

KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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To the Board of Education
School District of Kaukauna
Kaukauna, Wisconsin

We have audited the financial statements of School District of Kaukauna (District) for the year ended June 30, 2008, and have issued our report dated November 25, 2008. In connection with our audit we are issuing this letter to inform the District of certain matters which are required by professional standards. This letter is divided into three components – required communications under professional auditing standards, prior year observations, and current year observations.

REQUIRED COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards

As state in our engagement letter dated April 4, 2006, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by us with management and your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of School District of Kaukauna. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of School District of Kaukauna's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our various conversations about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District of Kaukauna are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2007-2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement was:

The disclosure of deposits and investments and the related risks associated with them in Note 2 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the District's cash and investments.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit we proposed 2 adjustments to the District's general ledger which the District agreed to post. These entries were to reclassify fund balances between funds. The net affect of the adjustments were not material to the financial statements; however, the adjustments were considered necessary for consistent reporting with the 2006-2007 financial statements or because the individual entry was greater than the individually significant amount determined during planning.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2008 we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Financial Reporting

One of the components of internal control over financial reporting is that employees of an organization be sufficiently knowledgeable to record the entity's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the entity's financial statements including the footnotes in accordance with those principles. While the District's bookkeeper is capable of recording the cash receipts and disbursements, he does not have the training in GAAP to prepare financial statements including the related notes in accordance with GAAP. The District's management does review the financial statements and footnotes and accepts responsibility for them. This matter is common in most small organizations since they do not have the resources to devote to this area of internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We do not believe that the above deficiency constitutes a material weakness.

PRIOR YEAR OBSERVATIONS

Concentration of Cash (per 6/30/06 letter)

The District should consider the amounts of uninsured cash and the associated risk. The District should consider obtaining additional collateral or place deposits in various banks for greater protection of assets.

Status (6/30/08)

This remains an issue the District needs to address. The District has made an effort to distribute its cash among the banks that it uses. No further action has been taken at this time.

Actuarial Study (per 6/30/06 letter)

It is recommended that the District have an actuarial study completed for the implementation of the new GASB45 requirement to begin recording other post employment benefits on the district-wide statements.

Status (6/30/08)

This issue has been resolved. An actuarial study was completed for the fiscal year ending June 30, 2008.

Student Activity Fund (per 6/30/06 letter)

The student activity funds are currently not being recorded on the District's books. The District should record this activity on a monthly basis.

Status (6/30/08)

This issue has been resolved. The District recorded the middle school and high school student activity accounts in SKYWARD in August 2008.

New 403(b) Regulations (per 6/30/07 letter)

The District should be aware that there are new regulations concerning the 403(b) tax shelter annuities. If the District would like help with this matter, we would be happy to refer you to a consultant who can advise you on the new rules.

Status (6/30/08)

The District is aware of the new regulations. The District followed the WEA model to comply with these regulations; all the proper paperwork was in place as of October 2008.

CURRENT YEAR OBSERVATIONS

Capital Asset Additions

It was noted that all of the current year capital asset additions were not included on the appraisal. The District needs to supply the appraisal company with all additions and deletions so that the appraisal reflects all of the District's capital assets.

Types of Activity Fund

We recommend reviewing Fund 60 to ensure that only proper student activities are accounted for in this fund. All student activity accounts should be student lead with officers and an advisor.

Closing

We thank you for allowing us to be of service to the School District of Kaukauna. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the Board of Education, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
November 25, 2008

SCHOOL DISTRICT OF KAUKAUNA

Annual Financial Report

June 30, 2008

SCHOOL DISTRICT OF KAUKAUNA

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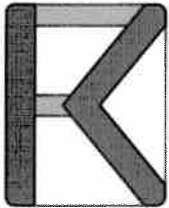
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INDEPENDENT AUDITORS' REPORT



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Kaukauna
Kaukauna, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Kaukauna, (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Kaukauna, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

To the Board of Education
Kaukauna, Wisconsin

The management discussion and analysis and budgetary comparison information on pages 3 through 10 and 37 through 41 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Kaukauna's basic financial statements. The combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non Profit Organizations*, and is also not a required part of the basic financial statements of the School District of Bowler. The accompanying schedules of changes in assets and liabilities – pupil activity fund and state financial assistance are presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction and are not a required part of the basic financial statements of the District. The combining nonmajor fund financial statements, schedule of changes in assets and liabilities – pupil activity fund, schedule of state financial assistance and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
November 25, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis For the Year Ended June 30, 2008

This discussion and analysis of the School District of Kaukauna's financial information provides an overall review of financial activities for the fiscal year.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded liabilities at the close of the fiscal year by \$3,992,967 (*net assets*). Of this amount invested in capital assets, net of related debt is \$10,419,689 and \$535,177 is restricted for debt service. This results in a net unrestricted deficit of (\$6,961,899).
- Net assets for the most recent fiscal year increased by \$1,451,339.
- As of June 30, 2008, the District's governmental funds reported ending fund balances of \$3,936,016, a increase of \$236,979 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,214,641, an increase of \$237,527 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. In addition, other supplementary information to the financial statements is provided.

District-wide financial statements

- The district-wide financial statements are the *statement of net assets* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*. The District has no business-type activities.
- The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net assets changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.
- The district-wide financial statements are shown on pages 11 to 13 of this report.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis
For the Year Ended June 30, 2008

Fund financial statements

- The District also produces *fund financial statements*. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a District's near-term financing requirements.
- There are two governmental fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* (operating statement). Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements it is useful to make comparisons between the information presented. This helps readers better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate the comparison of the statement of net assets to the governmental funds balance sheet is presented on page 16. A separate reconciliation of the statement of activities to the governmental funds operating statement is presented on page 19.
- The District has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the District's six regular funds (general, special education, debt service, food service, community service, and cooperative programs). The District has three *fiduciary* funds, an agency fund for student organizations, a private-purpose trust for scholarship funds and an employee benefit trust fund.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, special education fund, and debt service fund, as these are considered to be major funds. Information is also combined and presented for the food service, community service and cooperative program funds. The statements are presented on pages 42 and 43.
- The District serves as a trustee, or *fiduciary*, for student organizations, student scholarships and employee benefit trust funds. The employee benefit trust fund is restricted for the employee benefit plans. The assets of these organizations and scholarships do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 22 to 36.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget. The District adopts an annual appropriation budget for its general and special education funds. This *required supplementary information* can be found immediately following the notes and pages 37 to 41.

Other information

This report also contains *supplementary information*. This includes budget to actual information for the debt service fund, combining statements for the non-major governmental funds, and a schedule of changes in assets and liabilities for the pupil activity fund. The supplementary information can be found on pages 42 to 44.

SCHOOL DISTRICT OF KAUKAUNA
Management Discussion and Analysis
For the Year Ended June 30, 2008

FINANCIAL ANALYSIS

The District as a Whole

Summary of Net Assets

	<u>2008</u>	<u>2007</u>
ASSETS:		
Current Assets	\$ 15,488,780	\$ 16,085,388
Non-Current Assets	30,893,562	31,871,851
Total Assets	<u>46,382,342</u>	<u>47,957,239</u>
LIABILITIES:		
Current Liabilities	15,021,080	15,527,588
Long-Term Liabilities	27,368,295	29,888,023
Total Liabilities	<u>42,389,375</u>	<u>45,415,611</u>
NET ASSETS:		
Total Capital Assets, Net of Related Debt	10,419,689	9,482,702
Restricted	535,177	535,169
Unrestricted Deficit	(6,961,899)	(7,476,243)
Total Net Assets	<u>\$ 3,992,967</u>	<u>\$ 2,541,628</u>

As indicated by the schedule above, total net assets are \$3,992,967 as of June 30, 2008. Net assets can be separated into three categories: invested in capital assets net of related debt, restricted assets, and unrestricted assets.

Invested in capital assets, net of related debt are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$52,548,900 as of June 30, 2008, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$21,655,346 as of June 30, 2008.

Restricted assets consist of assets required to be used for debt retirement totaling \$535,177 as of June 30, 2008.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis
For the Year Ended June 30, 2008

Change in Net Assets. The following table shows the changes in net assets for the fiscal year.

