

**SCHOOL DISTRICT OF KAUKAUNA**

**Annual Financial Report**

**June 30, 2010**



# SCHOOL DISTRICT OF KAUKAUNA

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June 30, 2010

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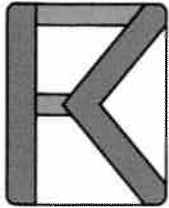
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**INDEPENDENT AUDITORS' REPORT**





# KERBER, ROSE & ASSOCIATES, S.C.

*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, 2010, 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 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.

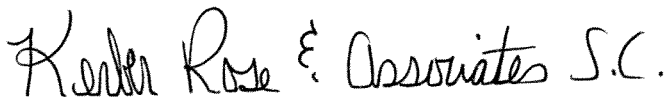
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Kaukauna, as of June 30, 2010, and the respective 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 17, 2010, 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 should be considered in assessing the results of our audit.

To the Board of Education  
Kaukauna, Wisconsin

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and employer contributions, and budgetary comparison information on pages 3 through 10 and 37 to 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Kaukauna's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 Kaukauna. The accompanying schedules of state financial assistance and changes in assets and liabilities – pupil activity fund 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 also not a required part of the 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

November 17, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS



## SCHOOL DISTRICT OF KAUKAUNA

### Management's Discussion and Analysis For the Year Ended June 30, 2010

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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 \$7,621,009 (*net assets*). Of this amount invested in capital assets, net of related debt is \$12,178,062 and \$935,332 is restricted for debt service and capital projects. This results in a net unrestricted deficit of (\$5,492,385).
- Net assets for the most recent fiscal year decreased by \$1,148,463.
- As of June 30, 2010, the District's governmental funds reported ending fund balances of \$4,592,487, an increase of \$502,555 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,250,886. The entire amount of unreserved fund balance is designated for working capital.

#### 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 12 of this report.

## SCHOOL DISTRICT OF KAUKAUNA

### Management's Discussion and Analysis For the Year Ended June 30, 2010

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#### 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 15. A separate reconciliation of the statement of activities to the governmental funds operating statement is presented on page 18.
- The District has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the District's seven regular funds (general, special education, debt service, capital projects, 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 combining statements are presented on pages 42 to 45.
- 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 21 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 other post employment benefits and the District's budget. The schedules of funding progress and employer contributions are shown for the other post employment benefits. 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.

**SCHOOL DISTRICT OF KAUKAUNA**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010

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**Other information**

This report also contains *supplementary information*. This includes 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 46.

**FINANCIAL ANALYSIS**

**The District as a Whole**

**Summary of Net Assets**

	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Current Assets	\$ 7,596,906	\$ 15,682,337
Non-Current Assets	29,556,978	29,895,864
Total Assets	<u>37,153,884</u>	<u>45,578,201</u>
<b>LIABILITIES:</b>		
Current Liabilities	5,696,279	14,193,734
Long-Term Liabilities	23,836,597	22,614,995
Total Liabilities	<u>29,532,876</u>	<u>36,808,729</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	12,178,062	11,300,466
Restricted	935,332	489,780
Unrestricted Deficit	(5,492,385)	(3,020,774)
Total Net Assets	<u>\$ 7,621,009</u>	<u>\$ 8,769,472</u>

As indicated by the table above, total net assets are \$7,621,009 as of June 30, 2010. 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 \$53,293,218 as of June 30, 2010, 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 \$23,761,891 as of June 30, 2010.

Restricted assets consist of assets required to be used for debt retirement and capital projects totaling \$935,332 as of June 30, 2010.

**SCHOOL DISTRICT OF KAUKAUNA**

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

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

<b>Results of Operations</b>				
	<b>Amounts 2010</b>	<b>% of Total</b>	<b>Amounts 2009</b>	<b>% of Total</b>
<b>Program Revenues:</b>				
Charges for Services	\$ 1,442,721	3.0%	\$ 1,414,066	3.0%
Operating Grants and Contributions	4,218,735	8.8%	3,577,337	7.6%
Total Program Revenue	5,661,456	11.8%	4,991,403	10.6%
<b>General Revenues:</b>				
Property Taxes	15,318,787	31.9%	13,912,548	29.7%
State and Federal General Aids	26,780,751	55.7%	27,087,186	57.8%
Other	298,550	0.6%	861,819	1.9%
Total General Revenue	42,398,088	88.2%	41,861,553	89.4%
Total Revenues	48,059,544	100.0%	46,852,956	100.0%
<b>Expenses:</b>				
Instruction	26,348,767	53.6%	26,753,901	56.3%
Support Services	18,418,132	37.4%	16,499,087	34.8%
Interest on Debt	1,033,488	2.1%	1,268,426	2.7%
Depreciation – Unallocated	1,001,986	2.0%	1,016,599	2.1%
Non-Program Transactions	2,405,634	4.9%	1,942,677	4.1%
Total Expenses	49,208,007	100.0%	47,480,690	100.0%
Change in Net Assets	\$ (1,148,463)		\$ (627,734)	

Key elements of this change are as follows:

Revenues increased by \$1,206,588 primarily due to increased property tax revenue and increased federal source revenue from the ARRA grants.

