



WILSON SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 18
 BASIC FINANCIAL STATEMENTS	
 Government-Wide Financial Statements	
Statement of Net Position.....	19
Statement of Activities.....	20
 Fund Financial Statements	
Balance Sheet Governmental Funds.....	21
Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Position.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds ..	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government Wide Statement of Activities.....	24
Statement of Net Position Proprietary Funds.....	25
Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds.....	26
Statement of Cash Flows Proprietary Funds.....	27 28
Statement of Net Position Fiduciary Funds	29
Statement of Changes in Net Position Fiduciary Funds	30
 Notes to Basic Financial Statements	
Note 1 Summary of Significant Accounting Policies.....	31
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 Interfund Receivables/Payables, and Transfers	52
Note 7 Changes in Capital Assets	53
Note 8 Long Term Liabilities	55
Note 9 Employee Retirement Plans	60
Note 10 Other Postemployment Benefit Plans.....	67
Note 11 Joint Venture	81
Note 12 Risk Management.....	82
Note 13 Contingent Liabilities.....	82
Note 14 Commitments.....	82
Note 15 Fund Balance	83
Note 16 New Accounting Pronouncements.....	83

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	
Liability and Related Ratios PSERS OPEB Plan.....	89
Schedule of District Contributions PSERS OPEB Plan	90
Schedule of Changes in Total OPEB Liability 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

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, 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 general 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* 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 general 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 general 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 18, 2019, 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 18, 2019



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, 2019. 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 2018-19 fiscal year. District-wide revenues of \$110.1 million exceeded expenses of \$106.2 million by \$3.9 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$87.1 million or 79% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$23.0 million or 21% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$81.2 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.
- 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 2018-19, the District's adjusted tax cap was 2.9% or 0.73 mills. The District increased millage by .38 to 25.67 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 2018-19 Homestead and Farmstead Exclusion Resolution in June 2018 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2018 real estate tax bills of \$6,029 each, which resulted in a \$154.76 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds of \$1,366,129 as well as \$22,344 of Philadelphia tax credit reimbursement funds, and \$358 of remaining property tax reduction funds received in 2017-18, totaling \$1,388,831 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 2018-19 fiscal year, consistent with the prior year.
- As a member of the Berks County School District Health Trust, the District experienced a 9.5% increase in health insurance premiums over the prior year.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 32.57% to 33.43% for 2018-19, with additional rate increases projected in future years. As of June 30, 2019, \$10.5 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- During 2018-19, net capital additions totaled \$4.5 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, 2019 total \$1.4 million.
- During 2018-19, the District issued three General Obligation Notes (GON): Series B of 2018 in the amount of \$9.6 million; Series A of 2019 in the amount of \$9.7 million; and Series B of 2019 in the amount of \$3.2 million. Proceeds from the issuance of GON Series B of 2018 were used to currently refund the remaining balance of General Obligation Bonds (GOB), Series 2014, for a net savings/cost of \$.3 million. Proceeds from the issuance of GON Series A of 2019 are to be used for various capital projects and acquisition of capital equipment and GON Series B of 2019 were used to advance refund a portion of the outstanding balance of the following: GOB Series B of 2013, GOB Series C of 2013 and GOB Series A of 2016 to restructure District debt service obligations. In addition, the remaining proceeds of \$4.1 million from GON Series B of 2017 were drawn down during the 2018-19 year for various capital projects.
- 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, 2019, the HIPAP OPEB District-wide liability was \$7.3 million, HIPAP OPEB deferred inflows of resources was \$0.3 million and HIPAP OPEB deferred outflows of resources was \$0.7 million with the District OPEB plan liability reported at \$9.5 million and District OPEB plan deferred outflows of resources of \$0.6 million, and District OPEB plan deferred inflows of resources of \$0.8 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, 2019 totaled \$17.8 million, with a District-wide net pension liability of \$158.9 as of June 30, 2019 in the Statement of Net Position. Deferred outflows of resources of \$23.6 million and deferred inflows of resources of \$3.4 million as of June 30, 2019 related to the pension calculation in accordance with these GASB statements.
- 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.

Overview of the Financial Statements

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

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

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

Figure 1
Organization of the Wilson School District Annual Financial Report

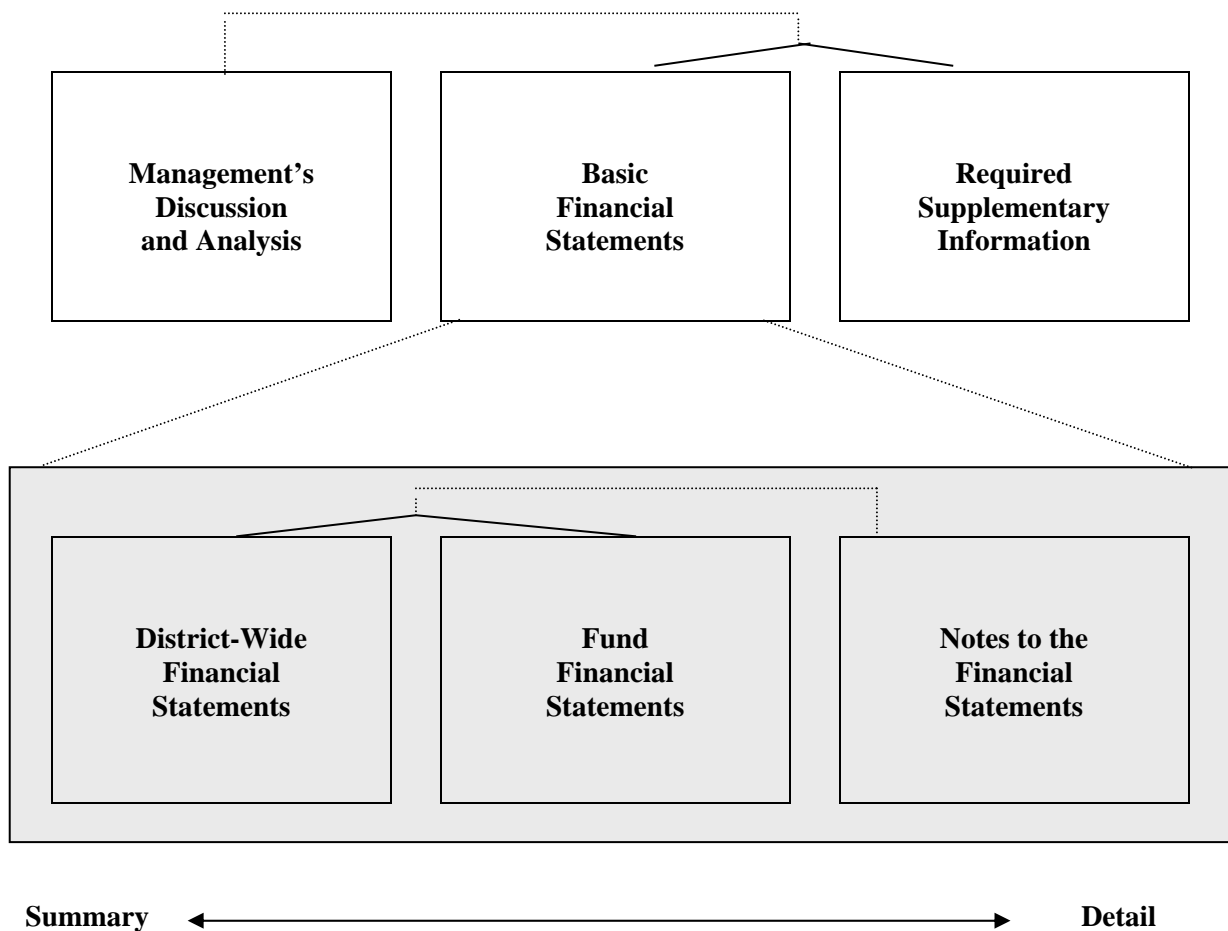


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

Figure 2

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

District-Wide Statements

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

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

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

Both statements report two activities:

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District’s net position for the fiscal years ended June 30, 2018 and June 30, 2019.

Figure 3
Condensed Statements of Net Position

Fiscal Years Ended June 30, 2018 and June 30, 2019						
	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 40,655,820	\$ 55,611,457	\$ 859,593	\$ 1,089,439	\$ 41,515,413	\$ 56,700,896
Capital assets	178,529,512	177,076,857	779,512	730,767	179,309,024	177,807,624
Total Assets	219,185,332	232,688,314	1,639,105	1,820,206	220,824,437	234,508,520
Deferred Outflows of Resources	30,123,814	24,375,968	1,204,076	869,722	31,327,890	25,245,690
Current liabilities	24,799,370	25,335,707	159,335	145,778	24,958,705	25,481,485
Noncurrent liabilities	238,610,837	238,821,505	6,207,441	6,177,454	244,818,278	244,998,959
Total Liabilities	263,410,207	264,157,212	6,366,776	6,323,232	269,776,983	270,480,444
Deferred Inflows of Resources	1,331,057	4,426,428	232,442	113,400	1,563,499	4,539,828
Net Investment in Capital Assets	107,842,098	105,649,323	779,512	730,767	108,621,610	106,380,090
Restricted for Capital Projects	8,125,231	15,035,761	-	-	8,125,231	15,035,761
Restricted - Other	60,121	87,744	-	-	60,121	87,744
Unrestricted (Deficit)	(131,459,568)	(132,292,186)	(4,535,549)	(4,477,471)	(135,995,117)	(136,769,657)
Total Net Position (Deficit)	\$ (15,432,118)	\$ (11,519,358)	\$ (3,756,037)	\$ (3,746,704)	\$ (19,188,155)	\$ (15,266,062)

Total assets increased by \$13.7 million from the prior year primarily due to an increase in cash of \$14.9 million, a \$0.3 million increase in prepaid expenses, an increase in capital assets of \$4.5 million, net of depreciation of capital assets of \$6.0 million. Deferred outflows of resources decreased by \$6.1 million due to a \$5.8 million decrease in deferred pension, a \$0.4 million charge on bond refunding amortization, net of \$0.1 million increase in deferred OPEB. The overall increase in liabilities of \$0.7 million is primarily the result of a \$0.5 million net increase in current liabilities and a \$0.2 million increase in noncurrent liabilities. The increase in noncurrent liabilities was primarily due to the net debt issuances proceeds of \$15.0 million less amortization, a net increase in compensated absences liabilities of \$0.1 million, net of the \$5.8 million decrease in net pension liability related to GASB Statements No. 68 and No. 71, and bond and note principal payments of \$9.5 million. Deferred inflows of resources increased by \$3.0 million related to the increase in deferred pension of \$2.2 million and the \$0.8 million increase in OPEB.