Results of Operations				
	Amounts 2008	% of Total	Amounts 2007	% of Total
Program Revenues:				
Charges for Services	\$ 1,495,543	3.2%	\$ 1,427,089	3.3%
Operating Grants	3,791,680	8.3%	3,618,882	8.4%
Total Program Revenue	5,287,223	11.5%	5,045,971	11.7%
General Revenues:				
Property Taxes	13,498,368	29.9%	12,314,819	28.6%
State and Federal General Aids	25,852,512	56.7%	24,864,070	57.8%
Other	866,339	1.9%	805,053	1.9%
Total General Revenue	40,217,219	88.5%	37,983,942	88.3%
Total Revenues	45,504,442	100.0%	43,029,913	100.0%
Expenses:				
Instruction	24,672,430	56.0%	26,107,117	55.7%
Support Services	15,280,231	34.7%	16,945,965	36.2%
Interest on Long-Term Debt	1,486,341	3.3%	1,446,394	3.1%
Depreciation – Unallocated	1,042,653	2.4%	1,050,011	2.2%
Community Services	-	-	4,615	0.1%
Non-Program Transactions	1,571,448	3.6%	1,304,555	2.7%
Total Expenses	44,053,103	100.0%	46,858,657	100.0%
Change in Net Assets	\$ 1,451,339		\$ (3,828,744)	

Key elements of this change are as follows:

Revenues increased by \$2,484,529 primarily due to an increase in revenue limit based on state law, a moderate gain in federal grant funds, and issuance of a one-time physical education grant.

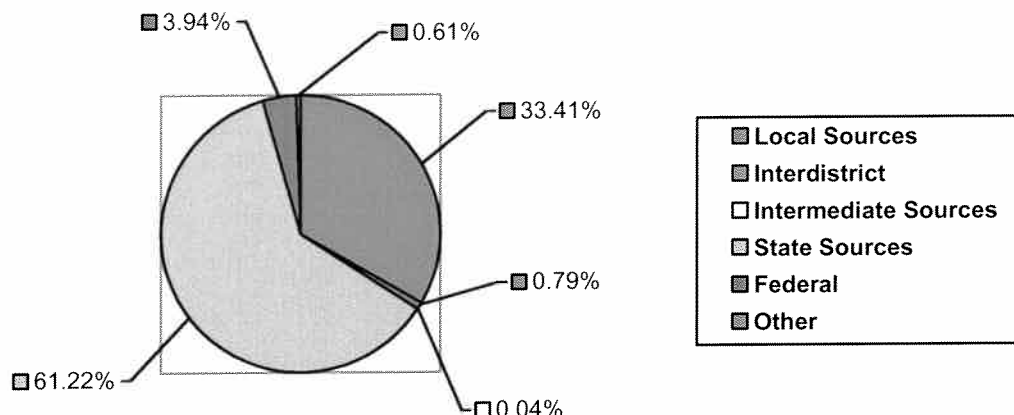
Expenditures decreased by \$2,805,554 primarily due to decreased instruction and support service expenses.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis
For the Year Ended June 30, 2008

Revenues

The following chart illustrates the District's sources of revenues by percentages:



Revenue chart is based on all district-wide funds combined.

The District relies primarily on property taxes and general state aid to fund governmental activities. General state aid is paid according to a formula taking into consideration District spending and property values as compared to spending and property values for the state as a whole. Property taxes and general state and federal aid account for 86.9% of district-wide revenue.

Local sources of revenues total \$15,192,733 and include revenues to the general fund of \$11,259,839, debt service fund of \$3,039,931, food service fund of \$742,213, and community service fund of \$150,750.

Interdistrict sources of revenues of \$357,141 are funds from other districts for open enrollment and include revenues to the general fund of \$299,448, special education fund of \$50,717, and cooperative program fund of \$6,976.

Intermediate sources of revenues of \$18,355, are amounts received from CESAs, and include revenues to the general fund of \$3,906 and special education fund of \$14,449.

State sources of revenue total \$27,838,091 and include revenues to the general fund of \$26,633,224, special education fund of \$1,184,118 and food service fund of \$20,749.

Federal sources of revenue total \$1,791,652 and include revenue to the general fund of \$689,771, special education fund of \$691,404 and food service fund of \$410,477.

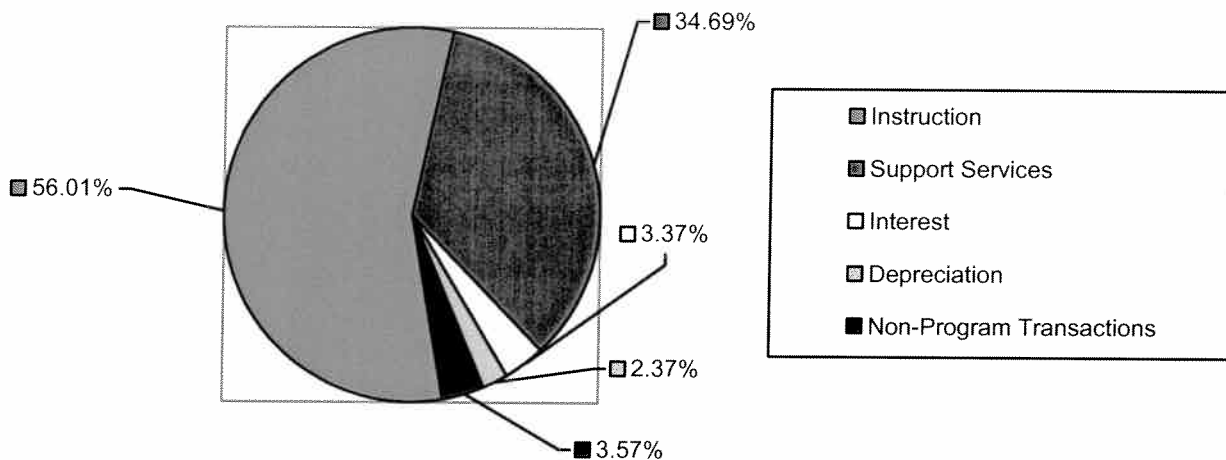
Other sources of revenue total \$276,470 and include revenues to the general fund of \$275,572 and special education fund of \$898. These revenues were from insurance reimbursements, refunds, and medical reimbursements.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis
For the Year Ended June 30, 2008

Expenses

The following chart illustrates the District's expenses by percentages:



Expense chart is based on all district-wide funds combined.

Expenses include instruction of \$24,672,430, pupil support services of \$15,280,231, interest on short and long-term debt of \$1,486,341, unallocated depreciation of \$1,042,653 and non-program transactions of \$1,571,448.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the District's governmental funds reported combined ending fund balances of \$3,936,016, an increase of \$236,979 in comparison with the prior year. A portion of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for retirement of long-term debt (\$535,177), and 2) food service fund expenses (\$30,105).

The *general fund* is the chief operating fund of the District. As of June 30, 2008, the total fund balance of the general fund was \$3,413,202. A portion of the general fund balance (\$198,561) is reserved for prepaid expenses; the remainder of the fund balance is unreserved (\$3,214,641). The total fund balance of the general fund increased by \$237,527 from the prior year.

The *debt service fund* has a total fund balance of \$535,177, all of which is reserved for the payment of debt service.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The District's fiduciary funds include a private purpose trust fund, an employee benefit trust fund, and an agency fund.

Net assets of the private purpose trust fund at the end of the year amounted to \$194,465. This entire amount is restricted for scholarships. Net assets increased \$101,418 from the prior year.

Net assets of the employee benefit trust fund at the end of the year amounted to \$824. This entire amount is restricted for employee benefits. Net assets increased by \$334 from the prior year.

As of June 30, 2008, the agency fund reported that \$265,364 was due to student groups, which is an increase of \$30,148 from the prior year.

Budgetary highlights.

The District amended its budget during the year as shown in the following chart:

	ORIGINAL BUDGET	REVISED BUDGET	BUDGET REVISIONS	2007-2008 ACTUAL	VARIANCE	PERCENT
General Fund:						
Revenues and Other Sources	\$ 38,940,140	\$ 39,003,890	\$ 63,750	\$ 39,191,760	\$ 187,870	0.5%
Expenditures and Other Uses	38,940,140	39,003,890	63,750	38,954,233	49,657	0.1%
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,527</u>	<u>\$ 237,527</u>	
Special Education Fund:						
Revenues and Other Sources	\$ 6,133,390	\$ 6,200,340	\$ 66,950	\$ 6,187,237	\$ (13,103)	0.2%
Expenditures	6,159,639	6,200,340	40,701	6,187,237	(13,103)	0.2%
Difference	<u>\$ (26,249)</u>	<u>\$ -</u>	<u>\$ 26,249</u>	<u>\$ -</u>	<u>\$ -</u>	

The District's actual general revenues were \$187,870 greater than the budgeted figure due to higher than anticipated interest income and resale items.

