436	5,231,334	275,102
2400 Pupil Health	844,825	788,474	56,351
2500 Business	933,268	826,672	106,596
2600 Operation and Maintenance of Plant Services	7,585,979	7,331,064	254,915
2700 Student Transportation Services	2,848,775	2,746,644	102,131
2800 Central	778,514	554,044	224,470
2900 Other Support Services	211,384	198,435	12,949
Total Support Services	28,291,391	26,798,192	1,493,199
<b>3000 Operation of Noninstructional Services</b>			
3200 Student Activities	2,475,998	2,273,149	202,849
3300 Community Services	147,741	137,152	10,589
Total Operation of Noninstructional Services	2,623,739	2,410,301	213,438
<b>5000 Other Financing Uses</b>			
5100 Refund of Prior Year Revenue	-	14,866	(14,866)
5200 Transfers Out	11,823,100	12,720,133	(897,033)
5900 Budgetary Reserve	1,000,000	-	1,000,000
Total Other Financing Uses	12,823,100	12,734,999	88,101
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 103,677,817</b>	<b>\$ 100,615,753</b>	<b>\$ 3,062,064</b>

**WILSON SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2018**

Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2018
<b>U.S. Department of Education</b>										
<b>Passed through the State Department of Education:</b>										
Title I - Grants to Local Education Agencies	I	84.010	013-18-490	07/01/17-09/30/18	\$ 663,440	\$ 663,440	\$ -	\$ 663,440	\$ 663,440	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-17-490	07/01/16-09/30/17	731,158	131,004	57,813	73,191	73,191	-
Title I - Academic Achievement Award	I	84.010	077-16-490	09/15/16-09/30/17	49,415	22,807	(3,836)	26,643	26,643	-
Total Title I						817,251	53,977	763,274	763,274	-
Supporting Effective Instruction State Grants	I	84.367	020-18-490	07/01/17-09/30/18	154,434	144,226	-	152,856	152,856	8,630
English Language Acquisition State Grants	I	84.365	010-18-490	07/01/17-09/30/18	38,837	38,837	-	38,837	38,837	-
English Language Acquisition State Grants	I	84.365	010-17-490	07/01/16-09/30/17	40,552	8,110	3,880	4,230	4,230	-
Total English Language Acquisition State Grants						46,947	3,880	43,067	43,067	-
Student Support and Academic Enrichment Grants	I	84.424	144-18-490	07/05/17-09/30/18	15,100	9,060	-	14,306	14,306	5,246
<b>Passed through the Berks County Intermediate Unit:</b>										
<b>IDEA Cluster</b>										
IDEA - B Special Education Grants to States	I	84.027	N/A	07/01/17-06/30/18	962,729	529,479	-	962,729	962,729	433,250
IDEA - B Special Education Grants to States	I	84.027	N/A	07/01/16-06/30/17	973,356	469,656	469,656	-	-	-
Section 619 IDEA - B Special Education Grants to States	I	84.173	N/A	07/01/17-06/30/18	14,500	14,500	-	14,500	14,500	-
Total IDEA Cluster						1,013,635	469,656	977,229	977,229	433,250
<b>Passed through the Northwest Tri-County Intermediate Unit 5:</b>										
Opportunity for Prenatal- Third Grade (P-3) Prototype Stipenc	I	84.412A	N/A	10/01/17-05/31/18	10,000	10,000	-	10,000	10,000	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						2,041,119	527,513	1,960,732	1,960,732	447,126
<b>Medicaid Cluster and U.S. Department of Health and Human Services</b>										
<b>Passed through the Pennsylvania Department of Human Services:</b>										
Medical Reimbursement for Administration, Revenue Code 882C	I	93.778	44-008514	07/01/17-06/30/18	20,948	6,623	-	20,948	20,948	14,325
Medical Reimbursement for Administration, Revenue Code 882C	I	93.778	44-008514	07/01/16-06/30/17	21,672	9,349	9,349	-	-	-
<b>TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						15,972	9,349	20,948	20,948	14,325
<b>U.S. Department of Defense - Department of the Army</b>										
<b>Passed-Through the Cadet Command JROTC Instructor Management Division:</b>										
Army JROTC	I	12.630	N/A	07/01/2018	43,526	40,696	-	43,526	43,526	2,830
Army JROTC	I	12.630	N/A	07/01/2017	63,849	6,678	6,678	-	-	-
<b>TOTAL U.S. DEPARTMENT OF DEFENSE- DEPARTMENT OF THE ARMY</b>						47,374	6,678	43,526	43,526	2,830
<b>U.S. Department of Agriculture</b>										
<b>Child Nutrition Cluster</b>										
<b>Passed through the State Department of Education:</b>										
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	718,015	-	845,277	845,277	127,262
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	93,133	93,133	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	120,305	-	147,308	147,308	27,003
School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	13,385	13,385	-	-	-
<b>Passed through the PA Department of Agriculture:</b>										
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	158,271	(13,614)	158,853	158,853	(13,032)
<b>TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE</b>						1,103,109	92,904	1,151,438	1,151,438	141,233
<b>TOTAL FEDERAL AWARDS</b>						\$ 3,207,574	\$ 636,444	\$ 3,176,644	\$ 3,176,644	\$ 605,514

Source Codes: I = Indirect, D = Direct

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2018.

See notes to schedule of expenditures of federal awards.

**WILSON SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2018**

**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Wilson School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Wilson School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wilson School District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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

**NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS**

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

**NOTE 4 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had \$13,032 of food commodity inventory.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wilson School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wilson School District's basic financial statements and have issued our report thereon dated November 5, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**November 5, 2018**



**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Wilson School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wilson School District's major federal programs for the year ended June 30, 2018. The Wilson School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Wilson School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 5, 2018**

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?        yes   X   no

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

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness (es) identified?        yes   X   no

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

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

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

**Identification of major program(s):**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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Special Education Cluster (IDEA)

84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee?   X   yes        no

**WILSON SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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**Section II - Financial Statement Findings**

There were no financial statement findings.

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

There were no federal awards findings or questioned costs reported.



# WILSON SCHOOL DISTRICT

2601 Grandview Boulevard, West Lawn, PA 19609 | 610-670-0180 | wilsonsd.org

## STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

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### Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2017.

### Section III - Federal Awards Findings and Questioned Costs

#### 2017-001 VERIFICATION - SIGNIFICANT DEFICIENCY

##### Federal Program

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

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

##### Criteria

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

##### Condition/Cause

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

##### Effect

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

**WILSON SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30**

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**Section III - Federal Awards Findings and Questioned Costs - continued**

**2017-001      VERIFICATION - SIGNIFICANT DEFICIENCY - CONTINUED**

Questioned Costs

Less than \$25,000

Context

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

Repeat Finding

No.

Recommendation

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

Management Response

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

Current Status of Corrective Action Plan

No similar findings were noted in the current year.