District revenues exceeded expenses by \$3.9 million, which effectively decreased the net deficit for the year ended June 30, 2019. Governmental activities' net deficit decreased by \$3.9 million from the combined result of a 0.38 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 remained consistent with the prior year which resulted from the combined net income of the food service and child care funds before operating transfers of \$0.2 million, less \$0.2 million of operating transfers to the general fund.

The results of operations for the fiscal year ended June 30, 2019 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, 2018 and June 30, 2019.

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 \$110.1 million, an increase of \$2.7 million or 3% over the prior year, all of which was in the governmental activities' revenue, while business-type activities' revenue remained consistent with the prior year. Figure 5 depicts the 2018-19 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 2018-19 district-wide expenses. District-wide expenses totaled \$106.2 million, an increase of \$1.3 million or 1% over the prior year, primarily due to increased salaries and benefits.

Figure 4
Changes in Net Position from Operating Results

Fiscal Years Ended June 30, 2018 and June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues						
Program Revenues						
Charges for services	\$ 1,470,094	\$ 1,539,450	\$ 2,734,461	\$ 2,727,296	\$ 4,204,555	\$ 4,266,746
Operating grants and contributions	15,308,206	15,947,916	1,638,623	1,609,864	16,946,829	17,557,780
Capital grants and contributions	1,480,970	1,247,750	-	-	1,480,970	1,247,750
General Revenues						
Property taxes and other taxes levied for general purposes	74,516,459	75,786,630	-	-	74,516,459	75,786,630
Grants, Subsidies, and Contributions Not Restricted	9,407,831	9,872,249	-	-	9,407,831	9,872,249
Other	1,045,723	1,577,744	(202,118)	(166,706)	843,605	1,411,038
Total Revenues	103,229,283	105,971,739	4,170,966	4,170,454	107,400,249	110,142,193
Expenses						
Instruction	65,887,978	66,554,984	-	-	65,887,978	66,554,984
Instructional student support	10,718,232	11,005,790	-	-	10,718,232	11,005,790
Administrative and financial support services	7,593,861	8,093,246	-	-	7,593,861	8,093,246
Operation and maintenance of plant services	7,858,775	7,582,275	-	-	7,858,775	7,582,275
Pupil transportation	3,369,770	3,680,170	-	-	3,369,770	3,680,170
Other	5,244,767	5,142,514	4,296,047	4,161,121	9,540,814	9,303,635
Total Expense	100,673,383	102,058,979	4,296,047	4,161,121	104,969,430	106,220,100
Change in Net Position	\$ 2,555,900	\$ 3,912,760	\$ (125,081)	\$ 9,333	\$ 2,430,819	\$ 3,922,093
Beginning Net Position (Deficit)	(6,629,986)	(15,432,118)	(3,268,383)	(3,756,037)	(9,898,369)	(19,188,155)
Restatement for GASB Statement No. 75	(11,358,032)	-	(362,573)	-	(11,720,605)	-
Beginning Net Position (Deficit) - Restated	(17,988,018)	(15,432,118)	(3,630,956)	(3,756,037)	(21,618,974)	(19,188,155)
Ending Net Position (Deficit)	\$ (15,432,118)	\$ (11,519,358)	\$ (3,756,037)	\$ (3,746,704)	\$ (19,188,155)	\$ (15,266,062)

Figure 5
Sources of District-Wide Revenues for Fiscal Year 2019

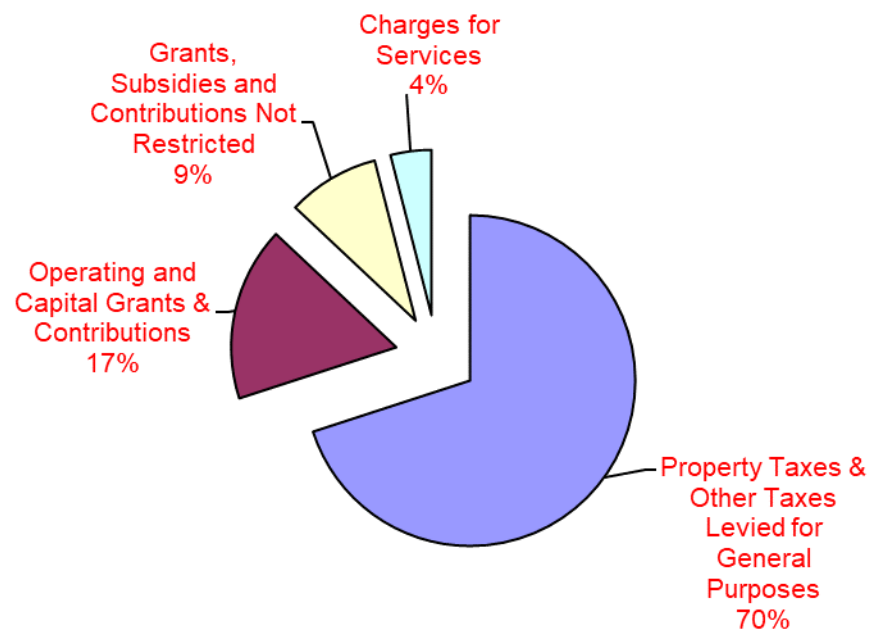


Figure 6
District-Wide Expenses for Fiscal Year 2019

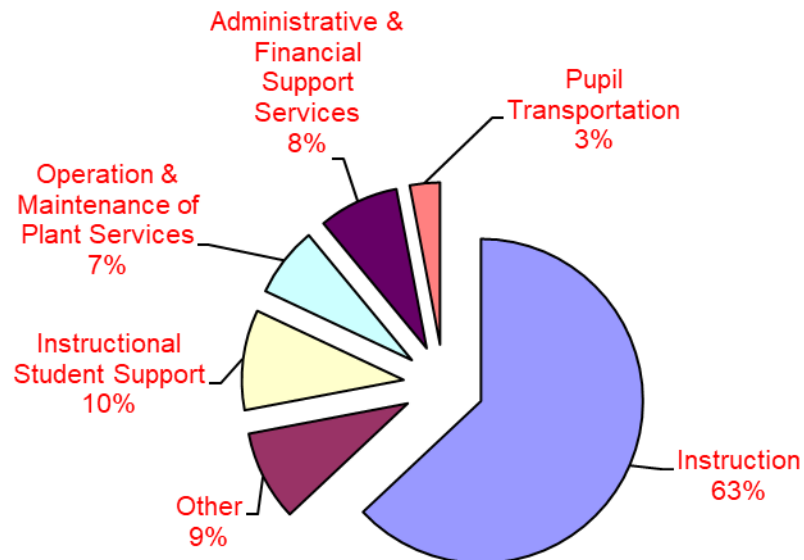


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended, June 30, 2019, general revenue supported 82% of governmental activities' costs, and program revenue supported 18% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

Fiscal Years Ended June 30, 2018 and June 30, 2019				
	Total Cost of Services		Net Cost of Services	
	2018	2019	2018	2019
Instruction	65,887,978	66,554,984	\$ 54,265,062	\$ 54,235,864
Instructional Student Support	10,718,232	11,005,790	9,088,003	9,465,271
Administrative and Financial Support Services	7,593,861	8,093,246	6,890,267	7,292,230
Operation and Maintenance of Plant Services	7,858,775	7,582,275	7,126,433	6,809,804
Pupil Transportation	3,369,770	3,680,170	1,992,935	2,316,510
Other	5,244,767	5,142,514	3,051,413	3,204,184
Total	\$ 100,673,383	\$ 102,058,979	\$ 82,414,113	\$ 83,323,863

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, 2019. The current year net income from services resulted in \$0.2 million.

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

Fiscal Years Ended June 30, 2018 and June 30, 2019				
	Total Cost of Services		Net Cost (Income) of Services	
	2018	2019	2018	2019
Food Services	\$ 2,874,283	\$ 2,837,162	\$ (74,357)	\$ (102,475)
Child Care	1,421,764	1,323,959	(2,680)	(73,564)
Total	\$ 4,296,047	\$ 4,161,121	\$ (77,037)	\$ (176,039)

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, 2019.

Figure 9
Fund Balances

For Fiscal Years Ended June 30, 2018 and June 30, 2019			
	Fund Balance		Increase (Decrease)
	2018	2019	
General Fund	\$ 16,490,685	\$ 18,525,693	\$ 2,035,008
Capital Projects Fund	8,125,231	19,888,852	11,763,621
Debt Service Fund	3,744	6,250	2,506
Total	\$ 24,619,660	\$ 38,420,795	\$ 13,801,135

The District's governmental funds reported combined fund balances as of June 30, 2019 of \$38.4 million. The overall increase in fund balances of \$13.8 million was the result of general fund current year excess of revenues over expenditures of \$2.0 million, which included a \$0.5 million transfer into the capital projects fund and \$11.9 million of debt service payments. In addition, the issuance of general obligation notes net of refunding general obligation bonds, totaled \$15.5 million, which are accounted for as other financing sources (uses), net of capital outlay of \$4.2 million, which are accounted for in expenditures. The debt service fund balance resulted from excess cash at the issuance of GON Series B of 2019 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, 2019, general fund balance of \$18.5 million consisted of \$0.2 million in nonspendable fund balance related to prepaid expenses, \$0.1 million in restricted fund balance related to special education settlements, \$10.5 million in committed fund balance for anticipated increases in PSERS contributions, \$1.0 million in assigned fund balance which represents the 2019-20 budgeted deficit, and unassigned fund balance of \$6.7 million. The capital projects fund had \$19.9 million in restricted fund balance, consisting of \$12.0 million of unspent general obligation notes' funds and \$7.9 million 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, 2019, total revenues of \$106.0 million are comprised of local revenues of 76% with state and federal revenues contributing 23% and 1%, respectively. Expenditures of governmental funds totaling \$107.8 million are categorized as current (instructional, support and operation of noninstructional services) representing 85% of the total, with debt service and capital outlay comprising 11% and 4% of total expenditures, respectively. Other Financing Sources (Uses) of \$15.7 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 2018-19.

