

**WISSAHICKON SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2015*



*Expertise Beyond The Numbers®*

*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# WISSAHICKON SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2015

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Wissahickon School District  
Ambler, 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 Wissahickon School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Wissahickon School 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.

### ***Auditors' 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 auditors' 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.

To the Board of School Directors  
Wissahickon School District  
Ambler, Pennsylvania

### ***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 Wissahickon School District as of June 30, 2015, 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.

### ***Emphasis of Matter***

As discussed in Note O to the financial statements, for the year ended June 30, 2015, the Wissahickon School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, budgetary comparison information on pages 50 and 51, schedule of the school district's proportionate share of the net pension liability on page 52, schedule of school district contributions on page 53, and postemployment benefits other than pension funding progress on page 54 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wissahickon School District's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of School Directors  
Wissahickon School District  
Ambler, Pennsylvania

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is 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, 2015, on our consideration of the Wissahickon School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Wissahickon School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Maillie LLP".

Oaks, Pennsylvania  
November 18, 2015

**WISSAHICKON SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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This section of the Wissahickon School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015.

**FINANCIAL HIGHLIGHTS**

- At the close of the current fiscal year, the Wissahickon School District's Governmental Funds reported a combined ending fund balance of \$29,141,050, an increase of \$656,869 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,971,400 or approximately 3% of total General Fund expenditures.
- The assessed valuation of the District increased from \$3,626,152,638 as of June 2013 to \$3,641,188,708 as of June 2014. The June 2014 assessed valuation was used for the tax revenue for the fiscal period ended June 30, 2015.
- The District-wide net position decreased by \$143,311,552. This decrease is primarily the result of new Governmental Accounting Standards Board (GASB) reporting requirement regarding pensions. The district now must report its proportionate share of the PSERS liability. Wissahickon's proportionate share of PSERS liability at June 30, 2015 is \$142,451,000. Without this reporting change, the District's net position would have only decreased by \$814,344. Program revenues accounted for \$12,068,591 or 13.63% of total revenues, and general revenues accounted for \$76,495,793 or 86.37%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Wissahickon School District's basic financial statements. The Wissahickon School District's basic financial statements have three components:

1. District-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

**WISSAHICKON SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**District-Wide Financial Statements**

The *District-wide financial statements* are designed to provide readers with a broad overview of the Wissahickon School District's finances in a manner similar to a private-sector business. There are two District-wide statements presented in this report.

- The statement of net position presents information on all of the Wissahickon School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Wissahickon School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as property tax base, student enrollment growth and the condition of school buildings and other facilities.
- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the District-wide financial statements distinguish functions of the Wissahickon School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

In the District-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to cover the costs of certain services it provides. The District's only business-type activity is the food service program.

The District-wide financial statements can be found on pages 15 and 16 of this report.

**WISSAHICKON SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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**DISTRICT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wissahickon School District, liabilities exceeded assets by \$74,855,686 at the close of the most recent fiscal year due to the \$142,451,000 of pension related liability required to be booked due to the new GASB Statement No. 68. The table below summarizes the net position of the District at June 30, 2015.

***Wissahickon School District Net Position (Amounts in Thousands)***

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current and other assets	\$ 44,573	\$ 42,831	\$ 148	\$ (85)	\$ 44,721	\$ 42,746
Capital and other assets	41,364	42,471	47	45	41,411	42,516
<b>TOTAL ASSETS</b>	<b>85,937</b>	<b>85,302</b>	<b>195</b>	<b>(40)</b>	<b>86,132</b>	<b>85,262</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources, pension activity	10,049	-	-	-	10,049	-
<b>LIABILITIES</b>						
Other liabilities	14,610	13,673	241	128	14,851	13,801
Long-term liabilities	145,966	3,005	-	-	145,966	3,005
<b>TOTAL LIABILITIES</b>	<b>160,576</b>	<b>16,678</b>	<b>241</b>	<b>128</b>	<b>160,817</b>	<b>16,806</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows of resources, pension activity	10,219	-	-	-	10,219	-
<b>NET POSITION</b>						
Net investment in capital assets	41,364	42,471	47	45	41,411	42,516
Unrestricted	(116,173)	26,153	(93)	(213)	(116,266)	25,940
<b>TOTAL NET POSITION</b>	<b>\$ (74,809)</b>	<b>\$ 68,624</b>	<b>\$ (46)</b>	<b>\$ (168)</b>	<b>\$ (74,855)</b>	<b>\$ 68,456</b>

**WISSAHICKON SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

The governmental activities had a negative net position value of \$74,809,468 for the fiscal year ended June 30, 2015. This negative net position value is primarily caused by the net pension liability offset by several factors, including debt repayment schedules, the asset appraisal level selected and fund balance practice and policy.

Changes in the net position of the District are highlighted in the following table (amounts in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Charges for services	\$ 437	\$ 462	\$ 856	\$ 920	\$ 1,293	\$ 1,382
Operating grants and contributions	11,632	10,256	463	421	12,095	10,677
General revenues, property taxes and other taxes levied for general purposes	70,904	69,579	-	-	70,904	69,579
Unrestricted grants, subsidies and contributions	5,479	5,209	-	-	5,479	5,209
Investment earnings	58	52	-	-	58	52
Gain on sale of fixed asset	48	881	-	-	48	881
Other	7	9	200	-	207	9
<b>TOTAL REVENUES</b>	<b>88,565</b>	<b>86,448</b>	<b>1,519</b>	<b>1,341</b>	<b>90,084</b>	<b>87,789</b>
<b>EXPENSES</b>						
Instruction	57,804	52,694	-	-	57,804	52,694
Support services	32,821	29,894	-	-	32,821	29,894
Operation of non-instructional services	1,709	1,539	-	-	1,709	1,539
Debt service	39	147	-	-	39	147
Other	200	-	1,397	1,432	1,597	1,432
<b>TOTAL EXPENSES</b>	<b>92,573</b>	<b>84,274</b>	<b>1,397</b>	<b>1,432</b>	<b>93,970</b>	<b>85,706</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (4,008)</b>	<b>\$ 2,174</b>	<b>\$ 122</b>	<b>\$ (91)</b>	<b>\$ (3,886)</b>	<b>\$ 2,083</b>

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Governmental Funds**

Most of the District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted into cash. The Governmental Funds statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental Funds information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds is reconciled in the basic financial statements on pages 17 through 20.