The District's actual general fund expenditures were \$49,657 less than the budgeted figure due to an administrative resignation midway through the year and a slight reduction in educational assistant workforce.

The District's special education revenue and expenditures were \$13,103 less than budget due to receiving less federal awards than anticipated and lower than anticipated instructional staff service expenses.

SCHOOL DISTRICT OF KAUKAUNA

Management Discussion and Analysis

For the Year Ended June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had invested a net of \$30,893,562 in a broad range of capital assets, including buildings, sites, and equipment. This amount represents a net decrease of \$978,289. Total accumulated depreciation on these assets is \$21,655,346.

- Asset acquisitions for governmental activities totaled approximately \$222,000.
- The District recognized depreciation expense of \$1,272,135.

	Governmental Activities	
	2008	2007
Land	\$ 1,127,595	\$ 1,127,595
Buildings and Improvements	46,265,581	46,248,081
Furniture and Equipment	5,155,732	7,632,651
Less Accumulated Depreciation	(21,655,346)	(23,136,476)
Capital Assets Net of Depreciation	<u>\$ 30,893,562</u>	<u>\$ 31,871,851</u>

Long-Term Debt

The District had no debt issuances during the year.

	Outstanding Long-Term Obligations	
	2008	2007
General Obligation	\$ 23,012,963	\$ 24,902,298
Other	7,523,779	7,826,238
	<u>\$ 30,536,742</u>	<u>\$ 32,728,536</u>

- The District retired \$1,937,669 of outstanding bonds, notes and loans.
- The District made payments on capital lease obligations of \$42,607 during the year.

ECONOMIC FACTORS

- The District will receive additional revenues in the 2008-09 school year to be used for the general operation of the District, including staffing, maintenance, and transportation.
- The District expects enrollment to be 4,106 students for the 2008-09 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is prepared to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District of Kaukauna, 1701 County Road CE, Kaukauna, WI 54130.

FINANCIAL STATEMENTS

SCHOOL DISTRICT OF KAUKAUNA

District-Wide Statement of Net Assets

As of June 30, 2008

	Governmental Activities
<hr/>	
ASSETS:	
Current Assets:	
Cash and Investments	\$ 11,006,086
Receivables:	
Taxes	3,406,530
Accounts	29,947
Interest	236,203
Due from Other Governments	552,405
Inventory	26,112
Prepaid Expenses	198,561
Other Assets	13,499
Deferred Charges	19,437
Total Current Assets	<u>15,488,780</u>
Noncurrent Assets:	
Land	1,127,595
Buildings and Building Improvements	46,265,581
Furniture and Equipment	5,155,732
Less: Accumulated Depreciation	<u>(21,655,346)</u>
Total Noncurrent Assets	<u>30,893,562</u>
TOTAL ASSETS	<u>46,382,342</u>
LIABILITIES:	
Current Liabilities:	
Notes Payable	9,150,000
Accounts Payable	205,939
Accrued Liabilities	
Payroll, Payroll Taxes, Insurance	1,879,134
Interest	576,867
Unearned Revenue	40,693
Current Portion of Long-Term Obligations	<u>3,168,447</u>
Total Current Liabilities	<u>15,021,080</u>
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Obligations	<u>27,368,295</u>
TOTAL LIABILITIES	<u>42,389,375</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	10,419,689
Restricted	535,177
Unrestricted Deficit	<u>(6,961,899)</u>
TOTAL NET ASSETS	<u>\$ 3,992,967</u>

See Accompanying Notes

SCHOOL DISTRICT OF KAUKAUNA

District-Wide Statement of Activities

For the Year Ended June 30, 2008

	Program Revenues	
	Expenses	Charges For Services
GOVERNMENTAL ACTIVITIES:		
Instruction:		
Regular Instruction	\$ 16,879,199	\$ 537,996
Vocational Instruction	1,276,358	-
Physical Instruction	1,444,373	-
Special Instruction	4,624,396	50,717
Other Instruction	448,104	128,571
Total Instruction	24,672,430	717,284
Support Services:		
Pupil Services	2,030,525	-
Instructional Staff Services	1,565,841	-
General Administration Services	735,202	-
Building Administration Services	1,599,163	-
Business Administration	322,348	-
Operations and Maintenance of Plant	3,553,111	-
Pupil Transportation Services	2,019,206	36,046
Food Services	1,128,413	742,213
Central Services	1,132,420	-
Insurance	271,096	-
Other Support Services	921,263	-
Interest on Debt	1,486,341	-
Bond Issuance Costs	1,643	-
Depreciation - Unallocated	1,042,653	-
Total Support Services	17,809,225	778,259
Non-Program Transactions:		
Open Enrollment	1,433,866	-
Non-Program Transactions	137,582	-
Total Non-Program Transactions	1,571,448	-
TOTAL SCHOOL DISTRICT	\$ 44,053,103	\$ 1,495,543

GENERAL REVENUES:

Property Taxes:
 General Purposes
 Debt Services
 Community Services
 State and Federal Aids not Restricted to
 Special Functions:
 Equalization and Computer Aid
 Interest and Investment Earnings
 Miscellaneous
 Total General Revenues

CHANGE IN NET ASSETS**NET ASSETS - BEGINNING OF YEAR****NET ASSETS - END OF YEAR**

See Accompanying Notes

	Net (Expense) Revenue and Changes in Net Assets
Operating Grants and Contributions	Governmental Activities
\$ 1,012,866	\$ (15,328,337)
5,528	(1,270,830)
-	(1,444,373)
1,889,971	(2,683,708)
-	(319,533)
<u>2,908,365</u>	<u>(21,046,781)</u>
92,895	(1,937,630)
256,569	(1,309,272)
-	(735,202)
-	(1,599,163)
-	(322,348)
-	(3,553,111)
102,625	(1,880,535)
431,226	45,026
-	(1,132,420)
-	(271,096)
-	(921,263)
-	(1,486,341)
-	(1,643)
-	(1,042,653)
<u>883,315</u>	<u>(16,147,651)</u>
-	(1,433,866)
-	(137,582)
<u>-</u>	<u>(1,571,448)</u>
<u>\$ 3,791,680</u>	<u>(38,765,880)</u>

10,307,687
3,039,931
150,750

25,852,512
427,836
438,503
40,217,219
1,451,339
2,541,628
\$ 3,992,967

See Accompanying Notes

SCHOOL DISTRICT OF KAUKAUNA

Balance Sheet
Governmental Funds
As of June 30, 2008

	General Fund	Special Education Fund	Debt Service Fund
ASSETS:			
Cash and Investments	\$ 10,195,923	\$ 266,301	\$ 535,177
Receivables:			
Taxes	3,406,530	-	-
Accounts	9,558	20,389	-
Interest	236,203	-	-
Due from Other Governments	506,814	-	-
Due from Other Funds	42,053	-	-
Inventory	-	-	-
Prepaid Expenses	198,561	-	-
Other Assets	13,499	-	-
TOTAL ASSETS	<u>\$ 14,609,141</u>	<u>\$ 286,690</u>	<u>\$ 535,177</u>
LIABILITIES AND FUND BALANCES (DEFICIT):			
Liabilities:			
Notes Payable	\$ 9,150,000	\$ -	\$ -
Accounts Payable	155,334	22,105	-
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	1,610,932	264,585	-
Interest	257,561	-	-
Deferred Revenue	22,112	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>11,195,939</u>	<u>286,690</u>	<u>-</u>
FUND BALANCES (DEFICIT):			
Reserved for:			
Prepaid Expenses	198,561	-	-
Debt Service	-	-	535,177
Special Revenue Fund	-	-	-
Unreserved Balance (Deficit)	3,214,641	-	-
Total Fund Balances (Deficit)	<u>3,413,202</u>	<u>-</u>	<u>535,177</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 14,609,141</u>	<u>\$ 286,690</u>	<u>\$ 535,177</u>

See Accompanying Notes

Other Governmental Funds	Total Governmental Funds
\$ 8,685	\$ 11,006,086
-	3,406,530
-	29,947
-	236,203
45,591	552,405
-	42,053
26,112	26,112
-	198,561
-	13,499
<u>\$ 80,388</u>	<u>\$ 15,511,396</u>

\$ -	\$ 9,150,000
28,500	205,939
3,617	1,879,134
-	257,561
18,581	40,693
42,053	42,053
<u>92,751</u>	<u>11,575,380</u>