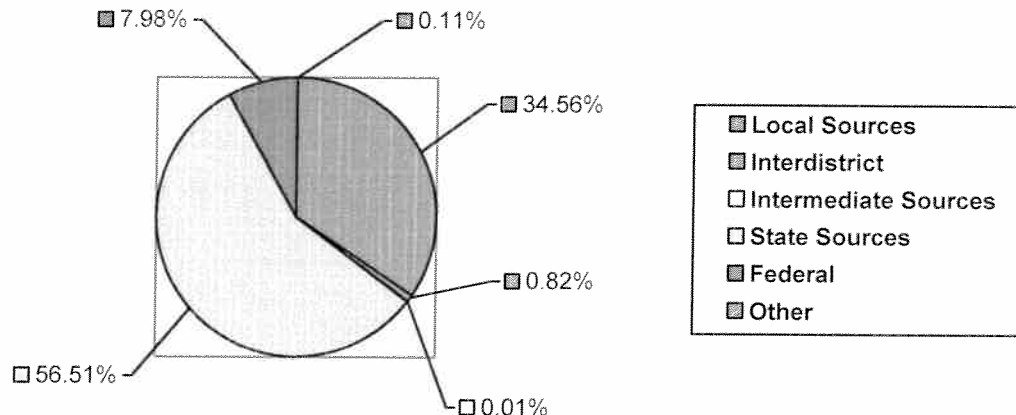
Expenses increased by \$1,727,317 primarily due to support service and non-program transaction expenses.

## SCHOOL DISTRICT OF KAUKAUNA

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

### Revenues

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



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 87.6% of district-wide revenue.

Local sources of revenues total \$16,607,487 and include revenues to the general fund of \$12,770,371, debt service fund of \$3,100,034, and food service fund of \$737,082.

Interdistrict sources of revenues of \$395,331 are funds from other districts for open enrollment and include revenues to the general fund of \$368,173 and special education fund of \$27,158.

Intermediate sources of revenues of \$6,405, are amounts received from CESAs, and include revenues to the general fund of \$5,803 and special education fund of \$602.

State sources of revenue total \$27,160,065 and include revenues to the general fund of \$25,684,143, special education fund of \$1,455,110 and food service fund of \$20,812.

Federal sources of revenue total \$3,835,262 and include revenue to the general fund of \$1,935,415, special education fund of \$1,350,625 and food service fund of \$549,222.

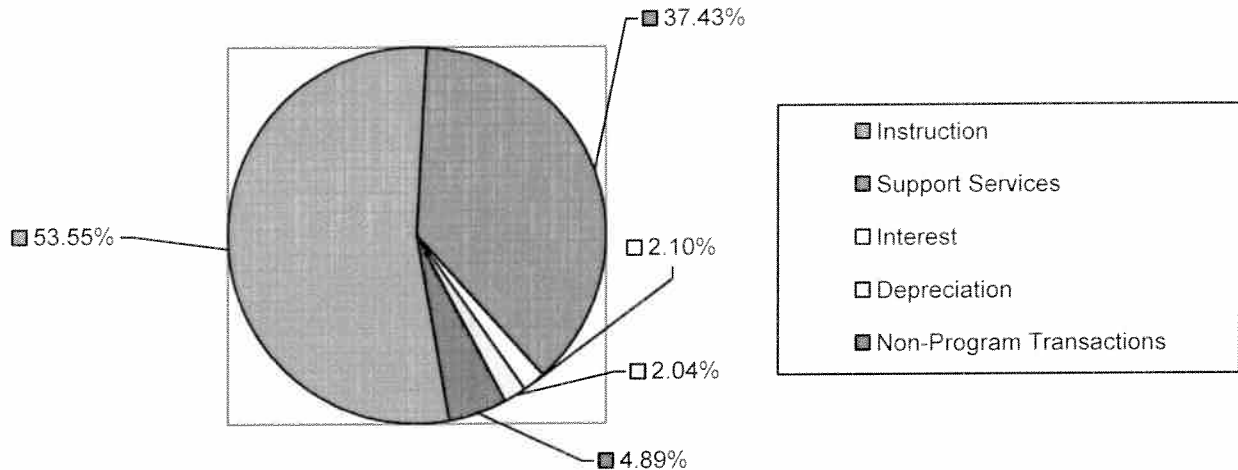
Other sources of revenue total \$54,994 and include revenues to the general fund of \$50,401 and special education fund of \$4,593. These revenues were from insurance reimbursements and prior year adjustments.