**WISSAHICKON SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**Proprietary Fund**

The Proprietary Fund uses the accrual basis of accounting, the same as on the government-wide statements; therefore, the statements will essentially match the business-type activities portion of the government-wide statements.

**Fiduciary Funds**

The District is the trustee, or fiduciary, for its scholarship program and other items listed as private-purpose trust. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operation.

**Fund Financial Statements**

An analysis of the District's major funds begins on page 15 and provides detailed information about the most significant funds--not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, Governmental, Proprietary and Fiduciary, use different accounting approaches as further described in the notes to the financial statements beginning on page 26.

As of the end of the current fiscal year, the Wissahickon School District's Governmental Funds reported combined ending fund balances of \$29,141,050, which is a \$656,869 increase over last year's combined total of \$28,484,181.

The unassigned General Fund balance of \$2,971,400 is available for spending at the District's discretion. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 3% of total General Fund expenditures. The Wissahickon School District's General Fund balance decreased \$10,446,186 during the current fiscal year. The fund balance decrease was primarily related to the capital reserve transfer of \$12,000,000.

The Capital Reserve Fund balance of \$18,443,291 is reserved to indicate that it is not available for new spending because it has already been committed to capital projects. The increase in fund balance during the current year in the Capital Reserve Fund was \$11,103,055.

Unrestricted net position of the Proprietary (Food Service) Fund at the end of the year amounted to \$(92,849). The total increase in unrestricted net position for this fund was \$120,408, and total revenues decreased 1.64% to \$1,318,432, while expenses increased by approximately 2.45% to \$1,396,762.

**General Fund Budgetary Highlights**

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The budgetary comparison schedule for the General Fund is presented in the required supplementary information section of this report on page 50.

**WISSAHICKON SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Wissahickon School District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$41,410,548 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery, furniture and equipment and roads. The major capital asset events during the 2014-15 fiscal year were design fees for the pool and high school project, desktop, laptop and netbook computer purchases, network core switch replacement for the administration building, fire alarm replacement at Stony Creek Elementary and the administration building, replacement of the high school boiler, locker replacements at the middle school and new transportation vehicles. Additional information on the Wissahickon School District's capital assets can be found in Note E on page 36 of this report.

**Debt**

At the end of the current fiscal year, the Wissahickon School District directly had zero total bonded debt outstanding, which is the same outstanding balance as June 30, 2014.

Under current state statutes, the District's general obligation bonded debt issues (which excludes the lease appropriation debt issued to the State Public School Building Authority) are subject to a legal limitation based on 225% of the includable average revenues for the prior three years. At June 30, 2015, the District's General Obligation debt is approximately \$181 million below the legal limit.

**CONTINUING REPORTING DISCLOSURE**

➤ **Ten Largest Taxpayers**

	<u>2015 Owner</u>	<u>2015 Property/Business</u>	<u>Assessed Value</u>
1	Adult Communities Total Services	Life Care	\$ 52,657,780
2	Ortho McNeil Pharmaceutical Inc	Pharmaceutical Company	49,009,850
3	Foulkeways at Gwynedd	Life Care	21,503,650
4	Rohm & Haas Company	Chemical Company	19,708,930
5	Whitpain Associates	Commercial Real Estate	19,642,080
6	Hunt Club Apartment Associates LP	Commercial Real Estate	19,400,560
7	Townline Assoc	Commercial Real Estate	18,335,580
8	16-18 KPG III Sentury LLC	Commercial Real Estate	17,960,260
9	Blue Bell Investment Co LP	Commercial Real Estate	16,025,150
10	Aetna Life Ins Co	Health Care Insurance	14,634,450
			<u>\$ 248,878,290</u>

**WISSAHICKON SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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➤ **Pupil Enrollment**

<b><u>Actual Enrollments</u></b>				<b><u>Projected Enrollments</u></b>			
School Year	(K-6) Elementary	(7-12) Secondary	Total	School Year	(K-6) Elementary	(7-12) Secondary	Total
2010-11	2,294	2,189	4,483	2016-17	2,369	2,052	4,421
2011-12	2,274	2,155	4,429	2017-18	2,375	2,093	4,468
2012-13	2,297	2,140	4,438	2018-19	2,390	2,098	4,488
2013-14	2,344	2,096	4,440	2019-20	2,360	2,160	4,521
2014-15	2,384	2,073	4,457	2020-21	2,353	2,176	4,429
2015-16	2,372	2,052	4,424	2021-22	2,327	2,216	4,543

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

➤ **Pennsylvania Act 1: The Taxpayer Relief Act**

The purpose of Special Session Act 1 of 2006, the Taxpayer Relief Act, signed on June 27, 2006, is to ease the financial burden of home ownership by providing school districts the means to lower property taxes for homeowners via a shift to local income taxes and funding ultimately provided by gaming revenue.

Act 1 mandates that future school district real estate taxes may be increased up to a specified index without voter approval. Increases above the index, with limited exceptions, will require a voter referendum.

It is important to note that Act 1 does not provide additional money for education. It only shifts the source of some of the funding from property to income taxes and offers the potential of possible gaming money.

The Pennsylvania Department of Education certified 2.4% as the Act 1 index for Wissahickon School District for the 2016-2017 fiscal year. Wissahickon School District's index for the 2015-2016 fiscal year was 1.9%.