-	198,561
-	535,177
30,105	30,105
(42,468)	3,172,173
<u>(12,363)</u>	<u>3,936,016</u>

<u>\$ 80,388</u>	<u>\$ 15,511,396</u>
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SCHOOL DISTRICT OF KAUKAUNA

Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Assets
As of June 30, 2008

Total Fund Balances - Governmental Funds	\$ 3,936,016
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:

Deferred Charges	19,437
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Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	52,548,908	
Governmental Accumulated Depreciation	<u>(21,655,346)</u>	30,893,562

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Liabilities reported in the statement of net assets that are not reported in the funds balance sheet

General Debt	(23,081,836)	
Accrued Interest on General Obligation Debt	(319,306)	
Vested Employee Benefits	<u>(7,454,906)</u>	<u>(30,856,048)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 3,992,967</u></u>
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SCHOOL DISTRICT OF KAUKAUNA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	General Fund	Special Education Fund
REVENUES:		
Property Taxes	\$ 10,307,687	\$ -
Other Local Sources	952,152	-
Interdistrict Sources	299,448	50,717
Intermediate Sources	3,906	14,449
State Sources	26,633,224	1,184,118
Federal Sources	689,771	691,404
Other Sources	275,572	898
Total Revenues	<u>39,161,760</u>	<u>1,941,586</u>
EXPENDITURES:		
Instruction:		
Regular Instruction	17,107,024	-
Vocational Instruction	1,276,358	-
Physical Instruction	1,444,373	-
Special Instruction	-	4,660,593
Other Instruction	442,917	-
Total Instruction	<u>20,270,672</u>	<u>4,660,593</u>
Support Services:		
Pupil Services	1,402,499	646,125
Instructional Staff Services	1,292,689	286,614
General Administration Services	675,931	623
Building Administration Services	1,503,459	-
Business Services	322,348	-
Operations and Maintenance	3,497,095	-
Pupil Transportation	1,665,581	353,625
Food Services	-	-
Central Services	1,132,420	-
Insurance	271,096	-
Principal and Interest	438,865	-
Other Support Services	921,263	-
Total Support Services	<u>13,123,246</u>	<u>1,286,987</u>
Non-Program Transactions:		
Open Enrollment	1,194,209	239,657
Non-Program Transactions	120,455	-
Total Non-Program Transactions	<u>1,314,664</u>	<u>239,657</u>
Total Expenditures	<u>34,708,582</u>	<u>6,187,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,453,178</u>	<u>(4,245,651)</u>
OTHER FINANCING SOURCES (USES):		
Sale of Capital Assets	30,000	-
Transfer from General Fund	-	4,245,651
Transfer to Special Education Fund	(4,245,651)	-
Total Other Financing Sources (Uses)	<u>(4,215,651)</u>	<u>4,245,651</u>
NET CHANGES IN FUND BALANCES	<u>237,527</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,175,675</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,413,202</u>	<u>\$ -</u>

See Accompanying Notes

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,039,931	\$ 150,750	\$ 13,498,368
-	742,213	1,694,365
-	6,976	357,141
-	-	18,355
-	20,749	27,838,091
-	410,477	1,791,652
-	-	276,470
<u>3,039,931</u>	<u>1,331,165</u>	<u>45,474,442</u>
-	-	17,107,024
-	-	1,276,358
-	-	1,444,373
-	-	4,660,593
-	5,187	448,104
<u>-</u>	<u>5,187</u>	<u>24,936,452</u>
-	-	2,048,624
-	-	1,579,303
-	58,648	735,202
-	95,704	1,599,163
-	-	322,348
-	35,716	3,532,811
-	-	2,019,206
-	1,134,677	1,134,677
-	-	1,132,420
-	-	271,096
3,024,585	-	3,463,450
-	-	921,263
<u>3,024,585</u>	<u>1,324,745</u>	<u>18,759,563</u>
-	-	1,433,866
15,338	1,789	137,582
<u>15,338</u>	<u>1,789</u>	<u>1,571,448</u>
3,039,923	1,331,721	45,267,463
<u>8</u>	<u>(556)</u>	<u>206,979</u>
-	-	30,000
-	-	4,245,651
-	-	(4,245,651)
<u>-</u>	<u>-</u>	<u>30,000</u>
8	(556)	236,979
535,169	(11,807)	3,699,037
<u>\$ 535,177</u>	<u>\$ (12,363)</u>	<u>\$ 3,936,016</u>

SCHOOL DISTRICT OF KAUKAUNA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the District-Wide Statement of Activities
For the Year Ended June 30, 2008

Net change in Fund Balances - Total Governmental Funds	\$ 236,979
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	439,194	
Depreciation expense reported in the statement of activities	<u>(1,376,074)</u>	
Amount by which capital outlays are (less) than depreciation in the current period.		(936,880)

The District disposed of outdated assets resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net assets as a net loss and has no affect on the governmental funds balance sheet.

The value of capital assets disposed of during the year	(376,713)	
The amount of depreciation recapture for the year	<u>335,304</u>	(41,409)

Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Employee benefits paid in current year	1,000,545	
Employee benefits earned in current year	<u>(783,362)</u>	
Amounts paid are less than amounts earned by:		217,183

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	1,980,276
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In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	1,144,790	
The amount of interest accrued during the current period	<u>(1,142,292)</u>	
Interest paid is less than interest accrued by:		2,498

Prior year debt premium and issuance costs are allocated over the period the debt is outstanding and are reported as amortization expense in the statement of activities. The amortization expense for the current year is:

(7,308)

Change in Net Assets - Governmental Activities

<u><u>\$ 1,451,339</u></u>

SCHOOL DISTRICT OF KAUKAUNA

Statement of Net Assets

Fiduciary Funds

As of June 30, 2008

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Funds	Total
ASSETS:				
Cash and Investments	\$ 193,161	\$ 824	\$ 265,364	\$ 459,349
Interest Receivable	1,304	-	-	1,304
Total Assets	<u>194,465</u>	<u>824</u>	<u>265,364</u>	<u>460,653</u>
LIABILITIES:				
Due to Student Groups	-	-	265,364	265,364
NET ASSETS:				
Restricted	<u>\$ 194,465</u>	<u>\$ 824</u>	<u>\$ -</u>	<u>\$ 195,289</u>

See Accompanying Notes

SCHOOL DISTRICT OF KAUKAUNA
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total
ADDITIONS:			
Contributions	\$ 96,600	\$ -	\$ 96,600
Interest	6,568	334	6,902
Total Additions	<u>103,168</u>	<u>334</u>	<u>103,502</u>
DEDUCTIONS:			
Scholarships Awarded	<u>1,750</u>	<u>-</u>	<u>1,750</u>
CHANGE IN NET ASSETS	101,418	334	101,752
NET ASSETS - BEGINNING	<u>93,047</u>	<u>490</u>	<u>93,537</u>
NET ASSETS - ENDING	<u><u>\$ 194,465</u></u>	<u><u>\$ 824</u></u>	<u><u>\$ 195,289</u></u>

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the School District of Kaukauna (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

NATURE OF OPERATIONS

The School District of Kaukauna is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades Kindergarten through 12 and is comprised of ten taxing districts.

The accompanying financial statements present the activities of the School District of Kaukauna. The school district is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the standalone government.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) operating grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND FINANCIAL STATEMENTS (Continued)

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue or debt service based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

Debt service funds are used to account for the accumulation of, resources for, and the payment of, general long-term principal, interest, and related costs.

Fiduciary Funds

Agency Funds

Agency funds are used to account for assets held by the District as an agent for various student organizations.

Private-Purpose Trust

This fund reports a trust arrangement under which principal and income benefit a college scholarship program.

Employee Benefit Trust

This fund is used to account for resources held in trust for formally established post employment benefit plans.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND FINANCIAL STATEMENTS

Major Funds

The District reports the following major governmental funds:

General Fund - The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Special Education Fund - This fund accounts for activities associated with providing educational programs for students with disabilities. Sources include financial aid received from the state and federal government and payments from other school districts. Excess expenditures of the fund are financed with a transfer from the general fund.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Nonmajor Funds

The District reports the following nonmajor funds:

Food Service Fund - This fund accounts for the activities associated with the District's hot lunch and breakfast programs.

Community Service Fund - This fund accounts for activities serving the community that are funded by property taxes and fees.