## SCHOOL DISTRICT OF KAUKAUNA

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

### Expenses

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



Expenses include instruction of \$26,348,767, support services of \$18,418,132, interest on short and long-term debt of \$1,033,488, unallocated depreciation of \$1,001,986 and non-program transactions of \$2,405,634.

### 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, 2010, the District's governmental funds reported combined ending fund balances of \$4,592,487, an increase of \$502,555 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 (\$445,332), 2) prepaid expenses (\$235,600), 3) inventory (\$25,242), 4) community service fund expenses (\$118,496), 5) food service fund expenses (\$26,931), and 6) capital project (\$490,000).

The *general fund* is the chief operating fund of the District. As of June 30, 2010, the total fund balance of the general fund was \$3,486,486. A portion of the general fund balance (\$235,600) is reserved for prepaid expenses; the remainder of the fund balance is unreserved and designated for working capital (\$3,250,886). The total fund balance of the general fund increased by \$9,342 from the prior year.

The *debt service fund* has a total fund balance of \$445,332, all of which is reserved for the payment of debt service. The debt service fund balance decreased \$44,448 from the prior year.



# SCHOOL DISTRICT OF KAUKAUNA

## Management's Discussion and Analysis For the Year Ended June 30, 2010

### 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 \$179,910. This entire amount is restricted for scholarships. Net assets decreased \$8,355 from the prior year.

Net assets of the employee benefit trust fund at the end of the year amounted to \$402,235. This entire amount is restricted for employee benefits. Net assets increased by \$401,368 from the prior year.

As of June 30, 2010, the agency fund reported that \$264,044 was due to student groups, which is a decrease of \$1,772 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	2009 - 2010 ACTUAL	VARIANCE	PERCENT
General Fund:						
Revenues and Other						
Sources	\$ 40,589,010	\$ 40,989,010	\$ 400,000	\$ 41,210,546	\$ 221,536	0.5%
Expenditures and						
Other Uses	40,589,010	40,989,010	400,000	41,201,204	212,194	0.5%
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,342</u>	<u>\$ 9,342</u>	
	ORIGINAL AND FINAL BUDGET	2009 - 2010 ACTUAL	VARIANCE	PERCENT		
Special Education Fund:						
Revenues and Other						
Sources	\$ 6,966,440	\$ 6,617,730	\$ (348,710)	5.0%		
Expenditures	6,966,440	6,617,730	(348,710)	5.0%		
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			

The District's actual general revenues were \$221,536 more than the budgeted figure primarily due to capital leases.

The District's actual general fund expenditures were \$212,194 more than the budgeted figure primarily due to higher than anticipated operations and maintenance and central service expenses. Additional operations and maintenance expenses were due to capital projects and central services expenses were due to the purchase of a phone system through a capital lease.

The District's special education revenue and expenditures were \$348,710 less than budget due to higher than anticipated special instruction and pupil transportation expenses.

# SCHOOL DISTRICT OF KAUKAUNA

Management's Discussion and Analysis  
For the Year Ended June 30, 2010

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the District had invested a net of \$29,531,327 in a broad range of capital assets, including buildings, sites, and equipment. This amount represents a net decrease of \$346,743. Total accumulated depreciation on these assets is \$23,761,891.

- Asset acquisitions for governmental activities totaled approximately \$1,022,677.
- The District recognized depreciation expense of \$1,318,814.

	Governmental Activities	
	2010	2009
Land	\$ 1,118,495	\$ 1,118,495
Buildings and Improvements	46,183,381	46,183,381
Furniture and Equipment	5,991,342	5,346,528
Less Accumulated Depreciation	(23,761,891)	(22,770,334)
Capital Assets Net of Depreciation	<u>\$ 29,531,327</u>	<u>\$ 29,878,070</u>

### Long-Term Debt

The District had three debt issuances during the year; two capital leases totaling \$429,389 and a G.O. Qualified School Construction Promissory Note of \$500,000.

	Outstanding Long-Term Obligations	
	2010	2009
General Obligation	\$ 19,304,293	\$ 20,963,628
Other	6,936,218	3,961,366
	<u>\$ 26,240,511</u>	<u>\$ 24,924,994</u>

- The District retired \$2,165,000 of outstanding bonds, notes and loans.
- The District made payments on capital lease obligations of \$128,728 during the year.

## ECONOMIC FACTORS

- The District will receive an additional \$1.1 million in revenues in the 2010-11 school year, which will basically be to cover salary and benefit costs.
- The Kaukauna Area School Districts enrollment for the 2010-11 school year is 4,181 students.