➤ **Projected Pension Costs**

Annually, the Public School Employees' Retirement Board meets and certifies the employer contribution rate for the upcoming fiscal year. Both the school district employer and the Commonwealth of Pennsylvania are responsible for paying a portion of the employer contribution rate. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the school district employer one-half the payment. The Employer's Contribution rate is projected to change as set forth below.

**WISSAHICKON SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

***Historical and Projected Employer Contribution Rates***

<b><u>Fiscal Year</u></b>	<b><u>Rate Percentage</u></b>	<b><u>Increase (Decrease)</u></b>
2008 to 2009	4.76	-33.24%
2009 to 2010	4.78	0.42%
2010 to 2011	5.64	17.99%
2011 to 2012	8.65	53.37%
2012 to 2013	12.36	42.89%
2013 to 2014	16.93	36.97%
2014 to 2015	21.4	26.40%
2015 to 2016	25.84	20.75%
2016 to 2017	29.69	14.90%
2017 to 2018 *	30.62	3.13%
2018 to 2019 *	31.56	3.07%

\*Tentative projected rates per PSERS

On October 6, 2015, PSERS reported a positive 3.04% return for the one-year period ended June 30, 2015. However, significant funding issues remain for the fund, the Commonwealth and school employers as the employer contribution rate is projected to increase significantly in fiscal year 2016-2017. Those issues will remain largely unchanged even with positive future investment returns.

➤ **Facilities**

<b><u>Building</u></b>	<b><u>Original Construction Date</u></b>	<b><u>Addition / Renovation Date</u></b>	<b><u>Grades</u></b>	<b><u>Number of Classrooms</u></b>	<b><u>2014-2015 Enrollment</u></b>	<b><u>2015-2016 Enrollment</u></b>
<b><u>Elementary:</u></b>						
Blue Bell	1957	1989	K-5	27	409	394
Lower Gwynedd	1997	---	K-5	27	591	562
Stoney Creek	1964	1988	K-5	25	442	451
Shady Grove	1957	1972 1990	K-5	37	601	606
<b><u>Secondary:</u></b>						
Wissahickon Middle School	1975	1994 2007	6-8	68	1,025	1,065
Wissahickon High School	1962	1972 1974 2001	9-12	70	1,389	1,346

The District continues to review its facility needs, including a possible Natatorium and Central Plant project at the high school which has a budget of \$23 million and is being rebid in early 2016.

**WISSAHICKON SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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➤ **Employee Contract/Agreement Status**

The three-year contract between the School Board and the Wissahickon Education Alliance Support Staff expired on June 30, 2015. The current three-year contract between the Wissahickon School Board and the Wissahickon Education Alliance Professional Staff expires on June 30, 2016. The current three-year agreement between the District and the Wissahickon Administrators and Supervisors Association is set to expire on June 30, 2017.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Wissahickon School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Wissahickon School District, 601 Knight Road, Ambler, Pennsylvania 19002.

**WISSAHICKON SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,915,945	\$ 11,373	\$ 3,927,318
Investments	37,068,207	-	37,068,207
Taxes receivable, net	974,539	-	974,539
Internal balances	128,233	(128,233)	-
Due from other governments	2,237,580	70,250	2,307,830
Other receivables, net	248,032	5,461	253,493
Prepaid expenses	-	152,280	152,280
Inventories	-	36,911	36,911
Capital assets			
Land and land improvements	5,834,180	-	5,834,180
Buildings and building improvements	93,783,092	-	93,783,092
Furniture and equipment	11,261,318	705,262	11,966,580
Accumulated depreciation	(69,514,673)	(658,631)	(70,173,304)
<b>TOTAL ASSETS</b>	<u>85,936,453</u>	<u>194,673</u>	<u>86,131,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	<u>10,049,000</u>	<u>-</u>	<u>10,049,000</u>
<b>LIABILITIES</b>			
Accounts payable	2,103,056	174,872	2,277,928
Accrued salaries and benefits	11,171,866	-	11,171,866
Unearned revenue	20,621	66,019	86,640
Other current liabilities	1,314,928	-	1,314,928
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	194,439	-	194,439
Portion due or payable after one year			
Compensated absences	1,749,955	-	1,749,955
Net pension liability	142,451,000	-	142,451,000
Net OPEB obligation	1,570,056	-	1,570,056
<b>TOTAL LIABILITIES</b>	<u>160,575,921</u>	<u>240,891</u>	<u>160,816,812</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	<u>10,219,000</u>	<u>-</u>	<u>10,219,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,363,917	46,631	41,410,548
Unrestricted	<u>(116,173,385)</u>	<u>(92,849)</u>	<u>(116,266,234)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (74,809,468)</u>	<u>\$ (46,218)</u>	<u>\$ (74,855,686)</u>

*See accompanying notes to the basic financial statements.*

# WISSAHICKON SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 57,803,552	\$ 219,784	\$ 8,189,887	\$ -
Support services	32,821,320	-	3,290,465	-
Operation of non-instructional services	1,708,767	83,046	136,369	-
Debt service	38,967	133,911	15,129	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>92,372,606</u>	<u>436,741</u>	<u>11,631,850</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	1,396,762	855,722	462,710	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<u>\$ 93,769,368</u>	<u>\$ 1,292,463</u>	<u>\$ 12,094,560</u>	<u>\$ -</u>

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Gain on sale of fixed assets

Miscellaneous

#### TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (49,393,881)	\$ -	\$ (49,393,881)
(29,530,855)	-	(29,530,855)
(1,489,352)	-	(1,489,352)
110,073	-	110,073
<u>(80,304,015)</u>	<u>-</u>	<u>(80,304,015)</u>
-	(78,330)	(78,330)
<u>(80,304,015)</u>	<u>(78,330)</u>	<u>(80,382,345)</u>
62,402,855	-	62,402,855
87,291	-	87,291
8,414,249	-	8,414,249
5,478,680	-	5,478,680
57,866	-	57,866
47,993	-	47,993
6,859	-	6,859
(200,000)	200,000	-
<u>76,295,793</u>	<u>200,000</u>	<u>76,495,793</u>
(4,008,222)	121,670	(3,886,552)
<u>(70,801,246)</u>	<u>(167,888)</u>	<u>(70,969,134)</u>
\$ <u>(74,809,468)</u>	\$ <u>(46,218)</u>	\$ <u>(74,855,686)</u>