Cooperative Program Fund - This fund accounts for shared gifted and talented program expenditures made available to other Districts.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide financial statements and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

CASH AND INVESTMENTS

The District's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

PROPERTY TAXES

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable by the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the twentieth of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2007 tax levy is used to finance operations of the District's fiscal year ended June 30, 2008. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

CAPITAL ASSETS

Capital assets are reported at actual or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: buildings and equipment are capitalized using a capitalization threshold of \$5,000 except for computer equipment which uses a threshold of \$1,000. All depreciable capital assets are depreciated on a straight line basis with estimated useful lives for buildings and building improvements of 15-20 years and furniture and equipment of 5-10 years.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

INTERFUND ACTIVITY

The interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the district-wide financial statements.

UNEARNED/DEFERRED REVENUE

The District reports deferred revenues on its balance sheet. Deferred revenue arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria is met, or when the District has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

The District's policy allows certain administrative employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment the employee is entitled to payment in cash. The District's policy does not allow accumulated employee benefits for sick pay to vest. Unused accumulated sick pay benefits are forfeited upon retirement or termination of employment. The compensated absences liability is calculated based on the pay rates in effect at year-end, and includes applicable salary related payments.

District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

Early retirement benefits are available to teachers and non-teachers meeting certain requirements. An estimate of the present value of future benefits is recognized as a long-term liability in the statement of assets.

LONG-TERM OBLIGATIONS

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the district-wide statement of net assets. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND EQUITY DESIGNATIONS

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

USE OF ESTIMATES

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

NOTE 2 - CASH AND INVESTMENTS:

The debt service fund accounts for its transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the trust and agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time Deposits in any credit union, bank, savings bank, or trust company maturity in three years or less
- Bonds or securities guaranteed by the U.S. Government
- Bonds or securities of Wisconsin Municipal Units
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust
- Certain securities of an open-end management company or investment trust, subject to various conditions and investment options
- Repurchase agreements with public depositories, with certain conditions
- Certain securities with the highest or second highest rating by a nationally recognized rating agency

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of the District.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements
June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued):

At June 30, 2008 the bank balance of cash and investments was \$1,316,601. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. These balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 for interest bearing and \$250,000 for non-interest bearing accounts per financial institution. In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per entity above the amount provided by the FDIC; this coverage has not been considered in computing the amount of uninsured deposits below. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimized such risk.

The following represents a summary of deposits as of June 30, 2008:

Fully Insured Deposits	\$	467,720
Uncollateralized		<u>848,881</u>
Total	\$	<u>1,316,601</u>

Investments in the Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities required by the pool. The bond provides unlimited coverage on principal losses, reduced by an FDIC, State of Wisconsin Guarantee Fund Insurance, and income on the investment during the calendar quarter a loss occurs. The balance in the Local Government Investment Pool at June 30, 2008 was \$2,459,175.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2008, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

As of June 30, 2008 the District had the following investments:

Investment	Maturities	Fair Value
Commercial Paper		
AIG Matched Funding Corp. Series A	9/18/08	\$ 4,622,446
AEGON Institutional Markets Series B	10/30/08	<u>4,569,861</u>
Total		<u>\$ 9,192,307</u>

Interest Rate Risk – The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. As of June 30, 2008, the District's investment in AIG Matched Funding Corp. Series A Commercial Paper was rated Aa3 by Moody's Investors Services and AA by Standard & Poor's, and the AEGON Institutional Markets Series B Commercial Paper was rated Aa3 by Moody's Investor Services and AA by Standard and Poors.

Concentration of Credit Risk – The District placed no limit on the amount the District may invest in any one issuer. The AIG Matched Funding Corp. Series A and Series B investments are 50.3% and 49.7%, respectively, of the District's total investments.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued):

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. For investments stated at their fair value, fair values are based on quoted market prices. No investments are reported at amortized costs. Adjustments necessary to record investments at fair value are recorded in the statement of revenues, expenses and changes in net assets as increases or decreases in investment income.

NOTE 3 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS:

Interfund receivables and payables between individual funds of the District, as reported in the fund statements, as of June 30, 2008 are detailed below:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Community Service Fund	<u>\$ 42,053</u>	Year end cash flow timing

Interfund transfers at June 30, 2008, are as follows:

Transfer From:	Transfer To:	Purpose
	Special Education Fund	
General Fund	<u>\$ 4,245,651</u>	Reimburse fund for operating deficit.

NOTE 4 - SHORT-TERM NOTE PAYABLE:

The District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. Due to the timing of tax revenue receipts these notes are necessary for the District to meet its cash flow needs throughout the year.

Short-term debt activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 10,000,000	\$ 9,150,000	\$ 10,000,000	\$ 9,150,000
Deferred Amount:				
Premium	22,193	73,991	74,072	22,122
Total	<u>\$ 10,022,193</u>	<u>\$ 9,223,991</u>	<u>\$ 10,074,072</u>	<u>\$ 9,172,112</u>

Total interest expense on short-term notes for the year totaled \$305,610.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being					
Depreciated:					
Sites (land)	\$ 1,127,595	\$ -	\$ -	\$ -	\$ 1,127,595
Capital assets being					
Depreciated:					
Buildings and building					
Improvements	46,248,081	-	-	17,500	46,265,581
Furniture and equipment	7,632,651	222,211	376,713	(2,322,417)	5,155,732
Total capital assets					
Being depreciated	53,880,732	222,211	376,713	(2,304,917)	51,421,313
Less accumulated					
depreciation for:					
Building and building					
improvements	(16,716,137)	(986,286)	-	(175)	(17,702,598)
Furniture and equipment	(6,420,339)	(285,849)	(335,304)	2,418,136	(3,952,748)
Total accumulated					
depreciation	(23,136,476)	(1,272,135)	(335,304)	2,417,961	(21,655,346)
Total capital assets					
being depreciated, net					
of accumulated					
depreciation	30,744,256	(1,049,924)	41,409	113,044	29,765,967
Governmental activities					
capital assets, net of					
accumulated depreciation	<u>\$ 31,871,851</u>	<u>\$ (1,049,924)</u>	<u>\$ 41,409</u>	<u>\$ 113,044</u>	<u>\$ 30,893,562</u>

Depreciation expense for fiscal year ended June 30, 2008 amounted to \$1,376,074 and was charged to the following functions:

Instruction:	
Regular	\$ 135,219
Support Services:	
Instructional Staff Services	107,658
Operations and Maintenance	59,978
Food Service	30,566
Unallocated	1,042,653
Total Depreciation Expense	<u>\$ 1,376,074</u>

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2008:

	Balances 7/1/07	Additions	Reductions	Balances 6/30/08	Amount Due Within One Year
General Obligations:					
General Obligation Bonds	\$ 22,235,000	\$ -	\$ 1,830,000	\$ 20,405,000	\$ 1,930,000
General Obligation Refunding Bond	2,740,000	-	65,000	2,675,000	125,000
Less Deferred Amounts:					
Issuance Discount	(33,810)	-	(2,634)	(31,176)	-
Refunding	(38,892)	-	(3,031)	(35,861)	-
Total General Obligation Debt	24,902,298	-	1,889,335	23,012,963	2,055,000
TEACH Loan	42,669	-	42,669	-	-
Capital Lease	111,480	-	42,607	68,873	46,900
Compensated Absences	85,882	123,298	85,882	123,298	123,298
Post Employment Benefits	7,584,366	659,920	914,663	7,329,623	941,264
Prior Service Liability - WRS	1,841	144	-	1,985	1,985
Total Non-General Obligation Debt	7,826,238	783,362	1,085,821	7,523,779	1,113,447
Total Governmental Activity Long-Term Liabilities	<u>\$ 32,728,536</u>	<u>\$ 783,362</u>	<u>\$ 2,975,156</u>	<u>\$ 30,536,742</u>	<u>\$ 3,168,447</u>

Total interest expense for the year ended June 30, 2008 was \$1,144,790.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements
June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2008, is comprised of the following individual issues:

	Issue Dates	Interest Rates	Dates of Maturity	Balances 6/30/08
General Obligation Bond	9/1/01	4% - 4.85%	3/1/17	\$ 20,160,000
General Obligation Bond	5/1/02	3.25% - 4.55%	3/1/10	245,000
General Obligation Refunding Bond	5/1/07	5.03% - 5.57%	3/1/20	2,675,000
Total General Long-Term Obligations				23,080,000
Capital Lease	3/1/04	9.367%	9/1/10	68,873
TOTAL				\$ 23,148,873