## 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, 2010

	<b>Governmental Activities</b>
<hr/>	
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 2,586,287
Receivables:	
Taxes	4,137,046
Accounts	53,694
Due from Other Governments	550,453
Inventory	25,242
Prepaid Expenses	235,950
Other Assets	8,234
<b>Total Current Assets</b>	<u>7,596,906</u>
<b>Noncurrent Assets:</b>	
Deferred Charges	25,651
Land	1,118,495
Buildings and Building Improvements	46,183,381
Furniture and Equipment	5,991,342
Less: Accumulated Depreciation	<u>(23,761,891)</u>
<b>Total Noncurrent Assets</b>	<u>29,556,978</u>
<b>TOTAL ASSETS</b>	<u>37,153,884</u>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	556,206
Accrued Liabilities	
Payroll, Payroll Taxes, Insurance	2,380,882
Interest	287,945
Unearned Revenue	67,332
Current Portion of Long-Term Obligations	<u>2,403,914</u>
<b>Total Current Liabilities</b>	<u>5,696,279</u>
<b>Noncurrent Liabilities:</b>	
Noncurrent Portion of Long-Term Obligations	<u>23,836,597</u>
<b>TOTAL LIABILITIES</b>	<u>29,532,876</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	12,178,062
Restricted	935,332
Unrestricted Deficit	<u>(5,492,385)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 7,621,009</u></u>

See Accompanying Notes

# SCHOOL DISTRICT OF KAUKAUNA

District-Wide Statement of Activities

For the Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction:				
Regular Instruction	\$ 18,768,304	\$ 231,934	\$ 412,529	\$ (18,123,841)
Vocational Instruction	1,127,093	-	2,563	(1,124,530)
Physical Instruction	1,205,029	-	-	(1,205,029)
Special Instruction	4,831,544	27,158	2,806,337	(1,998,049)
Other Instruction	416,797	102,628	-	(314,169)
<b>Total Instruction</b>	<u>26,348,767</u>	<u>361,720</u>	<u>3,221,429</u>	<u>(22,765,618)</u>
Support Services:				
Pupil Services	2,664,747	-	61,501	(2,603,246)
Instructional Staff Services	1,531,633	-	247,261	(1,284,372)
General Administration Services	844,865	-	-	(844,865)
Building Administration Services	1,814,440	-	-	(1,814,440)
Business Administration	325,060	-	-	(325,060)
Operations and Maintenance of Plant	4,325,890	-	-	(4,325,890)
Pupil Transportation Services	2,160,516	13,568	118,510	(2,028,438)
Food Services	1,281,785	737,082	570,034	25,331
Central Services	1,447,945	-	-	(1,447,945)
Insurance	316,360	-	-	(316,360)
Other Support Services	1,697,034	-	-	(1,697,034)
Interest on Debt	1,033,488	-	-	(1,033,488)
Bond Issuance Costs	7,857	-	-	(7,857)
Depreciation - Unallocated	1,001,986	-	-	(1,001,986)
<b>Total Support Services</b>	<u>20,453,606</u>	<u>750,650</u>	<u>997,306</u>	<u>(18,705,650)</u>
Non-Program Transactions:				
Open Enrollment	2,240,137	330,351	-	(1,909,786)
Non-Program Transactions	165,497	-	-	(165,497)
<b>Total Non-Program Transactions</b>	<u>2,405,634</u>	<u>330,351</u>	<u>-</u>	<u>(2,075,283)</u>
<b>TOTAL SCHOOL DISTRICT</b>	<u>\$ 49,208,007</u>	<u>\$ 1,442,721</u>	<u>\$ 4,218,735</u>	<u>(43,546,551)</u>
<b>GENERAL REVENUES:</b>				
Property Taxes:				
General Purposes				12,218,753
Debt Services				3,100,034
State and Federal Aids not Restricted to Special Functions:				
Equalization and Computer Aid				26,780,751
Interest and Investment Earnings				55,735
Miscellaneous				242,815
<b>Total General Revenues</b>				<u>42,398,088</u>
<b>CHANGE IN NET ASSETS</b>				(1,148,463)
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>8,769,472</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$ 7,621,009</u>

See Accompanying Notes

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**SCHOOL DISTRICT OF KAUKAUNA**

## Balance Sheet

## Governmental Funds

As of June 30, 2010

	<u>General</u>	<u>Special Education</u>	<u>Debt Service</u>
<b>ASSETS:</b>			
Cash and Investments	\$ 1,115,956	\$ 352,571	\$ 445,332
Receivables:			
Taxes	4,137,046	-	-
Accounts	41,579	9,121	-
Due from Other Governments	528,230	17,737	-
Inventory	-	-	-
Prepaid Expenses	235,600	350	-
Other Assets	8,234	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,066,645</u>	<u>\$ 379,779</u>	<u>\$ 445,332</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 531,819	\$ 9,640	\$ -
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	2,007,162	370,139	-
Deferred Revenue	41,178	-	-
<b>Total Liabilities</b>	<u>2,580,159</u>	<u>379,779</u>	<u>-</u>
<b>FUND BALANCES:</b>			
Reserved:			
Prepaid Expenses	235,600	-	-
Inventory	-	-	-
Debt Service	-	-	445,332
Capital Projects	-	-	-
Special Revenue Funds	-	-	-
Unreserved:			
Designated	3,250,886	-	-
<b>Total Fund Balances</b>	<u>3,486,486</u>	<u>-</u>	<u>445,332</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,066,645</u>	<u>\$ 379,779</u>	<u>\$ 445,332</u>