Figure 10
Sources of Governmental Funds' Revenues for Fiscal Year 2019

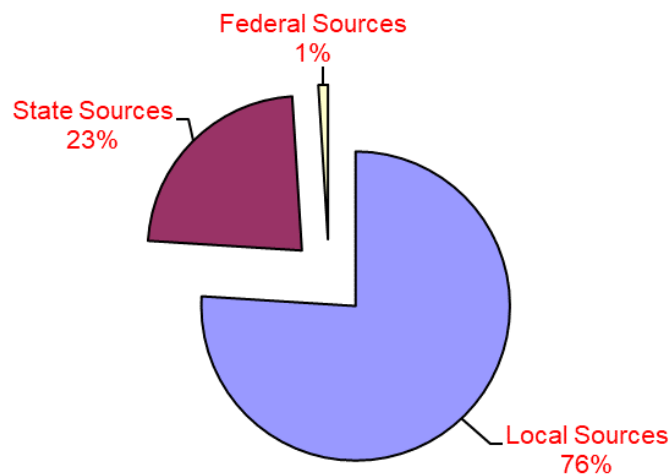
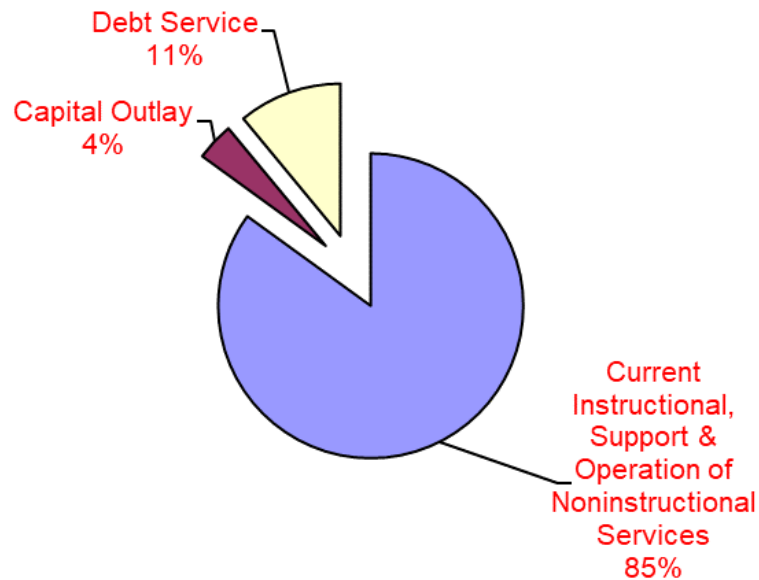


Figure 11
Governmental Funds' Expenditures for Fiscal Year 2019



Capital Assets and Debt Administration

Capital Assets

In total, net capital assets decreased \$1.5 million as a result of \$4.5 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 \$1.4 million as of June 30, 2019.

Figure 12
Capital Assets (net of depreciation)

Fiscal Years Ended June 30, 2018 and June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 10,872,388	\$ 10,872,388	\$ -	\$ -	\$ 10,872,388	\$ 10,872,388
Site Improvements	5,423,595	4,992,564	-	-	5,423,595	4,992,564
Building and Building Improvements	156,401,265	152,238,681	562,179	531,813	156,963,444	152,770,494
Machinery and Equipment	3,364,812	3,587,363	217,333	198,954	3,582,145	3,786,317
Vehicles	1,795,461	1,617,384	-	-	1,795,461	1,617,384
Construction-in-Progress	671,991	3,768,477	-	-	671,991	3,768,477
Total	\$ 178,529,512	\$ 177,076,857	\$ 779,512	\$ 730,767	\$ 179,309,024	\$ 177,807,624

Long-term Debt

Outstanding long-term debt totaling \$75.0 million as of June 30, 2019, consists of general obligation bonds and notes of \$73.6 million with varying maturities through year 2027 and long-term compensated absences of \$1.4 million.

During 2018-19, the District issued three General Obligation Notes (GON): Series B of 2018 in the amount of \$9.6 million; Series A of 2019 in the amount of \$9.7 million; and Series B of 2019 in the amount of \$3.2 million. Proceeds from the issuance of GON Series B of 2018 were used to currently refund the remaining balance of General Obligation Bonds (GOB), Series 2014, for a net savings/cost of \$.3 million. Proceeds from the issuance of GON Series A of 2019 are to be used for various capital projects and acquisition of capital equipment and GON Series B of 2019 were used to advance refund a portion of the outstanding balance of the following: GOB Series B of 2013, GOB Series C of 2013 and GOB Series A of 2016 to restructure the District's debt service obligations. In addition, the remaining proceeds of \$4.1 million from GON Series B of 2017 were drawn down during the 2018-19 year for various capital projects.

Principal payments on general obligation bonds and notes totaled \$9.5 million during the fiscal year, with interest payments totaling \$2.4 million.

Figure 13
Outstanding Long-Term Debt

	For Fiscal Years Ended June 30, 2018 and June 30, 2019		
	Total		Change
	2018	2019	
General Obligation Bonds & Notes	\$ 68,918,382	\$ 73,565,000	\$ 4,646,618
Compensated Absences	1,328,984	1,406,650	77,666
Total	\$ 70,247,366	\$ 74,971,650	\$ 4,724,284

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 2.3% for fiscal years 2019-20 and 2.6% for 2020-21. Due to the District's aid ratio exceeding 0.4 for both the 2019-20 and the 2020-21 fiscal years, the District's millage is limited to a 2.8% and a 3.2% increase, respectively. The District's 2019-20 millage of 26.26 represented a 2.3% increase. The District's 2020-21 millage is limited to 27.10 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 December 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 2019-20 fiscal year, consistent with the prior year.
- Contractual commitments related to a GESA project (Guaranteed Energy Savings Act), high school auditorium project, administration building improvements and a comprehensive District-wide feasibility study total approximately \$1.4 million.
- The District's collective bargaining agreement with the Wilson Education Association expires in June 30, 2021 and provides for average salary increases of 3.8% for 2019-20 and 3.1% for 2020-21.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 33.43% to 34.29% for 2019-20 with rate increases projected in future years. The District has committed approximately \$10.5 million of fund balance as of June 30, 2019 in the General Fund for future retirement contribution increases, with approximately \$2.5 million budgeted to be used to balance the 2019-20 budget.
- Health Trust insurance premiums for 2019-20 increased by 4.0% over the prior year.
- 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, 2019

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 47,632,709	\$ 1,011,011	\$ 48,643,720
Restricted cash	87,744		87,744
Internal balances	(19,891)	19,891	
Taxes receivable, net	1,717,626		1,717,626
Intergovernmental receivables	5,896,099	3,488	5,899,587
Other receivables	56,006	15,252	71,258
Inventories		39,797	39,797
Prepaid expenses	241,164		241,164
Capital assets not being depreciated	14,640,865		14,640,865
Capital assets, net of accumulated depreciation	162,435,992	730,767	163,166,759
TOTAL ASSETS	232,688,314	1,820,206	234,508,520
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	293,335		293,335
Deferred outflows of resources for pension	22,858,624	784,460	23,643,084
Deferred outflows of resources for other postemployment benefits	1,224,009	85,262	1,309,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,375,968	869,722	25,245,690
LIABILITIES			
Accounts payable	1,681,823	19,927	1,701,750
Intergovernmental payables	590,236		590,236
Accrued interest	403,884		403,884
Accrued salaries and benefits	13,759,471	48,870	13,808,341
Unearned revenues	248,531	76,981	325,512
Noncurrent liabilities due within one year	8,651,762		8,651,762
Noncurrent liabilities:			
Bonds and notes payable, net	67,983,960		67,983,960
Long term portion of compensated absences	1,344,888		1,344,888
Net pension liability	153,365,065	5,578,935	158,944,000
Net other postemployment benefit liabilities	16,127,592	598,519	16,726,111
TOTAL LIABILITIES	264,157,212	6,323,232	270,480,444
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	3,334,038	88,603	3,422,641
Deferred inflows of resources for other postemployment benefits	1,092,390	24,797	1,117,187
TOTAL DEFERRED INFLOWS OF RESOURCES	4,426,428	113,400	4,539,828
NET POSITION			
Net investment in capital assets	105,649,323	730,767	106,380,090
Restricted for capital projects	15,035,761		15,035,761
Restricted other	87,744		87,744
Unrestricted (deficit)	(132,292,186)	(4,477,471)	(136,769,657)
TOTAL NET POSITION (DEFICIT)	\$ (11,519,358)	\$ (3,746,704)	\$ (15,266,062)

See accompanying notes.