The 2008 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,659,872,622. The legal debt limit and margin of indebtedness as of June 30, 2008, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$1,659,872,622)	\$ 165,987,262
Deduct long-term debt applicable to debt margin	23,080,000
Margin of Indebtedness	<u>\$ 142,907,262</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2008, follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 2,101,900	\$ 1,076,396	\$ 3,178,296
2010	2,186,973	980,932	3,167,905
2011	2,155,000	890,669	3,045,669
2012	2,280,000	792,856	3,072,856
2013	2,405,000	691,364	3,096,364
2014 - 2018	11,415,000	1,580,470	12,995,470
2019 - 2020	605,000	98,353	703,353
Total	\$ 23,148,873	\$ 6,111,040	\$ 29,259,913

The prior service liability - WRS, compensated absences, and post employment benefits fund are excluded from the above cash flow requirements because repayment schedules have not been determined.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 7 - LEASES:

The District is obligated under several noncancellable operating leases for various equipment over the next four years. The following is a schedule of the payments required under the leases as of June 30, 2008:

Year Ending June 30,	
2009	\$ 131,584
2010	22,043
2011	7,141
2012	2,211
2013	553
	<u>\$ 163,532</u>

Rent expense for all operating leases for the year ending June 30, 2008 was \$144,498.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.8% of their salary (2.8% for executives and elected officials, 4.9% for protective occupations with social security, and 3.3% for protective occupations without social security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the WRS for the year ended June 30, 2008, was \$21,619,075; the employer's total payroll was \$21,724,367. The total required contribution for the year ended June 30, 2008, was \$2,291,626, which consisted of \$994,478 or 4.6% of payroll from the employer and \$1,297,148, or 6.0% of payroll from employees. Total contributions for the year ended June 30, 2007 and 2006 were \$2,289,374 and \$2,115,606 respectively equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS:

Plan Description. The School District of Kaukauna operates a single-employer retiree benefit plan that provides post employment health and life insurance benefits to eligible employees and their spouses. There are 364 active and 65 retired members in the plan. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include post employment health coverage. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements
June 30, 2008

NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued):

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The employer makes all contributions.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined. 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 un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	Government Activities
Annual required contributions	\$ 2,810,884
Interest on net OPEB	-
Annual OPEB cost (expense)	2,810,884
Contributions made	841,070
Change in net OPEB obligations	1,969,814
OPEB obligation at beginning of year	-
OPEB obligation at end of year	\$ 1,969,814

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$ 2,810,884	29.9%	\$ 1,969,814

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, for the period July 1, 2006 through June 30, 2008, the District's unfunded actuarial accrued liability (UAAL) was \$20,159,954. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2007 – 2008 fiscal year was \$18,882,836 for a ratio of the UAAL to covered payroll of 106.8%.

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, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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 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 effect 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, 2007 actuarial valuation, the unprojected unit credit actuarial cost method was used. The actuarial assumption included a rate of 5% to discount expected liabilities to the valuation date, which is based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. The initial healthcare trend rate was 6.8% for medical, with rates varying from 5.9% to 7.0% in future years. Mortality, disability and retirement rates are from the Wisconsin Retirement System Experience Study for public schools. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2008 was 29 years.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 10 - FUND EQUITY:**District-Wide Statements**

Net assets of the governmental activities reported on the district-wide statement of net assets at June 30, 2008 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Net Capital Assets	\$ 30,893,562
Less: Related Long-Term Debt Outstanding	(20,473,873)
Total Invested in Capital Assets, Net of Related Debt	<u>10,419,689</u>
Restricted	535,177
Unrestricted Deficit	(6,961,899)
Total District-Wide Net Assets	<u>\$ 3,992,967</u>

Restricted assets consist of debt retirement of \$535,177.

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2008 fund balance was reserved as follows:

<u>Individual Fund</u>	<u>Reserved Fund Balance</u>
General Fund	\$ 198,561
Food Service Fund	30,105
Debt Service Fund	<u>535,177</u>
	<u>\$ 763,843</u>

General fund balance is reserved for prepaid expenses.

Food service fund balance is reserved for future food service expenditures.

Debt service fund balance is reserved for the payment of long-term debt principal, interest and related costs.

NOTE 11 - RECLASSIFICATION OF BEGINNING FUND BALANCES:

The following adjustment was made to the beginning fund balances due to an unallowable transfer from the general fund to the community service fund in 2006-07:

	<u>General Fund</u>	<u>Community Service Fund</u>
Fund Balance – June 30, 2007 (as Previously Reported)	\$ 3,136,809	\$ -
Reclassification	<u>38,866</u>	<u>(38,866)</u>
Fund Balance – As Restated June 30, 2007	<u>\$ 3,175,675</u>	<u>\$ (38,866)</u>

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2008

NOTE 12 - INDIVIDUAL FUNDS DISCLOSURES:

The following fund had a deficit fund balance as of June 30, 2008:

Community Service Fund \$ 42,468

This deficit fund balance will be correct with subsequent year revenues.

NOTE 13- LIMITATION ON SCHOOL DISTRICT REVENUES:

Wisconsin statutes limits the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum.

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

NOTE 14 - CONTINGENCIES AND COMMITMENTS:

The District received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. The District believes such disallowances, if any, would be immaterial.

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2008, are not likely to have a material adverse impact on the District's financial position.

NOTE 15 - SUBSEQUENT EVENT:

The District sold an obsolete building for \$170,000; the change of ownership took place on November 4, 2008.

NOTE 16 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past two fiscal years.

NOTE 17 - EFFECT OF FUTURE ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS:

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This Statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension* is effective for the School District of Kaukauna for 2009. The effect on the accompanying financial statements has not been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHOOL DISTRICT OF KAUKAUNA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts	
	Original	Final
REVENUES:		
Property Taxes	\$ 10,307,687	\$ 10,307,687
Other Local Sources	716,233	719,233
Interdistrict Sources	312,295	312,295
Intermediate Sources	10,000	10,000
State Sources	26,566,594	26,627,344
Federal Sources	702,331	702,331
Other Sources	225,000	225,000
Total Revenues	38,840,140	38,903,890
EXPENDITURES:		
Instruction:		
Regular Instruction	17,176,878	17,191,484
Vocational Instruction	1,286,704	1,286,704
Physical Instruction	1,450,004	1,450,004
Other Instruction	493,125	495,236
Total Instruction	20,406,711	20,423,428
Support Services:		
Pupil Services	1,599,929	1,599,929
Instructional Staff Services	1,403,256	1,403,256
General Administration Services	678,955	678,955
Building Administration Services	1,609,079	1,609,079
Business Administration	317,275	317,275
Operations and Maintenance	3,254,080	3,254,530
Pupil Transportation	1,518,870	1,518,870
Central Services	984,978	991,437
Insurance	289,856	289,856
Principal and Interest	487,465	487,465
Other Support Services	950,261	950,261
Total Support Services	13,094,004	13,100,913
Non-Program Transactions:		
Open Enrollment	1,278,027	1,284,070
Non-Program Transaction	5,022	5,022
Total Non-Program Transactions	1,283,049	1,289,092
Total Expenditures	34,783,764	34,813,433
EXCESS OF REVENUES OVER EXPENDITURES	4,056,376	4,090,457
OTHER FINANCING SOURCES (USES):		
Sale of Capital Assets	100,000	100,000
Transfer to Special Education Fund	(4,156,376)	(4,190,457)
Total Other Financing Sources (Uses)	(4,056,376)	(4,090,457)
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE - BEGINNING OF YEAR	3,175,675	3,175,675
FUND BALANCE - END OF YEAR	\$ 3,175,675	\$ 3,175,675

See Accompanying Notes to Required Supplementary Information

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 10,307,687	\$ -
952,152	232,919
299,448	(12,847)
3,906	(6,094)
26,633,224	5,880
689,771	(12,560)
275,572	50,572
<u>39,161,760</u>	<u>257,870</u>
17,107,024	84,460
1,276,358	10,346
1,444,373	5,631
442,917	52,319
<u>20,270,672</u>	<u>152,756</u>
1,402,499	197,430
1,292,689	110,567
675,931	3,024
1,503,459	105,620
322,348	(5,073)
3,497,095	(242,565)
1,665,581	(146,711)
1,132,420	(140,983)
271,096	18,760
438,865	48,600
921,263	28,998
<u>13,123,246</u>	<u>(22,333)</u>
1,194,209	89,861
120,455	(115,433)
<u>1,314,664</u>	<u>(25,572)</u>
34,708,582	104,851
<u>4,453,178</u>	<u>362,721</u>
30,000	(70,000)
<u>(4,245,651)</u>	<u>(55,194)</u>
<u>(4,215,651)</u>	<u>(125,194)</u>
237,527	237,527
<u>3,175,675</u>	<u>-</u>
<u>\$ 3,413,202</u>	<u>\$ 237,527</u>