<hr/>	
Other Governmental Funds	Total Governmental Funds
\$ 672,428	\$ 2,586,287
-	4,137,046
2,994	53,694
4,486	550,453
25,242	25,242
-	235,950
-	8,234
<u>\$ 705,150</u>	<u>\$ 7,596,906</u>
\$ 14,746	\$ 556,206
3,581	2,380,882
26,154	67,332
<u>44,481</u>	<u>3,004,420</u>
-	235,600
25,242	25,242
-	445,332
490,000	490,000
145,427	145,427
-	3,250,886
<u>660,669</u>	<u>4,592,487</u>
<u>\$ 705,150</u>	<u>\$ 7,596,906</u>

## SCHOOL DISTRICT OF KAUKAUNA

### Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Assets As of June 30, 2010

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<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 4,592,487</b>
<i><b>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:</b></i>		
Deferred Charges - Debt Issuance Costs		25,651
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	53,293,218	
Governmental Accumulated Depreciation	<u>(23,761,891)</u>	29,531,327
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	(19,707,558)	
Accrued Interest on General Obligation Debt	(287,945)	
Vested Employee Benefits	<u>(6,532,953)</u>	<u>(26,528,456)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 7,621,009</u></b>

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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, 2010

	General	Special Education
<b>REVENUES:</b>		
Property Taxes	\$ 12,218,753	\$ -
Other Local Sources	551,618	-
Interdistrict Sources	368,173	27,158
Intermediate Sources	5,803	602
State Sources	25,684,143	1,455,110
Federal Sources	1,935,415	1,350,625
Other Sources	50,401	4,593
<b>Total Revenues</b>	<u>40,814,306</u>	<u>2,838,088</u>
<b>EXPENDITURES:</b>		
<b>Instruction:</b>		
Regular Instruction	16,786,419	-
Vocational Instruction	1,083,078	10,588
Physical Instruction	1,167,036	4,565
Special Instruction	-	4,697,835
Other Instruction	416,797	-
<b>Total Instruction</b>	<u>19,453,330</u>	<u>4,712,988</u>
<b>Support Services:</b>		
Pupil Services	1,672,716	785,801
Instructional Staff Services	1,217,615	418,291
General Administration Services	711,156	-
Building Administration Services	1,814,440	-
Business Services	302,960	22,100
Operations and Maintenance	4,319,508	-
Pupil Transportation	1,865,373	365,524
Food Services	-	-
Central Services	1,789,354	-
Insurance	316,360	-
Principal and Interest	169,108	-
Debt Issuance Costs	-	-
Other Support Services	1,697,034	-
<b>Total Support Services</b>	<u>15,875,624</u>	<u>1,591,716</u>
<b>Non-Program Transactions:</b>		
Open Enrollment	1,967,439	272,698
Non-Program Transactions	125,169	40,328
<b>Total Non-Program Transactions</b>	<u>2,092,608</u>	<u>313,026</u>
<b>Total Expenditures</b>	<u>37,421,562</u>	<u>6,617,730</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,392,744</u>	<u>(3,779,642)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Other Financing Sources - Capital Lease	396,157	-
Proceeds from Long-Term Debt	-	-
Transfer from General Fund	-	3,779,642
Transfer to Special Education Fund	(3,779,642)	-
Transfer from Debt Service Fund	83	-
Transfer to General Fund	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,383,402)</u>	<u>3,779,642</u>
<b>NET CHANGES IN FUND BALANCES</b>	9,342	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,477,144</u>	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,486,486</u>	<u>\$ -</u>

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 3,100,034	\$ -	\$ 15,318,787
-	737,082	1,288,700
-	-	395,331
-	-	6,405
-	20,812	27,160,065
-	549,222	3,835,262
-	-	54,994
<u>3,100,034</u>	<u>1,307,116</u>	<u>48,059,544</u>
-	-	16,786,419
-	-	1,093,666
-	-	1,171,601
-	-	4,697,835
-	-	416,797
<u>-</u>	<u>-</u>	<u>24,166,318</u>
-	-	2,458,517
-	-	1,635,906
-	-	711,156
-	-	1,814,440
-	-	325,060
-	19,164	4,338,672
-	-	2,230,897
-	1,264,971	1,264,971
-	-	1,789,354
-	-	316,360
3,144,399	8,552	3,322,059
-	10,000	10,000
-	-	1,697,034
<u>3,144,399</u>	<u>1,302,687</u>	<u>21,914,426</u>
-	-	2,240,137
<u>-</u>	<u>-</u>	<u>165,497</u>
<u>-</u>	<u>-</u>	<u>2,405,634</u>
<u>3,144,399</u>	<u>1,302,687</u>	<u>48,486,378</u>
<u>(44,365)</u>	<u>4,429</u>	<u>(426,834)</u>
-	33,232	429,389
-	500,000	500,000
-	-	3,779,642
-	-	(3,779,642)
-	-	83
(83)	-	(83)
<u>(83)</u>	<u>533,232</u>	<u>929,389</u>
<u>(44,448)</u>	<u>537,661</u>	<u>502,555</u>
<u>489,780</u>	<u>123,008</u>	<u>4,089,932</u>
<u>\$ 445,332</u>	<u>\$ 660,669</u>	<u>\$ 4,592,487</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, 2010

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<b>Net change in Fund Balances - Total Governmental Funds</b>	<b>\$ 502,555</b>
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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 expense in the statement of activities.