# WISSAHICKON SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,489,074	\$ 426,871	\$ 3,915,945
Investments	19,037,718	18,030,489	37,068,207
Taxes receivable, net	974,539	-	974,539
Due from other funds	128,233	-	128,233
Due from other governments	2,237,580	-	2,237,580
Other receivables	248,032	-	248,032
	<u>26,115,176</u>	<u>18,457,360</u>	<u>44,572,536</u>
<b>TOTAL ASSETS</b>	<b>\$ 26,115,176</b>	<b>\$ 18,457,360</b>	<b>\$ 44,572,536</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,088,987	\$ 14,069	\$ 2,103,056
Accrued salaries and benefits	11,171,866	-	11,171,866
Unearned revenue	20,621	-	20,621
Current portion of compensated absences	194,439	-	194,439
Other payables	1,314,928	-	1,314,928
	<u>14,790,841</u>	<u>14,069</u>	<u>14,804,910</u>
<b>TOTAL LIABILITIES</b>	<b>14,790,841</b>	<b>14,069</b>	<b>14,804,910</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues, property taxes	<u>626,576</u>	<u>-</u>	<u>626,576</u>
<b>FUND BALANCES</b>			
<b>Committed</b>			
Compensated absences	1,944,395	-	1,944,395
Special education	750,000	-	750,000
Future retirement rate increases	5,031,964	-	5,031,964
High school improvements	-	17,365,062	17,365,062
Middle school improvements	-	228,055	228,055
Blue Bell Elementary improvements	-	60,000	60,000
Shady Grove Elementary improvements	-	577,374	577,374
Technology	-	212,800	212,800
Unassigned	2,971,400	-	2,971,400
	<u>10,697,759</u>	<u>18,443,291</u>	<u>29,141,050</u>
<b>TOTAL FUND BALANCES</b>	<b>10,697,759</b>	<b>18,443,291</b>	<b>29,141,050</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<b>\$ 26,115,176</b>	<b>\$ 18,457,360</b>	<b>\$ 44,572,536</b>

See accompanying notes to the basic financial statements.

# WISSAHICKON SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2015

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$	29,141,050
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land and land improvements		5,834,180
Buildings and building improvements		93,783,092
Furniture and equipment		11,261,318
Accumulated depreciation		(69,514,673)
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds</p>		
		(170,000)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Compensated absences		(1,749,955)
Net pension liability		(142,451,000)
Net OPEB obligation		(1,570,056)
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>		
		<u>626,576</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(74,809,468)</u></u>

*See accompanying notes to the basic financial statements.*

**WISSAHICKON SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources	\$ 72,378,501	\$ 6,195	\$ 72,384,696
State sources	15,678,106	-	15,678,106
Federal sources	<u>500,900</u>	<u>-</u>	<u>500,900</u>
TOTAL REVENUES	<u>88,557,507</u>	<u>6,195</u>	<u>88,563,702</u>
<b>EXPENDITURES</b>			
Instruction	57,281,203	-	57,281,203
Support services	27,856,564	903,140	28,759,704
Operation of non-instructional services	1,674,952	-	1,674,952
Debt service	<u>38,967</u>	<u>-</u>	<u>38,967</u>
TOTAL EXPENDITURES	<u>86,851,686</u>	<u>903,140</u>	<u>87,754,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,705,821</u>	<u>(896,945)</u>	<u>808,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	12,000,000	12,000,000
Transfers out	(12,200,000)	-	(12,200,000)
Proceeds from sale of capital assets	<u>47,993</u>	<u>-</u>	<u>47,993</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,152,007)</u>	<u>12,000,000</u>	<u>(152,007)</u>
NET CHANGE IN FUND BALANCES	(10,446,186)	11,103,055	656,869
FUND BALANCES AT BEGINNING OF YEAR	<u>21,143,945</u>	<u>7,340,236</u>	<u>28,484,181</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10,697,759</u>	<u>\$ 18,443,291</u>	<u>\$ 29,141,050</u>

*See accompanying notes to the basic financial statements.*

# WISSAHICKON SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	656,869
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.		(1,106,639)
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Uncollected tax revenues decreased by this amount this year.		(47,311)
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:		
Compensated absences not reflected in Governmental Funds		(32,727)
Pension plan expense		(3,196,000)
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.		<u>(282,414)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(4,008,222)</u></u>

*See accompanying notes to the basic financial statements.*

**WISSAHICKON SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUND

JUNE 30, 2015

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	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 11,373
Intergovernmental receivables	70,250
Other receivables, net	5,461
Inventories	36,911
Prepaid expenses	<u>152,280</u>
TOTAL CURRENT ASSETS	<u>276,275</u>
CAPITAL ASSETS	
Furniture and equipment	705,262
Accumulated depreciation	<u>(658,631)</u>
TOTAL CAPITAL ASSETS	<u>46,631</u>
TOTAL ASSETS	<u>322,906</u>
CURRENT LIABILITIES	
Accounts payable	174,872
Due to other funds	128,233
Unearned revenue	<u>66,019</u>
TOTAL CURRENT LIABILITIES	<u>369,124</u>
NET POSITION	
Net investment in capital assets	46,631
Unrestricted	<u>(92,849)</u>
TOTAL NET POSITION	<u>\$ (46,218)</u>

See accompanying notes to the basic financial statements.