WILSON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities							
Instruction	\$ 66,554,984	\$ 750,148	\$ 11,568,972	\$	\$ (54,235,864)	\$	\$ (54,235,864)
Instructional student support	11,005,790		1,540,519		(9,465,271)		(9,465,271)
Administrative and financial support services	8,093,246		801,016		(7,292,230)		(7,292,230)
Operation and maintenance of plant services	7,582,275	224,772	547,699		(6,809,804)		(6,809,804)
Pupil transportation	3,680,170	118,009	1,245,651		(2,316,510)		(2,316,510)
Student activities	3,359,571	381,177	207,510		(2,770,884)		(2,770,884)
Community services	145,892	65,344	36,549		(43,999)		(43,999)
Interest on long term debt	1,637,051			1,247,750	(389,301)		(389,301)
Total Governmental Activities	102,058,979	1,539,450	15,947,916	1,247,750	(83,323,863)		(83,323,863)
Business-Type Activities:							
Food services	2,837,162	1,532,361	1,407,276			102,475	102,475
Child care	1,323,959	1,194,935	202,588			73,564	73,564
Total Business Type Activities	4,161,121	2,727,296	1,609,864			176,039	176,039
Total Primary Government	<u>\$ 106,220,100</u>	<u>\$ 4,266,746</u>	<u>\$ 17,557,780</u>	<u>\$ 1,247,750</u>	(83,323,863)	176,039	(83,147,824)
General Revenues							
Taxes:							
Property taxes					65,171,957		65,171,957
Public utility realty, earned income, local services, and mercantile/business privilege taxes					10,614,673		10,614,673
Grants, subsidies, and contributions							
Not restricted for a specific program					9,872,249		9,872,249
Investment earnings					1,228,216	15,694	1,243,910
Miscellaneous revenue					167,128		167,128
Transfers					182,400	(182,400)	
Total General Revenues and Transfers					87,236,623	(166,706)	87,069,917
Change in Net Position					3,912,760	9,333	3,922,093
Net Position (Deficit) - Beginning of Year					(15,432,118)	(3,756,037)	(19,188,155)
Net Position (Deficit) - End of Year					<u>\$ (11,519,358)</u>	<u>\$ (3,746,704)</u>	<u>\$ (15,266,062)</u>

See accompanying notes.

WILSON SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2019

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	\$ 27,544,236	\$ 20,082,223	\$ 6,250	\$ 47,632,709
Restricted cash	87,744			87,744
Interfund receivables	11,144	500,000		511,144
Taxes receivable	1,914,359			1,914,359
Intergovernmental receivables	5,896,099			5,896,099
Other receivables	56,006			56,006
Prepaid expenditures	241,164			241,164
TOTAL ASSETS	\$ 35,750,752	\$ 20,582,223	\$ 6,250	\$ 56,339,225
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payables	\$ 531,035	\$	\$	\$ 531,035
Accounts payable	988,452	693,371		1,681,823
Intergovernmental payables	590,236			590,236
Accrued salaries and benefits	13,821,233			13,821,233
Unearned revenues	248,531			248,531
TOTAL LIABILITIES	16,179,487	693,371		16,872,858
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue property taxes	1,045,572			1,045,572
FUND BALANCES				
Nonspendable	241,164			241,164
Restricted	87,744	19,888,852	6,250	19,982,846
Committed	10,518,180			10,518,180
Assigned	1,000,000			1,000,000
Unassigned	6,678,605			6,678,605
TOTAL FUND BALANCES	18,525,693	19,888,852	6,250	38,420,795
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 35,750,752	\$ 20,582,223	\$ 6,250	\$ 56,339,225

WILSON SCHOOL DISTRICT

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

June 30, 2019

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 38,420,795**

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 \$267,226,888 and the accumulated depreciation is \$90,150,031. 177,076,857

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. 848,839

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	\$ (73,565,000)	
Accrued interest	(403,884)	
Unamortized bond premium	(3,076,896)	
Unamortized bond discount	67,936	
Deferred charge on bond refunding	293,335	
Long term portion of compensated absences	<u>(1,344,888)</u>	(78,029,397)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements. (133,840,479)

The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements. (15,995,973)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES **\$ (11,519,358)**

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2019

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local sources	\$ 80,078,984	\$ 154,137	\$	\$ 80,233,121
State sources	24,442,370			24,442,370
Federal sources	1,302,556			1,302,556
TOTAL REVENUES	105,823,910	154,137		105,978,047
EXPENDITURES				
Current:				
Instructional services	60,790,858			60,790,858
Support services	28,478,324	410,063	23,050	28,911,437
Operation of noninstructional services	2,435,081			2,435,081
Capital outlay		3,806,880		3,806,880
Debt service:				
Principal			9,455,000	9,455,000
Interest			2,440,266	2,440,266
Refund of prior year revenue	17			17
TOTAL EXPENDITURES	91,704,280	4,216,943	11,918,316	107,839,539
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,119,630	(4,062,806)	(11,918,316)	(1,861,492)
OTHER FINANCING SOURCES (USES)				
Issuance of notes		13,846,618		13,846,618
Issuance of refunding notes			12,750,000	12,750,000
Bond premium		1,479,809		1,479,809
Transfers in	182,400	500,000	11,771,522	12,453,922
Sale of capital assets	4,500			4,500
Current refunding debt service principal			(9,465,000)	(9,465,000)
Payment to refunded bond escrow agent			(3,135,700)	(3,135,700)
Transfers out	(12,271,522)			(12,271,522)
TOTAL OTHER FINANCING SOURCES (USES)	(12,084,622)	15,826,427	11,920,822	15,662,627
NET CHANGE IN FUND BALANCES	2,035,008	11,763,621	2,506	13,801,135
FUND BALANCES - BEGINNING OF YEAR	16,490,685	8,125,231	3,744	24,619,660
FUND BALANCES - END OF YEAR	\$ 18,525,693	\$ 19,888,852	\$ 6,250	\$ 38,420,795

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, 2019

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 13,801,135**

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	\$ 4,614,053	
Less: disposal of capital assets	(74,628)	
Less: depreciation expense	<u>(5,992,080)</u>	(1,452,655)

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. (188,706)

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	(13,846,618)	
Issuance of refunding notes	(12,750,000)	
Repayment of debt principal	9,455,000	
Current refunding debt service principal	9,465,000	
Payment to escrow agent for bond and note refunding	3,135,700	
Bond premium	(1,479,809)	
Amortization of bond premium	792,293	
Amortization of bond discount	(10,949)	
Amortization of deferred charge on bond refunding	<u>(353,828)</u>	(5,593,211)

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. 21,871

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(74,017)	
Net pension liability and related deferred outflows and inflows	(2,033,118)	
Net OPEB liability and related deferred outflows and inflows	<u>(568,539)</u>	<u>(2,675,674)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 3,912,760**

WILSON SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2019

	Enterprise Fund Food Service	Enterprise Fund Child Care	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 568,542	\$ 442,469	\$ 1,011,011
Interfund receivables (payables)	25,374	(5,483)	19,891
Intergovernmental receivables	1,637	1,851	3,488
Other receivables	12,044	3,208	15,252
Inventories	39,797		39,797
TOTAL CURRENT ASSETS	647,394	442,045	1,089,439
NONCURRENT ASSETS			
Building improvements, net		531,813	531,813
Machinery and equipment, net	123,868	75,086	198,954
TOTAL NONCURRENT ASSETS	123,868	606,899	730,767
TOTAL ASSETS	771,262	1,048,944	1,820,206
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pension	454,944	329,516	784,460
Deferred outflows of resources for other postemployment benefits	73,134	12,128	85,262
TOTAL DEFERRED OUTFLOWS OF RESOURCES	528,078	341,644	869,722
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	18,179	1,748	19,927
Accrued salaries and benefits	15,277	33,593	48,870
Unearned revenues	71,208	5,773	76,981
TOTAL CURRENT LIABILITIES	104,664	41,114	145,778
NONCURRENT LIABILITIES			
Net pension liability	3,290,141	2,288,794	5,578,935
Net other postemployment benefit liabilities	317,677	280,842	598,519
TOTAL LIABILITIES	3,712,482	2,610,750	6,323,232
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	51,080	37,523	88,603
Deferred inflows of resources for other postemployment benefits	8,334	16,463	24,797
TOTAL DEFERRED INFLOWS OF RESOURCES	59,414	53,986	113,400
NET POSITION			
Investment in capital assets	123,868	606,899	730,767
Unrestricted (deficit)	(2,596,424)	(1,881,047)	(4,477,471)
TOTAL NET POSITION (DEFICIT)	\$ (2,472,556)	\$ (1,274,148)	\$ (3,746,704)

See accompanying notes.

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2019

	<u>Enterprise Fund Food Service</u>	<u>Enterprise Fund Child Care</u>	<u>Total</u>
OPERATING REVENUES			
Food service revenue	\$ 1,532,361	\$	\$ 1,532,361
Tuition and fee revenue		1,194,935	1,194,935
TOTAL OPERATING REVENUES	1,532,361	1,194,935	2,727,296
OPERATING EXPENSES			
Salaries	846,199	662,624	1,508,823
Employee benefits	487,031	393,240	880,271
Pension and OPEB valuation adjustments	61,981	123,344	185,325
Supplies and other operating expenses	1,425,060	107,897	1,532,957
Depreciation	16,891	36,854	53,745
TOTAL OPERATING EXPENSES	2,837,162	1,323,959	4,161,121
OPERATING LOSS	(1,304,801)	(129,024)	(1,433,825)
NONOPERATING REVENUES			
Earnings on investments	8,430	7,264	15,694
State sources	239,960	202,588	442,548
Federal sources	1,167,316		1,167,316
TOTAL NONOPERATING REVENUES	1,415,706	209,852	1,625,558
INCOME BEFORE TRANSFERS	110,905	80,828	191,733
TRANSFERS OUT	(56,400)	(126,000)	(182,400)
CHANGE IN NET POSITION	54,505	(45,172)	9,333
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(2,527,061)	(1,228,976)	(3,756,037)
NET POSITION (DEFICIT) - END OF YEAR	\$ (2,472,556)	\$ (1,274,148)	\$ (3,746,704)

See accompanying notes.