Capital outlay reported in governmental fund statements	1,022,677	
Depreciation expense reported in the statement of activities	<u>(1,318,814)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(296,137)

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 effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year	(377,863)	
The amount of depreciation recapture for the year	<u>327,257</u>	
Amount by which capital disposals are more than depreciation recapture in the current period.		(50,606)

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	1,799,615	
Employee benefits earned in current year	<u>(4,473,806)</u>	
Amounts paid are less than amounts earned by:		(2,674,191)

Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net assets, and does not affect the statement of activities

The amount of debt incurred in the current year is:		(929,389)
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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:		2,293,728
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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	1,036,873	
The amount of interest accrued during the current period	<u>(1,033,488)</u>	
Interest paid is more than interest accrued by:		3,385

Prior year debt discount is 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:

		(5,665)
--	--	---------

Governmental funds report issuance costs as expenditures. However, in the statement of net assets these are reported as deferred charges. These are allocated over the period the debt is outstanding in the statement of activities as amortization expense. This is the amount by which debt issuance costs of the current year (\$10,000) exceed the amortization expense (\$2,143):

	<u>7,857</u>	
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**Change in Net Assets - Governmental Activities**

	<u><u>\$ (1,148,463)</u></u>
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# SCHOOL DISTRICT OF KAUKAUNA

## Statement of Net Assets

### Fiduciary Funds

As of June 30, 2010

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	Private Purpose Trust	Employee Benefit Trust	Agency	Total
<b>ASSETS:</b>				
Cash and Investments	\$ 227,798	\$ 402,235	\$ 264,044	\$ 894,077
Interest Receivable	416	-	-	416
<b>Total Assets</b>	<u>228,214</u>	<u>402,235</u>	<u>264,044</u>	<u>894,493</u>
<b>LIABILITIES:</b>				
Accounts Payable	48,304	-	-	48,304
Due to Student Groups	-	-	264,044	264,044
<b>Total Liabilities</b>	<u>48,304</u>	<u>-</u>	<u>264,044</u>	<u>312,348</u>
<b>NET ASSETS:</b>				
Restricted	<u>\$ 179,910</u>	<u>\$ 402,235</u>	<u>\$ -</u>	<u>\$ 582,145</u>

**SCHOOL DISTRICT OF KAUKAUNA**  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2010

	Private Purpose Trust	Employee Benefit Trust	Total
<b>ADDITIONS:</b>			
Contributions to Employee-Benefit Trust	\$ -	\$ 1,695,561	\$ 1,695,561
Donations	3,375	-	3,375
Interest	2,618	32	2,650
<b>Total Additions</b>	<u>5,993</u>	<u>1,695,593</u>	<u>1,701,586</u>
<b>DEDUCTIONS:</b>			
Payments from Employee-Benefit Trust	-	1,294,225	1,294,225
Scholarships Awarded	14,348	-	14,348
<b>Total Deductions</b>	<u>14,348</u>	<u>1,294,225</u>	<u>1,308,573</u>
<b>CHANGE IN NET ASSETS</b>	(8,355)	401,368	393,013
<b>NET ASSETS - BEGINNING</b>	<u>188,265</u>	<u>867</u>	<u>189,132</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 179,910</u></u>	<u><u>\$ 402,235</u></u>	<u><u>\$ 582,145</u></u>



# **SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2010

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## **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 stand-alone 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 stand-alone 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, 2010

---

### **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, debt service, or capital projects 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.

##### Capital Projects Fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

# SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements  
June 30, 2010

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

### FUND FINANCIAL STATEMENTS (Continued)

#### 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.

#### 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:

Capital Projects Fund - This fund accounts for resources and payments made for capital acquisitions in which resources are financed through use of long-term debt.

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.

# **SCHOOL DISTRICT OF KAUKAUNA**

## **Notes to the Financial Statements**

June 30, 2010

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

#### **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.

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.

**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to the Financial Statements  
June 30, 2010

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

**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 2009 tax levy is used to finance operations of the District's fiscal year ended June 30, 2010. All property taxes are considered due on January 1<sup>st</sup>, 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 30<sup>th</sup> and are available to pay current liabilities.