See Accompanying Notes to Required Supplementary Information

SCHOOL DISTRICT OF KAUKAUNA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Education Fund
For the Year Ended June 30, 2008

	Budgeted Amounts	
	Original	Final
REVENUES:		
Interdistrict	\$ 58,411	\$ 58,411
Intermediate Sources	10,000	10,000
State Sources	1,150,419	1,183,288
Federal Sources	758,184	758,184
Other Sources	-	-
Total Revenues	<u>1,977,014</u>	<u>2,009,883</u>
EXPENDITURES:		
Instruction:		
Special Instruction	<u>4,821,595</u>	<u>4,862,295</u>
SUPPORT SERVICES:		
Pupil Services	460,713	460,713
Instructional Staff Services	317,324	317,325
General Administration Services	5,000	5,000
Pupil Transportation	<u>298,477</u>	<u>298,477</u>
Total Support Services	<u>1,081,514</u>	<u>1,081,515</u>
NON-PROGRAM TRANSACTIONS:		
Open Enrollment	247,175	247,175
Non-Program Transaction	<u>9,355</u>	<u>9,355</u>
Total Non-Program Transactions	<u>256,530</u>	<u>256,530</u>
Total Expenditures	<u>6,159,639</u>	<u>6,200,340</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>(4,182,625)</u>	<u>(4,190,457)</u>
OTHER FINANCING SOURCES:		
Transfer from General Fund	<u>4,156,376</u>	<u>4,190,457</u>
NET CHANGE IN FUND BALANCE	(26,249)	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (26,249)</u>	<u>\$ -</u>

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 50,717	\$ (7,694)
14,449	4,449
1,184,118	830
691,404	(66,780)
898	898
<u>1,941,586</u>	<u>(68,297)</u>
 4,660,593	 201,702
 646,125	 (185,412)
286,614	30,711
623	4,377
353,625	(55,148)
<u>1,286,987</u>	<u>(205,472)</u>
 239,657	 7,518
-	9,355
<u>239,657</u>	<u>16,873</u>
 6,187,237	 13,103
<u>(4,245,651)</u>	<u>(55,194)</u>
 4,245,651	 55,194
-	-
-	-
<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Required Supplementary Information

SCHOOL DISTRICT OF KAUKAUNA
Notes to the Required Supplementary Information
June 30, 2008

BUDGETS AND BUDGETARY ACCOUNTING:

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

The District follows these procedures in establishing the budgetary data:

- a. Based upon requests from district staff, district administration recommends budget proposals to the school board.
- b. The school board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c. Pursuant to a public budget hearing, the school board may make alterations to the proposed budget.
- d. Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire school board.

BASIS OF ACCOUNTING:

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2008:

Individual Fund	Excess Expenditures
General Fund	
Business Administration	\$ 5,073
Operations and Maintenance	242,565
Pupil Transportation	146,711
Central Services	140,983
Non-Program Transactions	25,572
Transfer to Other Funds	55,194
Special Education Fund	
Pupil Services	\$ 185,412
Pupil Transportation	55,148

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF KAUKAUNA

Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2008

	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Cooperative Program Fund</u>	<u>Total</u>
ASSETS:				
Current Assets				
Cash and Investments	\$ 7,259	\$ -	\$ 1,426	\$ 8,685
Due from Other Governments	45,591	-	-	45,591
Inventory	26,112	-	-	26,112
Total Current Assets	<u>\$ 78,962</u>	<u>\$ -</u>	<u>\$ 1,426</u>	<u>\$ 80,388</u>
LIABILITIES:				
Current Liabilities				
Accounts Payable	\$ 27,074	\$ -	\$ 1,426	\$ 28,500
Accrued Liabilities	3,202	415	-	3,617
Due to Other Funds	-	42,053	-	42,053
Deferred Revenue	18,581	-	-	18,581
Total Current Liabilities	<u>48,857</u>	<u>42,468</u>	<u>1,426</u>	<u>92,751</u>
FUND BALANCES (DEFICIT):				
Reserved	30,105	-	-	30,105
Unreserved Deficit	-	(42,468)	-	(42,468)
Total Fund Balances (Deficit)	<u>30,105</u>	<u>(42,468)</u>	<u>-</u>	<u>(12,363)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 78,962</u>	<u>\$ -</u>	<u>\$ 1,426</u>	<u>\$ 80,388</u>

SCHOOL DISTRICT OF KAUKAUNA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	Food Service Fund	Community Service Fund	Cooperative Program Fund	Total
REVENUES				
Property Taxes	\$ -	\$ 150,750	\$ -	\$ 150,750
Other Local Sources	742,213	-	-	742,213
Interdistrict Sources	-	-	6,976	6,976
State Sources	20,749	-	-	20,749
Federal Sources	410,477	-	-	410,477
Total Revenues	<u>1,173,439</u>	<u>150,750</u>	<u>6,976</u>	<u>1,331,165</u>
EXPENDITURES:				
Instruction:				
Other Instruction	-	-	5,187	5,187
Support Services:				
General Administration Services	-	58,648	-	58,648
Building Administration Services	-	95,704	-	95,704
Operations and Maintenance	35,716	-	-	35,716
Food Services	1,134,677	-	-	1,134,677
Total Support Services	<u>1,170,393</u>	<u>154,352</u>	<u>-</u>	<u>1,324,745</u>
Non-Program Transactions:				
Non-Program Transactions	-	-	1,789	1,789
Total Expenditures	<u>1,170,393</u>	<u>154,352</u>	<u>6,976</u>	<u>1,331,721</u>
NET CHANGE IN FUND BALANCES	<u>3,046</u>	<u>(3,602)</u>	<u>-</u>	<u>(556)</u>
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>27,059</u>	<u>(38,866)</u>	<u>-</u>	<u>(11,807)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 30,105</u>	<u>\$ (42,468)</u>	<u>\$ -</u>	<u>\$ (12,363)</u>

SCHOOL DISTRICT OF KAUKAUNA

Schedule of Changes in Assets and Liabilities

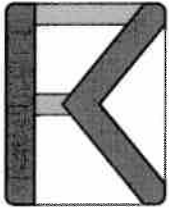
Pupil Activity Fund

For the Year Ended June 30, 2008

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2008</u>
ASSETS:				
Cash	<u>\$ 235,216</u>	<u>\$ 699,814</u>	<u>\$ 669,666</u>	<u>\$ 265,364</u>
LIABILITIES:				
Due to Student Organizations:				
Middle School	<u>\$ 24,106</u>	<u>\$ 143,397</u>	<u>\$ 136,182</u>	<u>\$ 31,321</u>
High School	<u>211,110</u>	<u>556,417</u>	<u>533,484</u>	<u>234,043</u>
TOTAL LIABILITIES	<u>\$ 235,216</u>	<u>\$ 699,814</u>	<u>\$ 669,666</u>	<u>\$ 265,364</u>

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ADDITIONAL REPORTS



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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

Board of Education
School District of Kaukauna
Kaukauna, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Kaukauna (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings as finding #08-1 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Education
Kaukauna, Wisconsin


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not believe that the significant deficiency described above is a material weakness.

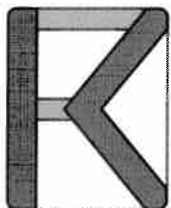
Compliance and Other Matters

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

We noted certain matters that we reported to the management of the School District of Kaukauna in a separate letter dated November 25, 2008.

This report is intended solely for the information of the School Board, management, awarding agencies, pass-through entities and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by anyone other than these specified parties.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
November 25, 2008



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

115 E. Fifth Street • Shawano, WI 54166
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

To the Board of Education
School District of Kaukauna
Kaukauna, Wisconsin

Compliance

We have audited the compliance of the School District of Kaukauna (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and state programs for the year ended June 30, 2008. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *Guidelines* 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 or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control compliance.