WILSON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2019

	Enterprise Fund Food Service	Enterprise Fund Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 1,532,873	\$ 1,194,528	\$ 2,727,401
Payments to employees for services	(1,345,319)	(1,062,220)	(2,407,539)
Payments for supplies and other operating expenses	(1,276,190)	(104,620)	(1,380,810)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,088,636)	27,688	(1,060,948)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	250,853	202,922	453,775
Federal sources	1,183,348		1,183,348
Transfers out	(56,400)	(126,000)	(182,400)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,377,801	76,922	1,454,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(5,000)		(5,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	8,430	7,264	15,694
NET INCREASE IN CASH AND CASH EQUIVALENTS	292,595	111,874	404,469
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	275,947	330,595	606,542
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 568,542	\$ 442,469	\$ 1,011,011

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2019

	Enterprise Fund Food Service	Enterprise Fund Child Care	Total
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating loss	\$ (1,304,801)	\$ (129,024)	\$ (1,433,825)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	16,891	36,854	53,745
Donated commodities used	138,233		138,233
Changes in assets, deferred outflows of resources, liabilities, and deferred Inflows of resources:			
Interfund balances	(11,830)	(308)	(12,138)
Intergovernmental and other receivables	(5,360)	1,333	(4,027)
Inventories	28,033		28,033
Deferred outflows of resources for pension	128,146	223,768	351,914
Deferred outflows of resources for other postemployment benefits	(16,333)	(1,227)	(17,560)
Accounts payable	(11,922)	603	(11,319)
Accrued salaries and benefits	(259)	(3,374)	(3,633)
Unearned revenues	398	(1,740)	(1,342)
Net pension liability	93,797	(149,654)	(55,857)
Net other postemployment benefit liabilities	8,813	17,057	25,870
Deferred inflows of resources for pension	(154,646)	21,614	(133,032)
Deferred inflows of resources for other postemployment benefits	2,204	11,786	13,990
Total adjustments	216,165	156,712	372,877
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,088,636)</u>	<u>\$ 27,688</u>	<u>\$ (1,060,948)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$138,233 of commodities from the U.S. Department of Agriculture.

WILSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2019

	Private Purpose Trust Funds Scholarship	Agency Funds Student Activities
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 38,127	\$ 185,171
TOTAL ASSETS	38,127	<u>\$ 185,171</u>
LIABILITIES		
CURRENT LIABILITIES		
Other current liabilities		\$ 185,171
TOTAL LIABILITIES		<u>\$ 185,171</u>
NET POSITION HELD IN TRUST	<u>\$ 38,127</u>	

See accompanying notes.

WILSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2019

	Private Purpose Trust Funds Scholarship
	<u> </u>
ADDITIONS	
Contributions	\$ 20,052
Earnings on investments	<u> 604</u>
TOTAL ADDITIONS	20,656
DEDUCTIONS	
Scholarships	<u> 20,000</u>
CHANGE IN NET POSITION	656
NET POSITION - BEGINNING OF YEAR	<u> 37,471</u>
NET POSITION - END OF YEAR	<u><u> \$ 38,127</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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

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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 11 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of 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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Fiduciary funds are reported by fund type.

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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 and child care fund are charges to customers for sales and 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. Federal and state subsidies are considered non operating revenues as no exchange transaction occurs.

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

E. Budgetary Process

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 and Prepaid Items

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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first in, first out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2019, consist of the following:

Purchased food	\$ 13,853
Supplies	15,649
Donated commodities	<u>10,295</u>
	<u>\$ 39,797</u>

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The District's capital assets 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. Donated capital assets are recorded at the estimated fair value 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. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives 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

6. Unearned Revenues

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

7. Compensated Absences

District policies permit employees to accumulate earned but unused sick days based on employment agreements. Certain classes of employees are also entitled to a retirement bonus. Payments for sick pay and retirement bonuses are expensed as paid in the governmental fund statements. Accumulated sick leave and retirement bonuses that are expected to be liquidated with expendable available financial resources and that has matured are reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated sick leave and retirement bonuses that are not expected to be liquidated with expendable available financial resources and that have not matured are reported as a long term liability in the proprietary funds and the government wide financial statements and are expensed as incurred.

8. Long-Term Obligations

In the government wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. Long-Term Obligations - continued

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost sharing multiple employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

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

10. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Other Postemployment Benefits (OPEB) - continued

District OPEB Plan

The District sponsors a single employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

11. 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 relate to the District's net pension liability and pension expense 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 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Deferred Outflows/Inflows of Resources - continued

Deferred outflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise 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 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 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 liability in the following year.

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 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 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Deferred Outflows/Inflows of Resources- continued

Deferred inflows of resources for other postemployment benefit liabilities relate to the District's liability 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 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.

12. 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.

13. 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Fund Balance Policies and Flow Assumptions - continued

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

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

The unassigned fund balance of the general fund at the end of each fiscal year end shall not be less than 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. 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, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District had 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, 2019, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, created the following deficiencies in net position as of June 30, 2019:

	Food Service Fund	Child Care Fund
Net position before effects of GASB statements noted below	\$ 666,598	\$ 1,007,830
Cumulative effect of GASB statement nos. 68 and 71	(2,886,277)	(1,996,801)
Cumulative effect of GASB statement no. 75	(252,877)	(285,177)
Ending net position (deficit)	<u>\$ (2,472,556)</u>	<u>\$ (1,274,148)</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, 2019. 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, 2019

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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, 2019, was as follows:

Petty cash	\$ 2,715
Demand deposits	21,935,982
Certificates of deposit	4,258,334
Pooled cash and investments	<u>22,757,731</u>
	<u>\$ 48,954,762</u>

Bank certificates of deposit are considered to be a cash equivalent for presentation on the government wide and fund financial statements and are included within deposits below.

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, 2019, the carrying amount of the District's deposits was \$26,194,316 and the bank balance was \$26,618,397. Of the bank balance, \$1,006,250 was covered by federal depository insurance, and \$25,612,147 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, 2019

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2019, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value/ Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):		
Full Flex Pool	< 1 year	\$ 21,700,000
MAX Account Balance		<u>1,057,731</u>
Total investments		<u>\$ 22,757,731</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 \$22,757,731 (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, 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, 2019, the entire PSDLAF book balance of \$22,757,731 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, 2019

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2019, 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, 2019, the District's investments were rated as:

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

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

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, 2019

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 \$2,617,246,700. In accordance with Act 1 of 2006, the District received \$1,388,473 in property tax reduction funds for the 2018/2019 fiscal year. The District tax rate for the year ended June 30, 2019, was 25.67 mills (\$25.67 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, 2019, 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	\$ 1,163,794	\$ 196,733	\$ 967,061	\$	\$ 118,222	\$ 1,045,572
Per capita tax	12,397		12,397		12,397	
Mercantile/bus. privilege tax	281,777		281,777	130,350	151,426	
Earned income tax	356,291		356,291		356,291	
Transfer tax	100,100		100,100		100,100	
	<u>\$ 1,914,359</u>	<u>\$ 196,733</u>	<u>\$ 1,717,626</u>	<u>\$ 130,350</u>	<u>\$ 738,436</u>	<u>\$ 1,045,572</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES

The following schedule represents intergovernmental receivables at June 30, 2019:

	<u>General Fund</u>	<u>Enterprise Fund</u>	
		<u>Food Service</u>	<u>Child Care</u>
Commonwealth of Pennsylvania:			
Retirement	\$ 2,876,047	\$ 1,320	\$ 2,679
Social Security	741,708	317	676
Transportation Subsidy	170,374		
Rental Subsidy	1,182,275		
Health Subsidy	116,686		
Other	58		
Federal Subsidies:			
Title I Grants to Local Education Agencies	39,210		
Supporting Effective Instruction State Grant	35,616		
Student Support and Academic Enrichment Program	13,838		
Special Education Grants to States	527,015		
Medical Assistance Program Admin	13,884		
Army JROTC	4,364		
Antietam School District	5,320		
Berks Career and Technology Center	120		
Berks County Intermediate Unit	108		(2,200)
Borough of Sinking Spring	2,830		
Borough of Wyomissing Bureau of Water			(587)
Community Services for Children			1,283
District Court Fines	14		
Exeter School District	25,087		
Governor Mifflin School District	4,811		
Lower Heidelberg Township	3,996		
School District of Philadelphia	10,559		
Schuykill Valley School District	16,250		
Spring Township	34,027		
Wyomissing School District	71,902		
	<u>\$ 5,896,099</u>	<u>\$ 1,637</u>	<u>\$ 1,851</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES - CONTINUED

The following schedule represents intergovernmental payables at June 30, 2019:

<u>Name of Government Unit</u>	<u>General Fund</u>
Berks County Intermediate Unit	\$ 75,785
Borough of Sinking Spring	90,787
Bucks County Intermediate Unit	16,906
Capital Area Intermediate Unit	1,310
Chester County Intermediate Unit	39,717
Conrad Weiser Area School District	161,802
Exeter School District	5,320
Grove City Area School District	3,832
Lancaster Lebanon Intermediate Unit	225
Lower Heidelberg Township	4,183
Montgomery County Intermediate Unit	1,260
Muhlenberg School District	148
PA Department of Education	14,866
PA Department of Revenue	56
Rose Tree Media School District	46,563
Salisbury Township School District	200
Shippensburg University	17,019
Spring Township	61,427
Wyomissing Borough	48,830
	<u>\$ 590,236</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2019:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 11,144	\$ 531,035
Capital Projects Fund	500,000	
Enterprise Fund Food Service	25,374	
Enterprise Fund Child Care		5,483
	<u>\$ 536,518</u>	<u>\$ 536,518</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, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 182,400	\$ 12,271,522
Capital Projects Fund	500,000	
Debt Service Fund	11,771,522	
Enterprise Fund Food Service		56,400
Enterprise Fund Child Care		126,000
	<u>\$ 12,453,922</u>	<u>\$ 12,453,922</u>

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, 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	671,991	3,806,880		(710,394)	3,768,477
Total assets not being depreciated	11,544,379	3,806,880		(710,394)	14,640,865
Capital assets being depreciated:					
Buildings and building improvements	224,492,292	15,000		23,507	224,530,799
Site improvements	13,185,185	110,216		337,092	13,632,493
Machinery and equipment	8,157,022	332,394	(162,025)	349,795	8,677,186
Vehicles	5,581,265	349,563	(185,283)		5,745,545
Total assets being depreciated	251,415,764	807,173	(347,308)	710,394	252,586,023
Less accumulated depreciation for:					
Buildings and building improvements	68,091,027	4,201,091			72,292,118
Site improvements	7,761,590	878,339			8,639,929
Machinery and equipment	4,792,210	450,512	(152,899)		5,089,823
Vehicles	3,785,804	462,138	(119,781)		4,128,161
Total accumulated depreciation	84,430,631	5,992,080	(272,680)		90,150,031
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>166,985,133</u>	<u>(5,184,907)</u>	<u>(74,628)</u>	<u>710,394</u>	<u>162,435,992</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 178,529,512</u>	<u>\$ (1,378,027)</u>	<u>\$ (74,628)</u>	<u>\$</u>	<u>\$ 177,076,857</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