**INVENTORY**

Inventory is recorded at cost using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

**PREPAID EXPENSES**

Prepaid expenses are payments made to vendors that will benefit periods beyond the end of the current fiscal year.

**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.

**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.

# **SCHOOL DISTRICT OF KAUKAUNA**

## **Notes to the Financial Statements**

June 30, 2010

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

#### **UNEARNED/DEFERRED REVENUE**

Governmental activities in the district-wide statement of activities report unearned revenue and therefore defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The combination of these are reported as deferred revenue in the balance sheet. When revenue recognition criteria is met, unearned or deferred revenue are reduced, as applicable, and income 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.

Early retirement benefits are available to teachers and non-teachers meeting certain requirements. An actuarially determined value of future benefits to current and future retirees is recognized as a long-term liability in the statement of net 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, 2010

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## 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 of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics
- Bonds or securities guaranteed by the U.S. Government
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

## SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2010

### NOTE 2 - CASH AND INVESTMENTS (Continued):

At June 30, 2010 the bank balance of cash was \$4,496,739. The District maintains its cash account 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. The District does not have a deposit policy for custodial risk. Deposits in each bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest-bearing transaction accounts. Noninterest-bearing transaction accounts are defined to include the following:

- Traditional demand deposit, or checking accounts that do not earn interest; and
- Negotiable Order of Withdrawal (NOW) accounts with interest rates no higher than .50%

Effective July 1, 2010, in order for a NOW account to be considered a noninterest-bearing transaction account it cannot have an interest rate higher than .25%.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in comparing the amount of uninsured deposits below:

The following represents a summary of deposits as of June 30, 2010:

Fully Insured Deposits	\$	4,336,032
Uncollateralized		<u>160,707</u>
Total	\$	<u>4,496,739</u>

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, 2010, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

Investments in the local government investment pool are not insured against losses arising from principal defaults on securities acquired by the pool. The balance in the local government investment pool at June 30, 2010, was \$83,030.

### NOTE 3 - INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2010, are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Special Education Fund	<u>\$ 3,779,642</u>	Year End Cash Flow Timing
Debt Service Fund	General Fund	<u>\$ 83</u>	Residual Balance Transfer



# SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2010

## NOTE 4 - SHORT-TERM NOTE PAYABLE:

In 2008-09 the District issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In 2009-10, the District utilized a taxable revolving line-of-credit. 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, 2010, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 9,105,645	\$ -	\$ 9,105,645	\$ -
Taxable Revolving Line-of-Credit	-	7,750,000	7,750,000	-
Total	<u>\$ 9,105,645</u>	<u>\$ 7,750,000</u>	<u>\$ 16,855,645</u>	<u>\$ -</u>

Total interest expense on short-term notes for the year totaled \$53,084.

## NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Sites (land)	\$ 1,118,495	\$ -	\$ -	\$ 1,118,495
Capital Assets being Depreciated:				
Buildings and Building Improvements	46,183,381	-	-	46,183,381
Furniture and Equipment	5,346,528	1,022,677	377,863	5,991,342
<b>Total Capital Assets Being Depreciated</b>	<u>51,529,909</u>	<u>1,022,677</u>	<u>377,863</u>	<u>52,174,723</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(18,584,262)	(953,959)	-	(19,538,221)
Furniture and Equipment	(4,186,072)	(364,855)	(327,257)	(4,223,670)
Total Accumulated Depreciation	<u>(22,770,334)</u>	<u>(1,318,814)</u>	<u>(327,257)</u>	<u>(23,761,891)</u>
<b>Total Capital Assets being Depreciated, Net of Accumulated Depreciation</b>	<u>28,759,575</u>	<u>(296,137)</u>	<u>50,606</u>	<u>28,412,832</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 29,878,070</u>	<u>\$ (296,137)</u>	<u>\$ 50,606</u>	<u>\$ 29,531,327</u>

**SCHOOL DISTRICT OF KAUKAUNA**

## Notes to the Financial Statements

June 30, 2010

**NOTE 5 - CAPITAL ASSETS (Continued):**

Depreciation expense for fiscal year ended June 30, 2010 amounted to \$1,318,814 and was charged to the following functions:

Instruction:	
Regular	\$ 100,920
Support Services:	
Instructional Staff Services	87,113
Operations and Maintenance	95,718
Pupil Transportation	3,580
Food Service	9,414
Central Services	20,083
Unallocated	1,001,986
Total Depreciation Expense	<u>\$ 1,318,814</u>