**WISSAHICKON SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2015**

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>855,722</u>
OPERATING EXPENSES	
Other purchased services	1,382,937
Repairs and maintenance	3,580
Supplies	1,452
Depreciation	8,793
TOTAL OPERATING EXPENSES	<u>1,396,762</u>
OPERATING LOSS	<u>(541,040)</u>
NONOPERATING REVENUES	
State sources	29,132
Federal sources	433,578
TOTAL NONOPERATING REVENUES	<u>462,710</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(78,330)
TRANSFERS IN	<u>200,000</u>
CHANGE IN NET POSITION	121,670
NET POSITION AT BEGINNING OF YEAR	<u>(167,888)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(46,218)</u></u>

*See accompanying notes to the basic financial statements.*

# WISSAHICKON SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 948,711
Payments to suppliers	(1,540,929)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(592,218)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	200,000
Federal sources	380,777
State sources	29,345
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING         ACTIVITIES</b>	<u>610,122</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition, construction and improvement of capital assets	(10,055)
<b>NET INCREASE IN CASH</b>	7,849
<b>CASH AT BEGINNING OF YEAR</b>	<u>3,524</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 11,373</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (541,040)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	8,793
Donated foods used	53,919
Decrease in	
Other receivables	77,290
Inventories	6,754
Prepaid expenses	12,231
Increase (decrease) in	
Accounts payable	97,725
Due to other funds	(323,589)
Unearned revenue	15,699
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (592,218)</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Noncash activities, donated foods	\$ 53,919

See accompanying notes to the basic financial statements.

**WISSAHICKON SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

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	<u>Private- Purpose Trust Funds</u>	<u>Student Activities Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,616	\$ 128,989
Investments	564,696	-
Accounts receivable	<u>22,000</u>	<u>-</u>
TOTAL ASSETS	<u>609,312</u>	<u>\$ 128,989</u>
<b>LIABILITIES</b>		
Accounts payable	<u>27,031</u>	<u>\$ 128,989</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 582,281</u>	

*See accompanying notes to the basic financial statements.*

**WISSAHICKON SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

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	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 102,087
Investment earnings	<u>492</u>
TOTAL ADDITIONS	102,579
DEDUCTIONS	
Scholarships awarded	<u>98,409</u>
CHANGE IN NET POSITION	4,170
NET POSITION AT BEGINNING OF YEAR	<u>578,111</u>
NET POSITION AT END OF YEAR	<u><u>\$ 582,281</u></u>

*See accompanying notes to the basic financial statements.*

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Wissahickon School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Reporting Entity**

The School District was organized in 1966. The School District is located in Montgomery County and includes Ambler Borough, Lower Gwynedd Township and Whitpain Township.

The School District is a political subdivision of the Commonwealth of Pennsylvania (the "Commonwealth") created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.

The School 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.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the School District and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the School District with the assistance of the Assistant Superintendent, the Business Administrator and the Director of Personnel, as well as the Building Principals.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Wissahickon School District. The School District is not a component unit of another reporting entity nor does it have any component units.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 School District considers revenues to be available if they are collected generally within 60 days of the end of the fiscal period.

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. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Fund distinguishes *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 School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include 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.

Trust Funds are reported using the economic resources measurement focus.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds***

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Reserve Fund** - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

***Proprietary Fund***

**Food Service Fund** - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Fiduciary Funds***

**Trust and Agency Funds** - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Cash and Cash Equivalents**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments are valued at fair value.

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

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are presented as internal balances.

**Inventories and Prepaid Items**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. The donated foods are valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$4,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
School buildings	40-50
Building improvements	10-30
Land improvements	15-20
Furniture and equipment	5-15

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position.

**Compensated Absences**

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable within one year.

**GASB Statement No. 45**

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits* or OPEB.

GASB Statement No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB Statement No. 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

The general provisions of GASB Statement No. 45 have been implemented by the School District.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred outflow related to pension activity is reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial 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 School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position**

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Net Position Flow Assumption**

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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

**Fund Balance**

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board of School Directors has not delegated the authority to assign fund balance.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE B - CASH AND INVESTMENTS**

**Cash**

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a deposit policy for custodial credit risk. As of June 30, 2015, \$3,842,461 of the School District's bank balance of \$4,520,731 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u><u>3,842,461</u></u>
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***Interest Rate Risk*** - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investments**

As of June 30, 2015, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	Six months	\$ 35,000,000
PLGIT		491,825
PA School District Liquid Asset Fund		<u>2,141,078</u>
		<u>\$ 37,632,903</u>

***Credit Risk*** - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

As of June 30, 2015, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

The School District's investment policy provides further limits on investments in U.S. Government agency and instrumentality obligations by requiring they have a liquid market with a readily determinable market value and remaining maturity of not more than 397 days at the time of purchase. For deposits in savings accounts or time deposits or share accounts of institutions not covered by FDIC insurance, the policy also requires that collateral be pledged in the name of the School District. The market value of such collateral shall be at least 102% of such deposits in excess of FDIC insurance and valued at least monthly by an independent pricing service.