Business-Type Activities

	Beginning Balance	Increase	Decrease	Reclassifications/ Transfers	Ending Balance
Capital assets being depreciated:					
Building improvements	\$ 639,948	\$	\$	\$	\$ 639,948
Machinery and equipment	931,233	5,000			936,233
Total assets being depreciated	1,571,181	5,000			1,576,181
Less accumulated depreciation for:					
Building improvements	77,769	30,366			108,135
Machinery and equipment	713,900	23,379			737,279
Total accumulated depreciation	791,669	53,745			845,414
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 779,512</u>	<u>\$ (48,745)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 730,767</u>

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

Instructional, regular	\$ 3,919,067
Instructional, special	1,790
Support services	1,063,517
Noninstructional services	<u>1,007,706</u>
TOTAL DEPRECIATION EXPENSE -	
GOVERNMENTAL ACTIVITIES	<u>\$ 5,992,080</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM LIABILITIES

Bonds and notes payable are as follows at June 30, 2019:

General Obligation Notes Series B of 2019:

The District is liable for general obligation notes dated June 5, 2019, in the original principal amount of \$3,165,000. The principal balance matures May 15, 2026, with one lump sum payment. Interest is payable semi annually on May 15 and November 15 at a fixed rate of 3.00%. The proceeds of this issuance were used to advance refund a portion of General Obligation Bonds Series B of 2013, General Obligation Bonds Series C of 2013, and General Obligation Bonds Series A of 2016 as well as to pay debt issuance costs. The refunding was done as a restructuring to make room for capital projects, therefore there was no savings on the refunding.

\$ 3,165,000

General Obligation Notes Series A of 2019:

The District is liable for general obligation notes dated June 5, 2019, in the original principal amount of \$9,725,000. Principal maturities occur on May 15, 2020, through the year 2027. Interest is payable semi annually on May 15 and November 15. Interest rates vary from 1.75% to 2.00%. The proceeds of this issuance were used finance various capital projects, and certain equipment purchases, as well as to pay debt issuance costs.

9,725,000

General Obligation Notes Series B of 2018:

The District is liable for general obligation notes dated September 21, 2018, in the original principal amount of \$9,585,000. Principal maturities occur on June 1, 2019, through the year 2024. Interest is payable semi annually on June 1 and December 1 at a fixed rate of 2.90%. The proceeds of this issuance were used to currently refund the outstanding balance on General Obligation Bonds Series of 2014, as well as pay debt issuance costs. The District realized a savings of \$304,109 as a result of the refunding.

9,355,000

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.

4,970,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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 were used to finance various capital projects and the entire balance was drawn down as of February 19, 2019.

4,990,000

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.

5,425,000

General Obligation Bonds Series A of 2016:

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

8,935,000

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.

9,235,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds Series C of 2013:

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

13,265,000

General Obligation Bonds Series B of 2013:

The District is liable for general obligation bonds dated February 20, 2013, in the original principal amount of \$11,060,000. Principal maturities occur on May 15, 2014, through the year 2024. 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.

4,500,000

Total bonds and notes payable

\$ 73,565,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - 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,			
	Series B of 2019	Series A of 2019	Series B of 2018	Series C of 2017
2020	\$	\$ 5,000	\$ 165,000	\$ 20,000
2021		5,000	180,000	70,000
2022		5,000	170,000	70,000
2023		5,000	3,615,000	70,000
2024		5,000	5,225,000	3,430,000
2025 2027	3,165,000	9,700,000		1,310,000
Total	<u>\$ 3,165,000</u>	<u>\$ 9,725,000</u>	<u>\$ 9,355,000</u>	<u>\$ 4,970,000</u>

	General Obligation Notes,	General Obligation Bonds,		
	Series B of 2017	Series B of 2016	Series A of 2016	Series of 2016
2020	\$ 5,000	\$ 4,425,000	\$ 55,000	\$ 5,000
2021	5,000	1,000,000	110,000	3,355,000
2022	5,000		60,000	4,765,000
2023	5,000		520,000	1,110,000
2024	5,000		45,000	
2025 2027	4,965,000		8,145,000	
Total	<u>\$ 4,990,000</u>	<u>\$ 5,425,000</u>	<u>\$ 8,935,000</u>	<u>\$ 9,235,000</u>

	General Obligation Bonds,		Total Principal	Total Interest
	Series C of 2013	Series B of 2013		
2020	\$ 3,880,000	\$ 30,000	\$ 8,590,000	\$ 2,394,141
2021	4,160,000	5,000	8,890,000	2,091,637
2022	4,200,000	5,000	9,280,000	1,702,893
2023	1,025,000	3,270,000	9,620,000	1,360,812
2024		1,190,000	9,900,000	1,079,434
2025 2027			27,285,000	1,752,361
Total	<u>\$ 13,265,000</u>	<u>\$ 4,500,000</u>	<u>\$ 73,565,000</u>	<u>\$ 10,381,278</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long term liability balances and activity for the year ended June 30, 2019, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable	\$ 68,918,382	\$ 26,596,618	\$ 21,950,000	\$ 73,565,000	\$ 8,590,000
Discounts	(84,470)		(16,534)	(67,936)	
Premiums	2,536,152	1,479,809	939,065	3,076,896	
Total bonds and notes payable	71,370,064	28,076,427	22,872,531	76,573,960	8,590,000
Compensated absences	1,328,984	275,738	198,072	1,406,650	61,762
Net pension liability	159,125,208	8,213,735	13,973,878	153,365,065	
Net other postemployment benefit liabilities	16,219,694	627,055	719,157	16,127,592	
Total governmental long term liabilities	<u>\$ 248,043,950</u>	<u>\$ 37,192,955</u>	<u>\$ 37,763,638</u>	<u>\$ 247,473,267</u>	<u>\$ 8,651,762</u>
Business-Type Activities					
Net pension liability	\$ 5,634,792	\$ 451,818	\$ 507,675	\$ 5,578,935	\$
Net other postemployment benefit liabilities	572,649	43,778	17,908	598,519	
Total business type long term liabilities	<u>\$ 6,207,441</u>	<u>\$ 495,596</u>	<u>\$ 525,583</u>	<u>\$ 6,177,454</u>	<u>\$</u>

Payments on bonds and notes payable are made by the debt service fund. Total interest paid during the year ended June 30, 2019, was \$2,440,266. The compensated absence liabilities will be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB 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. The District OPEB Plan portion of the OPEB 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, 2019

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Defeased Debt

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

During the year ended June 30, 2019, the District issued General Obligation Notes, Series B of 2019 in the amount of \$3,165,000 which was used to advance refund a portion of General Obligation Bonds Series B of 2013, General Obligation Bonds Series C of 2013, and General Obligation Bonds – Series A of 2016. 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, 2019, outstanding general obligation notes of the District in the amount of \$7,675,000 were considered to be defeased with a related \$8,019,844 (market value at June 30, 2019) held in escrow funds.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

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.

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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions continued

Member Contributions: continued

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%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2019, was 32.60% 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 \$15,262,789 for the year ended June 30, 2019.

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, 2019, for pension and OPEB benefits was \$7,803,414.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - 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

At June 30, 2019, the District reported a liability of \$158,944,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was 0.3311%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$17,458,932. At June 30, 2019, 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	\$ 779,000	\$
Changes in assumptions	2,962,000	
Difference between expected and actual experience	1,279,000	2,460,000
Changes in proportions Plan Level	2,654,000	909,000
Changes in proportions Internal	53,641	53,641
Difference between employer contributions and proportionate share of total contributions	652,654	
Contributions made subsequent to the measurement date	15,262,789	
	<u>\$ 23,643,084</u>	<u>\$ 3,422,641</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$15,262,789 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, 2020. 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:

2020	\$ 4,323,977
2021	2,699,598
2022	(1,545,232)
2023	<u>(520,689)</u>
	<u>\$ 4,957,654</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018, was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018, 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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, 2019

NOTE 9 - 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.

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, 2018 is:

	Target Allocation	Long Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</u>	

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, 2019

NOTE 9 - 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

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	\$ 197,023,000	\$ 158,944,000	\$ 126,748,000

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.

Payables to the Pension Plan

At June 30, 2019, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$4,001,710. This amount represents the District's contractually obligated contributions for wages earned in April 2019 through June 2019. The balance was paid in September 2019.

Pension Reform

Pursuant to the Commonwealth Act 2017 5, members hired on or after July 1, 2019, will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand alone defined contribution plan.

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, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2019 are as follows:

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 6,903,000	\$ 613,591	\$ 307,000
District OPEB Plan	<u>9,823,111</u>	<u>695,680</u>	<u>810,187</u>
Total	<u>\$ 16,726,111</u>	<u>\$ 1,309,271</u>	<u>\$ 1,117,187</u>

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

Retirees of PSERS can participate in the Premium Assistance Program 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 Health Option Program or employer sponsored health insurance program.

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.

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, 2018, 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, 2019, 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 \$388,591 for the year ended June 30, 2019.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions continued

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 PSERS OPEB Plan liability 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, 2019, for pension and OPEB benefits was \$7,803,414.

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$6,903,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB 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, 2019, the District's proportion was 0.3311%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$331,692. At June 30, 2019, 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	\$ 109,000	\$ 261,000
Differences between expected and actual experience	43,000	
Net difference between projected and actual investment earnings	11,000	
Changes in proportion	62,000	46,000
Contributions made subsequent to the measurement date	388,591	
	<u>\$ 613,591</u>	<u>\$ 307,000</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$388,591 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 liability in the year ending June 30, 2020. 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:

2020	\$ (19,000)
2021	(19,000)
2022	(19,000)
2023	(21,000)
2024	(22,000)
Thereafter	<u>18,000</u>
	<u>\$ (82,000)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method Entry Age Normal level % of pay.
- Investment return 2.98% 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%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions continued

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2018.
- 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 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.