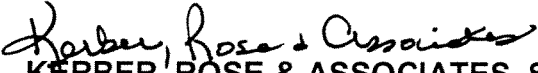
To the Board of Education
Kaukauna, Wisconsin

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass through entities and the Wisconsin Department of Public Instruction and is not intended to be and should not be used by anyone other than these specified parties.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
November 25, 2008

FEDERAL AND STATE AWARDS SECTION

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SCHOOL DISTRICT OF KAUKAUNA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Awarding Agency/ Award Description/ Pass-Through Agency	Catalog Number	Program or Award Amount	Accrued Receivable 7/1/07
U.S. DEPARTMENT OF AGRICULTURE			
<i>NATIONAL SCHOOL BREAKFAST PROGRAM</i>			
Wisconsin Department of Public Instruction			
July 1, 2006-June 30, 2007	10.553	\$ N/A	\$ 360
July 1, 2007-June 30, 2008			-
<i>NATIONAL SCHOOL LUNCH PROGRAM</i>			
Wisconsin Department of Public Instruction			
July 1, 2006-June 30, 2007	10.555	N/A	592
July 1, 2007-June 30, 2008			-
<i>FOOD DISTRIBUTION</i>			
July 1, 2007-June 30, 2008	10.550	N/A	-
<i>NUTRITION ENHANCEMENT/BREAKFAST AID</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	10.500	N/A	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			952
U.S. DEPARTMENT OF EDUCATION			
<i>PL 94-142 IDEA FLOW THRU</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.027	645,230	-
<i>PL99-457 PRESCHOOL ENTITLEMENT</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.173	46,174	-
<i>ENGLISH LANGUAGE ACQUISITION</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.365	13,988	-
<i>TITLE 1 GRANTS TO LOCAL EDUCATION AGENCIES</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.010	271,218	-

The accompanying notes are an integral part of this schedule.

<u>Grantor</u>		<u>Accrued</u>	
<u>Reimbursements</u>	<u>Expenditures</u>	<u>Receivable</u>	<u>6/30/08</u>
\$ 360	\$ -	\$ -	
39,988	47,699	7,711	
592	-	-	
244,365	282,245	37,880	
74,573	74,573	-	
5,960	5,960	-	
365,838	410,477	45,591	
645,230	645,230	-	
46,174	46,174	-	
13,988	13,988	-	
271,218	271,218	-	

The accompanying notes are an integral part of this schedule.

SCHOOL DISTRICT OF KAUKAUNA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

Awarding Agency/ Award Description/ Pass-Through Agency	Catalog Number	Program or Award Amount	Accrued Receivable 7/1/07
U.S. DEPARTMENT OF EDUCATION (Continued)			
<i>DRUG-FREE SCHOOLS AND COMM. ACT OF 1986</i>			
Wisconsin Department of Public Instruction			
July 1, 2006-June 30, 2007	84.186	\$ 10,897	\$ 677
July 1, 2007-June 30, 2008			-
<i>INNOVATIVE EDUCATION PROGRAM STRATEGIES</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.298	4,755	-
<i>IMPROVING TEACHER QUALITY STATE GRANT</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.367	109,700	-
<i>TITLE II-D EDUCATION TECHNOLOGY</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.318	2,816	-
<i>SAFE & DRUG-FREE SCHOOL AND COMMUNITIES ACT OF ESEA</i>			
Wisconsin Department of Public Instruction			
July 1, 2007-June 30, 2008	84.215F	276,397	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>677</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 1,629</u></u>

The accompanying notes are an integral part of this schedule.

<u>Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/08</u>
\$ 677	\$ -	\$ -
-	10,897	10,897
4,755	4,755	-
109,700	109,700	-
2,816	2,816	-
<u>276,397</u>	<u>276,397</u>	<u>-</u>
<u>1,370,955</u>	<u>1,381,175</u>	<u>10,897</u>
<u>\$ 1,736,793</u>	<u>\$ 1,791,652</u>	<u>\$ 56,488</u>

The accompanying notes are an integral part of this schedule.

SCHOOL DISTRICT OF KAUKAUNA

Schedule of State Financial Assistance

For the Year Ended June 30, 2008

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	Program or Award Amount	Accrued Receivable 7/01/07
ENTITLEMENT PROGRAMS:			
<i>MAJOR STATE PROGRAMS:</i>			
Handicapped Pupils and School Age Parents:			
Internal District Program - DPI	255.101	N/A	\$ -
CESA #6	255.101	N/A	
General Equalization - DPI	255.201	N/A	410,636
Student Achievement Guarantee - DPI	255.504	N/A	-
Pupil Transportation - DPI	255.107	N/A	-
Library Aid - DPI	255.103	N/A	-
TOTAL MAJOR PROGRAMS			<u>410,636</u>
<i>NONMAJOR STATE PROGRAMS:</i>			
State Lunch - DPI	255.102	N/A	-
School Breakfast Program - DPI	255.344	N/A	-
Bilingual/Bicultural Aid - DPI	255.106	N/A	-
Youth Alcohol and Other Drug Abuse - DPI	255.312	N/A	-
Alcohol & Other Drug Abuse - DPI	255.306	N/A	-
Tech Ed Grant - WEEB	20.285	N/A	-
Exempt Computer State Aid (WI Dept of Revenue)	N/A	N/A	33,001
TOTAL NONMAJOR PROGRAMS			<u>33,001</u>
TOTAL STATE ASSISTANCE			<u>\$ 443,637</u>

The accompanying notes are an integral part of this schedule.

<u>State</u> <u>Reimbursements</u>	<u>Expenditures</u>	<u>Accrued</u> <u>Receivable</u> <u>6/30/08</u>
\$ 1,184,118	\$ 1,184,118	\$ -
14,449	14,449	-
25,767,231	25,783,964	427,369
427,500	427,500	-
102,625	102,625	-
132,881	132,881	-
<u>27,628,804</u>	<u>27,645,537</u>	<u>427,369</u>
13,626	13,626	-
7,123	7,123	-
22,099	22,099	-
79,879	79,879	-
13,016	13,016	-
2,712	2,712	-
<u>33,001</u>	<u>68,548</u>	<u>68,548</u>
<u>171,456</u>	<u>207,003</u>	<u>68,548</u>
<u>\$ 27,800,260</u>	<u>\$ 27,852,540</u>	<u>\$ 495,917</u>

The accompanying notes are an integral part of this schedule.

SCHOOL DISTRICT OF KAUKAUNA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2008

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Kaukauna and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM:

2007 - 2008 eligible costs under the State Special Education Program are \$5,118,923.

NOTE 3 - OVERSIGHT AGENCIES:

The District's federal oversight agency is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

SCHOOL DISTRICT OF KAUKAUNASchedule of Findings
For the Year Ended June 30, 2008**Section I – Summary of Auditors' Results****Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiencies disclosed?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over financial reporting:	
Significant deficiencies disclosed?	No
Significant deficiencies identified not considered to be material weaknesses?	N/A
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
84.027	IDEA Flow Thru
84.173	Preschool Entitlement

Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
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Auditee qualified as a low-risk auditee?	Yes
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State Awards

Internal control over financial reporting:	
Significant deficiencies disclosed?	No
Significant deficiencies identified not considered to be material weaknesses?	N/A
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines or the Wisconsin Department of Public Instruction Audit Manual?	No

Identification of major state programs:

State I.D. Number	Name of State Program
255.101	Handicapped Pupils and School Age Parents
255.201	General Equalization
255.504	Student Achievement Guarantee in Education
255.107	Pupil Transportation
255.103	Library Aid

SCHOOL DISTRICT OF KAUKAUNA

Schedule of Findings - Continued
For the Year Ended June 30, 2008

Section II - Financial Statement Findings

Significant Deficiencies

#08-1 Financial Accounting and Reporting

Condition: Auditors are preparing the District's financial statements.

Cause: Bookkeeper does not have training to prepare financial statements including related notes in accordance with generally accepted accounting principles.

Criteria: Due to limited training audit firm will prepare financial statements.

Effect: Because of lack of training, the District needs to rely on the assistance of the auditors for preparation of the financial statements.

Section III - Federal Award Findings

There were no findings for federal and state awards.

SCHOOL DISTRICT OF KAUKAUNA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2008

FINANCIAL ACCOUNTING AND REPORTING – This District's staff does not have training to prepare financial statements and related notes in accordance with GAAP.

SCHOOL DISTRICT OF KAUKAUNA

Corrective Action Plan

For the Year Ended June 30, 2008

FINANCIAL ACCOUNTING AND REPORTING – The District is aware that their staff does not have training to prepare financial statements and related notes in accordance with GAAP. The District will rely on the assistance of the auditors for preparation of the financial statements and related notes.