**NOTE C - TAXES - REAL ESTATE AND OTHER**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a 1% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on July 1 and payable in the following periods:

Discount period .....July 1 to August 31 - 2% of gross levy  
 Face period ..... September 1 to October 31  
 Penalty period .....October 31 to collection - 10% of gross levy  
 Lien date .....January 15

The School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2015, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ <u><u>128,233</u></u>

The amount between the General Fund and Food Service Fund is for reimbursable expenditures paid from the General Fund on behalf of the Food Service Fund.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE E - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 887,166	\$ -	\$ -	\$ 887,166
Capital assets being depreciated				
Land improvements	4,824,094	122,920	-	4,947,014
Buildings and building improvements	92,012,285	1,770,807	-	93,783,092
Furniture and equipment	11,764,359	1,179,649	(1,682,690)	11,261,318
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>108,600,738</b>	<b>3,073,376</b>	<b>(1,682,690)</b>	<b>109,991,424</b>
Accumulated depreciation				
Land improvements	(3,813,215)	(140,540)	-	(3,953,755)
Buildings and building improvements	(54,297,207)	(2,921,096)	-	(57,218,303)
Furniture and equipment	(8,906,926)	(1,118,379)	1,682,690	(8,342,615)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(67,017,348)</b>	<b>(4,180,015)</b>	<b>1,682,690</b>	<b>(69,514,673)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>41,583,390</b>	<b>(1,106,639)</b>	<b>-</b>	<b>40,476,751</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>42,470,556</b>	<b>(1,106,639)</b>	<b>-</b>	<b>41,363,917</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	695,207	10,055	-	705,262
Accumulated depreciation	(649,838)	(8,793)	-	(658,631)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>45,369</b>	<b>1,262</b>	<b>-</b>	<b>46,631</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 42,515,925</b>	<b>\$ (1,105,377)</b>	<b>\$ -</b>	<b>\$ 41,410,548</b>

Depreciation expense was charged to governmental functions as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 345,149
Support services	3,831,819
Operation of non-instructional services	3,047
	<u>\$ 4,180,015</u>

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE F - AUTHORITY LEASE OBLIGATION**

In March 2015, the State Public School Building Authority (the "Authority") issued school lease revenue bonds in the aggregate amount of \$8,815,000 to refinance the Series of 2010 Bonds, for the acquisition, design and construction of renovations, additions and improvements to the North Montco Technical Career Center (NMTCC) premises and facilities. The bonds are secured under a trust indenture between the Authority and Wells Fargo Bank and are payable solely from lease rentals payable by the NMTCC's member school districts, which include the School District, under an assignment of the lease. Thus, the School District is obligated for a portion of the above amount. The School District made rental payments of \$37,907 during the fiscal year ended June 30, 2015.

The final lease year is 2030. Total scheduled rentals payable in future years are \$2,171,030 based on the School District's pro rata share during the year ended June 30, 2015. The School District's share of the Authority bonded principal debt outstanding at June 30, 2015, was \$1,781,512.

The School District's share of the Authority debt payable, based on the Series of 2015 Bonds in accordance with their stated maturities, is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Authority Rentals Payable</u>
2016	0.30%	\$ 41,431	\$ 82,235
2017	0.50%	98,019	138,516
2018	2.00%	99,029	138,291
2019	3.00%	103,071	139,796
2020	3.00%	105,092	138,695
2021 to 2025	2.00% to 2.125%	564,871	696,974
2026 to 2030	2.25% to 3.00%	632,574	697,034
2031	3.00%	137,425	139,489
		<u>\$ 1,781,512</u>	<u>\$ 2,171,030</u>

**NOTE G - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
COMPENSATED ABSENCES	\$ 1,908,031	\$ 36,363	\$ -	\$ 1,944,394	\$ 194,439
NET PENSION LIABILITY	146,552,000	-	(4,101,000)	142,451,000	-
NET OPEB OBLIGATION	1,287,642	282,414	-	1,570,056	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 149,747,673</u>	<u>\$ 318,777</u>	<u>\$ (4,101,000)</u>	<u>\$ 145,965,450</u>	<u>\$ 194,439</u>

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE H - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE**

**General Fund**

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available.

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue.

At June 30, 2015, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$626,576 and unearned revenue consisted of other donations and grants of \$20,621.

**Food Service Fund**

Unearned revenue of \$66,019 in the Food Service Fund represents the carryover of unused donated foods of \$10,769 and prepaid balances on student meal accounts of \$55,250.

**NOTE I - PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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.pfers.state.pa.us](http://www.pfers.state.pa.us).

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE I - 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 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 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% or 2.5%, depending on 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 ten 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% 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 (ten 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**

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE I - PENSION PLAN (Continued)**

- 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 services 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 the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% 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 plan from the School District were \$9,422,000 for the year ended June 30, 2015.

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

At June 30, 2015, the School District reported a liability of \$142,451,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The School 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, 2014, the School District's proportion was 0.3599%, which was an increase of 0.0019% from its proportion measured as of June 30, 2013.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE I - PENSION PLAN (Continued)**

For the year ended June 30, 2015, the School District recognized pension expense of \$12,618,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	10,184,000
Changes in proportions	627,000	-
Difference between employer contributions and proportionate share of total contributions	-	35,000
Contributions subsequent to the measurement date	<u>9,422,000</u>	<u>-</u>
	<u>\$ 10,049,000</u>	<u>\$ 10,219,000</u>

\$9,422,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (2,403,000)
2017	(2,403,000)
2018	(2,403,000)
2019	(2,403,000)
2020	<u>20,000</u>
	<u>\$ (9,592,000)</u>

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE I - PENSION PLAN (Continued)**

**Actuarial Assumptions** - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - **Effective average of 5.50%, which reflects an allowance for** inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Pension Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on 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 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.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE I - PENSION PLAN (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9%)</u>	1.1%
	<u>100%</u>	

The above was the Pension Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE I - PENSION PLAN (Continued)**

***Sensitivity of the School 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>177,688,000</u>	\$ <u>142,451,000</u>	\$ <u>112,368,000</u>

***Pension Plan Fiduciary Net Position*** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE J - POSTEMPLOYMENT BENEFITS**

**Plan Description**

The School District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through the School 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 School District and the unions representing the School District's employees. The Retiree Health Plan does not issue a publicly available financial report, and the School District is implementing GASB Statement No. 45 prospectively.

**Funding Policy**

Contribution requirements are also negotiated between the School District and union representatives. The required contribution is based on pay-as-you-go financing. The School District currently provides medical and prescription drug coverage to the Superintendent at 100% of premium until age 65. The School District provides medical and prescription drug coverage to the former Superintendent at 100% premium until November 30, 2018. The School District also provides medical and prescription drug coverage for all current administrators for a period of up to five years upon superannuated retirement and after completing seven (7) years of service in the School District.