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.

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, 2018, is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
U.S Core Fixed Income	92.8%	1.20%
Non US Developed Fixed	1.3%	0.40%
	<u>100.0%</u>	

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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 liability for the June 30, 2018 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability 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 6.75%)	Current Trend Rate (Between 5% to 7.75%)	1% Increase (Between 6% to 8.75%)
District's proportionate share of the net OPEB liability	\$ 6,902,000	\$ 6,903,000	\$ 6,904,000

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 7,851,000	\$ 6,903,000	\$ 6,117,000

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.

Payables Related to the Plan

At June 30, 2019, the District had an accrued balance due to PSERS of \$4,001,710, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2019 through June 2019. The balance was paid in September 2019.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan

General Information About the District 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 Governmental 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, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided 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.
------------------------------------	--	---

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided 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, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided 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, 2018, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	615
Vested Former Participants	6
Retired participants	<u>35</u>
Total	<u><u>656</u></u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2018, was determined by rolling forward the District's total OPEB liability as of July 1, 2017 to July 1, 2018, 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%.
- Discount rate 2.98% based on the Standards & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/18.
- 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 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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. 80% of vested former participants eligible for subsidized coverage are assumed to begin coverage at the later of age 62 and the valuation date. 30% 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	<u>\$ 9,995,343</u>
Changes for the year:	
Service cost	724,470
Interest	329,459
Differences between expected and actual experience	(706,275)
Changes of assumptions or other inputs	(161,783)
Benefit payments	<u>(358,103)</u>
Net changes	<u>(172,232)</u>
Balance at June 30, 2019	<u><u>\$ 9,823,111</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.13% to 2.98%; (2) the trend assumption was updated; (3) the assumed percentage of retirees and vested former members covering their spouses was decreased from 35% to 30%; (4) the vested former member election rate was changed from 100% to 80%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current discount rate:

	<u>1% Decrease 1.98%</u>	<u>Current Discount Rate 2.98%</u>	<u>1% Increase 3.98%</u>
OPEB Plan Total OPEB liability	\$ 10,644,718	\$ 9,823,111	\$ 9,049,987

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

The following presents total OPEB liability of the District, as well as what the District's total OPEB liability 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 Discount Trend Rate 2.98%</u>	<u>1% Increase</u>
OPEB Plan Total OPEB liability	\$ 8,670,502	\$ 9,823,111	\$ 11,210,050

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,020,869. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 322,549	\$ 150,997
Differences between expected and actual experience		659,190
Benefit payments made subsequent to the measurement date	<u>373,131</u>	
	<u>\$ 695,680</u>	<u>\$ 810,187</u>

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$373,131 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. 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:

2020	\$ (33,060)
2021	(33,060)
2022	(33,060)
2023	(33,060)
2024	(33,060)
Thereafter	<u>(322,338)</u>
Total	<u>\$ (487,638)</u>

NOTE 11 - JOINT VENTURE

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 2018/2019 year was \$1,077,752.

Summary financial information as of June 30, 2018 (the most recent information available) is as follows:

<u>Berks Career and Technology Center (Governmental Activities)</u>	
Total assets and deferred outflows of resources	\$ 32,023,191
Total liabilities and deferred inflows of resources	<u>31,474,684</u>
Total net position	<u>\$ 548,507</u>

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. For insured programs, there were no significant reductions in insurance coverages of the 2018/2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years. The District has no unfunded liability.

NOTE 13 - CONTINGENT LIABILITIES

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.

NOTE 14 - COMMITMENTS

At June 30, 2019, the District has entered into a number of contracts related to school expansion and renovation projects. Commitments outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
Lower House Roof Replacement	\$ 1,821,500	\$ 1,374,602

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

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2019, were as follows:

General Fund

The general fund has a nonspendable fund balance of \$241,164 for prepaid expenditures, restricted funds of \$87,744 for a special education settlement, committed funds of \$10,518,180 for retirement rate increases, an assigned fund balance of \$1,000,000 representing the 2019/2020 budget appropriation, and unassigned fund balance of \$6,678,605. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects

The capital projects fund has restricted funds of \$19,888,852 consisting of \$12,031,355 of unspent bond funds and \$7,857,497 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.

Debt Service

The debt service fund has restricted funds of \$6,250, consisting of unspent monies from debt issuances to be used for future debt payments.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental 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.

WILSON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the District's fiscal year ending June 30, 2020.

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, 2019

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP) Basis	Final to Actual
REVENUES				
Local sources	\$ 77,151,386	\$ 77,151,386	\$ 80,078,984	\$ 2,927,598
State sources	24,859,968	24,859,968	24,442,370	(417,598)
Federal sources	1,171,646	1,171,646	1,302,556	130,910
TOTAL REVENUES	103,183,000	103,183,000	105,823,910	2,640,910
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs elementary/secondary	42,572,465	42,182,611	41,871,337	311,274
Special programs elementary/secondary	16,689,290	16,680,795	15,969,829	710,966
Vocational education	2,588,590	2,617,648	2,516,370	101,278
Other instructional programs elementary/secondary	364,406	439,430	407,400	32,030
Nonpublic school programs	20,134	26,034	25,922	112
TOTAL INSTRUCTIONAL SERVICES	62,234,885	61,946,518	60,790,858	1,155,660
SUPPORT SERVICES:				
Students	3,740,508	3,779,057	3,701,766	77,291
Instructional staff	5,981,449	6,119,987	5,878,253	241,734
Administration	5,885,266	5,846,970	5,760,063	86,907
Pupil health	876,196	875,011	855,885	19,126
Business	902,889	1,023,242	985,073	38,169
Operation and maintenance of plant	7,419,367	7,354,583	7,164,766	189,817
Student transportation	3,296,372	3,388,660	3,309,485	79,175
Central	644,824	708,729	631,499	77,230
Other	217,000	214,000	191,534	22,466
TOTAL SUPPORT SERVICES	28,963,871	29,310,239	28,478,324	831,915
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	2,433,238	2,383,912	2,286,565	97,347
Community services	158,506	149,831	148,516	1,315
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	2,591,744	2,533,743	2,435,081	98,662
REFUND OF PRIOR YEAR REVENUE			17	(17)
TOTAL EXPENDITURES	93,790,500	93,790,500	91,704,280	2,086,220
EXCESS OF REVENUES OVER EXPENDITURES	9,392,500	9,392,500	14,119,630	4,727,130
OTHER FINANCING SOURCES (USES)				
Transfers in	220,000	220,000	182,400	(37,600)
Sale of capital assets			4,500	4,500
Transfers out	(11,837,500)	(11,837,500)	(12,271,522)	(434,022)
Budgetary reserve	(1,000,000)	(1,000,000)		1,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(12,617,500)	(12,617,500)	(12,084,622)	532,878
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (3,225,000)</u>	<u>\$ (3,225,000)</u>	2,035,008	<u>\$ 5,260,008</u>
FUND BALANCE - BEGINNING OF YEAR			16,490,685	
FUND BALANCE - END OF YEAR			<u>\$ 18,525,693</u>	

See note to required supplementary information.

WILSON SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

BUDGETARY DATA

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

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 2018/2019 budget transfers.

WILSON SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.3311%	0.3336%	0.3296%	0.3211%	0.3215%	0.3146%
District's proportionate share of the collective net pension liability	\$ 158,944,000	\$ 164,760,000	\$ 163,339,000	\$ 139,086,000	\$ 127,252,000	\$ 128,785,000
District's covered employee payroll	\$ 44,583,680	\$ 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	356.51%	370.93%	382.69%	336.60%	310.16%	319.03%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	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, which is one year prior to the fiscal year end.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 15,262,789	\$ 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
Contributions in relation to the contractually required contribution	15,262,789	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
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
District's covered employee payroll	\$ 46,360,916	\$ 44,583,680	\$ 44,418,252	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523			
Contributions as a percentage of covered employee payroll	32.92%	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 LIABILITY AND RELATED RATIOS -
PSERS OPEB PLAN**

LAST TEN FISCAL YEARS

	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.3311%	0.3336%	0.3296%
District's proportionate share of the collective net PSERS OPEB liability	\$ 6,903,000	\$ 6,797,000	\$ 7,100,000
District's covered employee payroll	\$ 44,583,680	\$ 44,418,252	\$ 42,681,352
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered employee payroll	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.73%	5.47%

The District's covered employee payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2018 measurement date are as follows:

- The discount rate changed from 3.13% to 2.98%.

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 - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2019</u>	<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>
Contractually required contribution	\$ 388,591	\$ 378,692	\$ 369,728	\$ 362,381	\$ 372,639	\$ 383,640	\$ 348,425	\$ 263,637	\$ 265,715	\$ 316,510
Contributions in relation to the contractually required contribution	<u>388,591</u>	<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>
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	\$ 46,360,916	\$ 44,583,680	\$ 44,418,252	\$ 42,681,352	\$ 41,320,336	\$ 41,027,919	\$ 40,367,523			
Contributions as a percentage of covered employee payroll	0.84%	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 IN TOTAL OPEB OBLIGATION AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	2019	2018
Total OPEB liability:		
Service cost	\$ 724,470	\$ 703,506
Interest	329,459	238,006
Differences between expected and actual experience	(706,275)	
Changes in assumptions	(161,783)	372,171
Benefit payments	(358,103)	(378,235)
	<u>(172,232)</u>	<u>935,448</u>
Net change in total OPEB liability		
	(172,232)	935,448
Total OPEB liability, beginning	9,995,343	9,059,895
	<u>9,995,343</u>	<u>9,059,895</u>
Total OPEB liability, ending	<u>\$ 9,823,111</u>	<u>\$ 9,995,343</u>
Covered Employee Payroll	<u>\$ 38,926,972</u>	<u>\$ 37,552,928</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	25.23%	26.62%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2018 measurement date are as follows:

- The discount rate changed from 3.13% to 2.98%.
- The trend assumption was updated.
- The assumed percentage of retirees and vested former members covering their spouses was decreased from 35% to 30%.
- The vested former member election rate was changed from 100% to 80%.

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, 2019

		Budget	Actual	Variance
6000 Revenues from Local Sources				
<u>Taxes</u>				
6111	Current real estate taxes	\$ 63,815,586	\$ 63,982,240	\$ 166,654
6112	Interim real estate taxes	214,000	208,454	(5,546)
6113	Public utility realty tax	73,000	74,423	1,423
6114	Payments in lieu of current taxes	1,015	1,015	
6120	Current per capita taxes, Section 679	120,000	119,461	(539)
6140	Current Act 511 per capita taxes	120,000	119,461	(539)
6143	Current Act 511 local services taxes	119,000	125,820	6,820
6151	Current Act 511 earned income taxes	5,850,000	6,371,298	521,298
6153	Current Act 511 real estate transfer taxes	980,000	1,007,680	27,680
6155	Current Act 511 mercantile/business privilege taxes	1,800,000	2,795,515	995,515
6400	Delinquent taxes (all levies)	949,000	1,169,969	220,969
	Total	74,041,601	75,975,336	1,933,735
<u>Other</u>				
6510	Interest on investments	571,000	1,074,079	503,079
6700	Revenue from District activities	319,275	348,287	29,012
6810	Revenue from other governments	60,000	67,133	7,133
6832	Revenue from Intermediate Unit Federal Special Education	971,000	996,780	25,780
6910	Rental of facilities	172,000	224,772	52,772
6920	Donation from private source	37,500	181,851	144,351
6940	Tuition from patrons	540,950	704,682	163,732
6950	Advertising income	2,000	2,000	
6960	Services provided other local government units	143,000	118,008	(24,992)
6980	Community/age group swim	114,000	107,082	(6,918)
6990	Miscellaneous revenue	179,060	278,974	99,914
	Total	3,109,785	4,103,648	993,863
	TOTAL REVENUES FROM LOCAL SOURCES	77,151,386	80,078,984	2,927,598
7000 Revenues from State Sources				
7110	Basic instructional subsidy	8,314,719	8,314,316	(403)
7160	Tuition/court placed institutions	157,000	169,459	12,459
7270	Special Education of Exceptional Pupils	2,468,357	2,424,216	(44,141)
7299	Other programs		6,811	6,811
7311	Pupil transportation	814,000	849,173	35,173
7312	Nonpublic transportation	93,660	70,455	(23,205)
7320	Rentals and sinking fund payments	1,291,600	1,247,750	(43,850)
7330	Medical and dental services	114,000	116,686	2,686
7340	Property tax reduction allocation	1,388,473	1,388,473	
7360	School safety and security grant		25,000	25,000
7505	Ready to learn grant	579,495	579,495	
7810	Social security	1,791,210	1,682,936	(108,274)
7820	Retirement	7,847,454	7,567,600	(279,854)
	TOTAL REVENUES FROM STATE SOURCES	24,859,968	24,442,370	(417,598)

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2019

		Budget	Actual	Variance
8000 Revenues from Federal Sources				
8514	Title I	670,074	681,675	11,601
8515	Title II	149,800	145,997	(3,803)
8516	Title III	38,837	20,671	(18,166)
8517	Title IV	27,935	49,226	21,291
8810	Access Medical Assistance Reimbursement	260,000	380,000	120,000
8820	Access Medical Assistance Reimbursement Admin	25,000	24,987	(13)
	TOTAL REVENUES FROM FEDERAL SOURCES	1,171,646	1,302,556	130,910
9000 Other Financing Sources				
9359	Transfers in	220,000	182,400	(37,600)
9400	Sale of capital assets		4,500	4,500
	TOTAL REVENUES FROM OTHER FINANCING SOURCES	220,000	186,900	(33,100)
	TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 103,403,000</u>	<u>\$ 106,010,810</u>	<u>\$ 2,607,810</u>

WILSON SCHOOL DISTRICT

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

For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1000 Instructional Services			
1100 Regular programs elementary/secondary	\$ 42,182,611	\$ 41,871,337	\$ 311,274
1200 Special programs elementary/secondary	16,680,795	15,969,829	710,966
1300 Vocational education	2,617,648	2,516,370	101,278
1400 Other instructional programs elementary/secondary	439,430	407,400	32,030
1500 Nonpublic school programs	26,034	25,922	112
TOTAL INSTRUCTIONAL SERVICES	61,946,518	60,790,858	1,155,660
2000 Support Services			
2100 Students	3,779,057	3,701,766	77,291
2200 Instructional staff	6,119,987	5,878,253	241,734
2300 Administration	5,846,970	5,760,063	86,907
2400 Pupil health	875,011	855,885	19,126
2500 Business	1,023,242	985,073	38,169
2600 Operation and maintenance of plant	7,354,583	7,164,766	189,817
2700 Student transportation	3,388,660	3,309,485	79,175
2800 Central	708,729	631,499	77,230
2900 Other	214,000	191,534	22,466
TOTAL SUPPORT SERVICES	29,310,239	28,478,324	831,915
3000 Operation of Noninstructional Services			
3200 Student activities	2,383,912	2,286,565	97,347
3300 Community services	149,831	148,516	1,315
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	2,533,743	2,435,081	98,662
5000 Other Financing Uses			
5100 Refund of prior year revenue		17	(17)
5200 Transfers out	11,837,500	12,271,522	(434,022)
5900 Budgetary reserve	1,000,000		1,000,000
TOTAL OTHER FINANCING USES	12,837,500	12,271,539	565,961
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 106,628,000	\$ 103,975,802	\$ 2,652,198

WILSON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for Year	Accrued or (Unearned) Revenue at July 1, 2018	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2019
<u>U.S. Department of Education</u>									
Passed through Pennsylvania Department of Education:									
Title I Grants to Local Education Agencies	I	84.010	013 19 0490	07/01/18 09/30/19	\$ 697,165	\$ 642,465	\$	\$ 681,675	\$ 39,210
Supporting Effective Instruction State Grant	I	84.367	020 19 0490	07/01/18 09/30/19	153,391	108,803		144,419	35,616
Supporting Effective Instruction State Grant	I	84.367	020 18 0490	07/01/17 09/30/18	154,434	10,208	8,630	1,578	
Subtotal CFDA 84.367						119,011	8,630	145,997	35,616
English Language Acquisition State Grant	I	84.365	010 19 0490	07/01/18 09/30/19	40,231	25,863		20,671	(5,192)
Student Support and Academic Enrichment Program	I	84.424	144 19 0490	07/05/18 09/30/19	48,432	34,594		48,432	13,838
Student Support and Academic Enrichment Program	I	84.424	144 18 0490	07/05/17 09/30/19	15,100	6,040	5,246	794	
Subtotal CFDA 84.424						40,634	5,246	49,226	13,838
Special Education Cluster (IDEA)									
Passed through the Berks County Intermediate Unit:									
Special Education Grants to States	I	84.027	N/A	07/01/18 06/30/19	987,787	460,772		987,787	527,015
Special Education Grants to States	I	84.027	N/A	07/01/17 06/30/18	962,729	433,250	433,250		
Subtotal CFDA 84.027						894,022	433,250	987,787	527,015
Special Education Preschool Grants	I	84.173	N/A	07/01/18 06/30/19	8,993	8,993		8,993	
Total Special Education Cluster (IDEA)						903,015	433,250	996,780	527,015
TOTAL U.S. DEPARTMENT OF EDUCATION						1,730,988	447,126	1,894,349	610,487
<u>U.S. Department of Health and Human Services</u>									
Medicaid Cluster									
Passed through the Pennsylvania Department of Human Services:									
Medical Assistance Program	I	93.778	44 008514	07/01/18 06/30/19	11,103	11,103		24,987	13,884
Medical Assistance Program	I	93.778	44 008514	07/01/17 06/30/18	6,623	14,325	14,325		
TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						25,428	14,325	24,987	13,884
<u>U.S. Department of Defense - Department of the Army</u>									
Passed-Through the Cadet Command JROTC Instructor Management Division:									
Army JROTC	I	12.630	N/A	07/01/2019	63,383	59,019		63,383	4,364
Army JROTC	I	12.630	N/A	07/01/2018	43,526	2,830	2,830		
TOTAL U.S. DEPARTMENT OF DEFENSE- DEPARTMENT OF THE ARMY						61,849	2,830	63,383	4,364
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster									
Passed through Pennsylvania Department of Education:									
School Breakfast Program	I	10.553	N/A	07/01/18 06/30/19	N/A	166,529		166,529	
School Breakfast Program	I	10.553	N/A	07/01/17 06/30/18	N/A	27,003	27,003		
Subtotal CFDA 10.5						193,532	27,003	166,529	
National School Lunch Program	I	10.555	N/A	07/01/18 06/30/19	N/A	862,554		862,554	
National School Lunch Program	I	10.555	N/A	07/01/17 06/30/18	N/A	127,262	127,262		
Passed through Pennsylvania Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	07/01/18 06/30/19	N/A	135,496	(13,032)	138,233	(10,295)
Subtotal CFDA 10.5						1,125,312	114,230	1,000,787	(10,295)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						1,318,844	141,233	1,167,316	(10,295)
TOTAL FEDERAL AWARDS						<u>\$ 3,137,109</u>	<u>\$ 605,514</u>	<u>\$ 3,150,035</u>	<u>\$ 618,440</u>

Source Codes: I = Indirect source of financing.

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2019.

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, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Wilson School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Wilson School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Wilson School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee for service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee for service and recognized for the year ended June 30, 2019 was \$380,000.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the District had \$10,295 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, 2019, 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 18, 2019.

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 18, 2019**



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
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, 2019. 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, 2019.

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 18, 2019**

WILSON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

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>
84.010	Title I Grants to Local Education Agencies

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, 2019

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, 2019

Section II - Financial Statement Findings

There were no financial statement findings reported for the year ended June 30, 2018.

Section III - Federal Awards Findings and Questioned Costs

There were no federal award findings or questioned costs reported for the year ended June 30, 2018.