Under Act 110/43, any employee who is eligible (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) is allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE J - POSTEMPLOYMENT BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation are as follows:

Annual required contribution (ARC)	\$ 602,492
Interest on net OPEB obligation	57,944
Adjustment to ARC	<u>(79,050)</u>
ANNUAL OPEB EXPENSE	581,386
Contributions made (estimated)	<u>(298,972)</u>
ESTIMATED INCREASE IN NET OPEB OBLIGATION	282,414
Net OPEB obligation at beginning of year	<u>1,287,642</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 1,570,056</u></u>

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 655,363	58%	\$ 999,861
2014	650,805	56%	1,287,642
2015	581,386	51%	1,570,056

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$4,462,947 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,462,947. The covered payroll (annual payroll of active employees covered by the plan) was \$45,733,795, and the ratio of the UAAL to the covered payroll was 9.76%.

**NOTE J - POSTEMPLOYMENT BENEFITS (Continued)**

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

**Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially, decreasing .5% per year to an ultimate rate of 5.5% in 2016 and later. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on a level dollar, 30-year open period.

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE K - JOINT VENTURE**

The School District is one of five member school districts of the North Montco Technical Career Center (NMTCC). NMTCC is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of NMTCC operations is the responsibility of the joint board. The School District is not responsible for deficits nor is the School District entitled to operating surplus. The School District's share of annual operating and capital costs for NMTCC fluctuates based on the percentage of enrollment and is reflected as instructional expenditures of the General Fund. Since there is no clear residual equity, no assets related to NMTCC have been reflected in the School District's financial statements. Summary financial information as of June 30, 2014 (the most recent information available), is as follows:

<b>NORTH MONTCO TECHNICAL CAREER CENTER</b>	
Governmental Fund Types	
Assets	\$ 2,507,447
Liabilities	<u>1,059,391</u>
<b>FUND BALANCE</b>	<b>\$ <u>1,448,056</u></b>

Separate financial statements of the North Montco Technical Career Center have been prepared and are available at NMTCC's administrative offices.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE L - COMMITMENTS AND CONTINGENCIES**

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

The School District has included a reserve of \$1,314,928, for real estate tax assessment appeals in other payables of the General Fund.

**NOTE M - RISK MANAGEMENT**

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance with certain events and items specifically excluded. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE N - PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The School District is self-insured for workers' compensation under the laws of the Commonwealth of Pennsylvania. The School District is approved for self-insured workers' compensation annually from July 1 to June 30 by the Bureau of Workers' Compensation, Pennsylvania Department of Labor and Industry. The School District belongs to the School Districts Insurance Consortium, which is an association of 78 public school districts that pool their funds under the Intergovernmental Cooperation Act, Act 180 of 1972, as amended, in order to reduce workers' compensation insurance costs. The Commonwealth holds the School District fully responsible for all workers' compensation claims which arise during the period it is self-insured. The Consortium accepts responsibility for all claims in excess of the School District's self-insured retention. The Consortium further protects the School District by acquiring excess insurance for claims of \$500,000 or more and provides coverage of \$1,000,000.

**NOTE O - PRIOR PERIOD ADJUSTMENT**

The School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

**WISSAHICKON SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

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**NOTE O - PRIOR PERIOD ADJUSTMENT (Continued)**

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$146,552,000 and beginning of year deferred outflows of resources of \$7,127,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$68,623,754 to (\$70,801,246).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WISSAHICKON SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 71,311,949	\$ 71,311,949	\$ 72,378,501	\$ 1,066,552
State sources	15,520,271	15,520,271	15,678,106	157,835
Federal sources	487,769	487,769	500,900	13,131
<b>TOTAL REVENUES</b>	<b>87,319,989</b>	<b>87,319,989</b>	<b>88,557,507</b>	<b>1,237,518</b>
<b>EXPENDITURES</b>				
Instruction	57,648,910	57,535,145	57,281,203	253,942
Support services	26,297,442	27,996,057	27,856,564	139,493
Operation of non-instructional services	1,716,380	1,704,115	1,674,952	29,163
Debt service	1,157,257	38,972	38,967	5
<b>TOTAL EXPENDITURES</b>	<b>86,819,989</b>	<b>87,274,289</b>	<b>86,851,686</b>	<b>422,603</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>500,000</b>	<b>45,700</b>	<b>1,705,821</b>	<b>1,660,121</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(12,200,000)	(12,200,000)
Proceeds from sale of capital assets	-	-	47,993	47,993
Budgetary reserve	(500,000)	(45,700)	-	45,700
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(500,000)</b>	<b>(45,700)</b>	<b>(12,152,007)</b>	<b>(12,106,307)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(10,446,186)</b>	<b>(10,446,186)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>21,143,945</b>	<b>21,143,945</b>	<b>21,143,945</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 21,143,945</b>	<b>\$ 21,143,945</b>	<b>\$ 10,697,759</b>	<b>\$ (10,446,186)</b>

See accompanying note to the budgetary comparison schedule.

**WISSAHICKON SCHOOL DISTRICT**  
NOTE TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

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**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, the School District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The budget of the School District is the approved spending plan of the School District for the year, and the Board is prohibited from obligating funds in excess of these amounts. The Board of School Directors may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues, or from temporary loans. Legal budgetary control is maintained by the School District Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School District Board. Budget information in the combined operating statements is presented at or below the legal level of budgetary control.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
7. There were no supplemental budgetary appropriations or amendments proposed or approved during the year.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

**WISSAHICKON SCHOOL DISTRICT**

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

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School District's proportion of the net pension liability (asset)	<u>0.3599%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>142,451,000</u>
School District's covered-employee payroll	\$ <u>45,923,760</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.19%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

**WISSAHICKON SCHOOL DISTRICT**  
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2015

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Contractually required contribution	\$ 9,422,000
Contributions in relation to the contractually required contribution	<u>9,422,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 47,409,713</u>
Contributions as a percentage of covered-employee payroll	<u>19.87%</u>

**WISSAHICKON SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2015**

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**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 4,437,387	\$ 4,437,387	0%	\$ 42,541,710	10.43%
2012	-	4,792,001	4,792,001	0%	43,535,328	11.01%
2014	-	4,462,947	4,462,947	0%	45,733,795	9.76%

***Independent Auditors' 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  
Wissahickon School District  
Ambler, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wissahickon School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Wissahickon School District's basic financial statements, and have issued our report thereon dated November 18, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Wissahickon 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 Wissahickon School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wissahickon 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors  
Wissahickon School District  
Ambler, Pennsylvania

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Wissahickon School District's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania  
November 18, 2015

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Board of School Directors  
Wissahickon School District  
Ambler, Pennsylvania

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

We have audited the Wissahickon School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Wissahickon School District's major federal programs for the year ended June 30, 2015. Wissahickon School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Wissahickon 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wissahickon 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 Wissahickon School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Wissahickon 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, 2015.

To the Board of School Directors  
Wissahickon School District  
Ambler, Pennsylvania

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

Management of the Wissahickon 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 Wissahickon 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 as a basis for designing 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wissahickon School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

### ***Purpose of this Report***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oaks, Pennsylvania  
November 18, 2015

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**WISSAHICKON SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Pass-Through Number	Grant Period
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed through the Montgomery County Intermediate Unit</b>			
Title III	84.365		July 1, 2012 to September 30, 2013
Title III	84.365		July 1, 2014 to September 30, 2015
IDEA	84.027		July 1, 2013 to September 30, 2014
IDEA	84.027		July 1, 2014 to September 30, 2015
IDEA - Section 619	84.173		July 1, 2014 to September 30, 2015
<b>Passed through the Pennsylvania Department of Education</b>			
Title I - Low Income	84.010	013-14092	July 1, 2013 to September 30, 2014
Title I - Low Income	84.010	013-150492	July 1, 2014 to September 30, 2015
Title II - A	84.367	021-14092	July 1, 2013 to September 30, 2014
Title II - A	84.367	021-150492	July 1, 2014 to September 30, 2015
Title III	84.365	010-140492	July 1, 2013 to September 30, 2014
TOTAL FORWARD			

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 41,235	\$ 829	\$ 829	\$ -	\$ -	\$ -
37,639	30,650	-	31,461	31,461	811
832,021	217,640	217,640	-	-	-
895,552	806,385	-	895,552	895,552	89,167
3,696	-	-	3,696	3,696	3,696
273,044	181,691	178,429	3,262	3,262	-
317,048	214,758	-	281,387	281,387	66,629
93,584	62,347	62,347	-	-	-
93,745	93,745	-	93,745	93,745	-
4,128	<u>22,752</u>	<u>6,925</u>	<u>15,827</u>	<u>15,827</u>	<u>-</u>
	<u>\$ 1,630,797</u>	<u>\$ 466,170</u>	<u>\$ 1,324,930</u>	<u>\$ 1,324,930</u>	<u>\$ 160,303</u>

**WISSAHICKON SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Pass-Through Number	Grant Period
<b>U.S. DEPARTMENT OF EDUCATION</b>			
TOTAL FORWARDED			
<b>U.S. DEPARTMENT OF WELFARE</b>			
<b>Passed through the Pennsylvania Department of Education</b>			
Medical Assistance Program	93.778	044-118514	July 1, 2013 to September 30, 2014
Medical Assistance Program	93.778	044-118514	July 1, 2014 to September 30, 2015
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through the Pennsylvania Department of Education</b>			
School Breakfast Program	10.553	N/A	July 1, 2013 to June 30, 2014
School Breakfast Program	10.553	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	10.555	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	10.555	N/A	July 1, 2014 to June 30, 2015
<b>Passed through the Pennsylvania Department of Agriculture</b>			
National School Lunch Program	10.555	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AWARDS			

**Footnotes:**

- (A) U.S.D.A. donated foods received.
- (B) Beginning inventory at July 1, 2014.
- (C) Total value of foods used.
- (D) Ending inventory at June 30, 2015.

*See accompanying notes to the schedule of expenditures of federal awards.*

<u>Program or Award Amount</u>	<u>Total Received</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>1,630,797</u>	\$ <u>466,170</u>	\$ <u>1,324,930</u>	\$ <u>1,324,930</u>	\$ <u>160,303</u>
\$ 30,260	6,934	6,934	-	-	-
18,846	<u>17,703</u>	<u>-</u>	<u>18,846</u>	<u>18,846</u>	<u>1,143</u>
N/A	6,312	6,312	-	-	-
N/A	33,593	-	41,520	41,520	7,927
N/A	60,007	60,007	-	-	-
N/A	280,865	-	338,138	338,138	57,273
N/A	<u>59,079</u> (A)	<u>(5,609)</u> (B)	<u>53,919</u> (C)	<u>53,919</u>	<u>(10,769)</u> (D)
	<u>439,856</u>	<u>60,710</u>	<u>433,577</u>	<u>433,577</u>	<u>54,431</u>
	\$ <u><u>2,095,290</u></u>	\$ <u><u>533,814</u></u>	\$ <u><u>1,777,353</u></u>	\$ <u><u>1,777,353</u></u>	\$ <u><u>215,877</u></u>

**WISSAHICKON SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

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**NOTE A - GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the School District. The School District's reporting entity is defined in Note A to the School District's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A.

**WISSAHICKON SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Wissahickon School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of the Wissahickon School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Wissahickon School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster	84.027/84.173
Child Nutrition Cluster	10.553/10.555
8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Wissahickon School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**WISSAHICKON SCHOOL DISTRICT**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015

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None.