**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, 2010:

	<u>Balances 7/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances 6/30/10</u>	<u>Amount Due Within One Year</u>
General Obligations:					
General Obligation Bonds	\$ 18,475,000	\$ -	\$ 2,025,000	\$ 16,450,000	\$ 2,000,000
General Obligation Refunding Bond	2,550,000	-	140,000	2,410,000	155,000
General Obligation School Construction Promissory Note	-	500,000	-	500,000	50,000
Less Deferred Amounts:					
Issuance Discount	(28,542)	-	(2,634)	(25,908)	-
Refunding	(32,830)	-	(3,031)	(29,799)	-
Total General Obligation Debt	<u>20,963,628</u>	<u>500,000</u>	<u>2,159,335</u>	<u>19,304,293</u>	<u>2,205,000</u>
Capital Leases	102,604	429,389	128,728	403,265	103,184
Compensated Absences	104,054	95,730	104,054	95,730	95,730
Post Employment Benefits	<u>3,754,708</u>	<u>4,378,076</u>	<u>1,695,561</u>	<u>6,437,223</u>	<u>-</u>
Total Non-General Obligation Debt	<u>3,961,366</u>	<u>4,903,195</u>	<u>1,928,343</u>	<u>6,936,218</u>	<u>198,914</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 24,924,994</u>	<u>\$ 5,403,195</u>	<u>\$ 4,087,678</u>	<u>\$ 26,240,511</u>	<u>\$ 2,403,914</u>

Total interest paid on long-term debt for the year ended June 30, 2010 was \$983,789.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2010

**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, 2010, is comprised of the following individual issues:

	<b>Issue Dates</b>	<b>Interest Rates</b>	<b>Dates of Maturity</b>	<b>Balances 6/30/10</b>
General Obligation Bond	9/1/01	4% - 4.85%	3/1/17	\$ 16,450,000
General Obligation Refunding Bond	5/1/07	5.03% - 5.57%	3/1/20	2,410,000
General Obligation School Construction Promissory Note				500,000
Total General Long-Term Obligations				19,360,000
Capital Lease	11/1/08	3.00%	10/13/13	61,659
Capital Lease	9/1/09	4.80%	5/31/14	316,926
Capital Lease	9/18/09	14.47%	8/31/14	24,680
<b>TOTAL</b>				<b>\$ 19,763,265</b>

The 2009 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,737,982,998. The legal debt limit and margin of indebtedness as of June 30, 2010, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$1,737,982,998)	\$ 173,798,300
Deduct long-term debt applicable to debt margin	19,360,000
Margin of Indebtedness	<u>\$ 154,438,300</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2010, follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 2,308,184	\$ 898,631	\$ 3,206,815
2012	2,433,905	800,098	3,234,003
2013	2,559,730	697,780	3,257,510
2014	2,681,446	587,049	3,268,495
2015	2,740,000	463,981	3,203,981
2016 - 2020	7,040,000	632,824	7,672,824
<b>Total</b>	<b>\$ 19,763,265</b>	<b>\$ 4,080,363</b>	<b>\$ 23,843,628</b>

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, 2010

#### 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, 2010:

<u>Year Ending June 30,</u>	
2011	\$ 60,600
2012	55,160
2013	42,207
2014	18,564
	<u>\$ 176,531</u>

Rent expense for all operating leases for the year ending June 30, 2010 was \$42,036.

#### 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 and 440 hours for Educational Support Staff, effective July 1, 2009) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for executives and elected officials, 5.0% for protective occupations with social security, and 3.2% 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, 2010, was \$19,770,933; the employer's total payroll was \$21,366,366. The total required contribution for the year ended June 30, 2010, was \$2,124,866, which consisted of \$929,234 or 4.7% of payroll from the employer and \$1,195,632, or 6.0% of payroll from employees. Total contributions for the year ended June 30, 2009 and 2008 were \$2,251,713 and \$2,291,626 respectively equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service), 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.

# SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2010

## NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS:

The District follows the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$6,437,223 and \$4,378,076, respectively, in governmental activities.

*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 383 active and 67 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.

*Funding Policy.* The District has \$402,235 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions and for the year ended June 30, 2010, the District contributed \$1,695,561 to the trust.

*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 in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 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	\$ 4,422,959
Interest on net OPEB	187,735
Adjustment to annual required contributions	(232,618)
Annual OPEB cost (expense)	4,378,076
Contributions made	(1,695,561)
Change in net OPEB obligations	2,682,515
OPEB obligation at beginning of year	3,754,708
OPEB obligation at end of year	\$ 6,437,223

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years was:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$ 2,810,884	31.5%	\$ 1,925,384
6/30/09	\$ 2,787,868	34.4%	\$ 3,754,708
6/30/10	\$ 4,378,076	38.7%	\$ 6,437,223

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, for the period July 1, 2009 through June 30, 2010, the District's unfunded actuarial accrued liability (UAAL) was \$34,071,193. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2009 – 2010 fiscal year was \$18,318,647 for a ratio of the UAAL to covered payroll of 186%.

## SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2010

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, 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, 2009 actuarial valuation, the projected 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 12.5% for medical, with rates varying from 11.25% to 5.4% in future years. Mortality, disability and retirement rates are from the Wisconsin Retirement System 2003-2005 Experience Study for public schools. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2010 was 28 years.

### 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, 2010 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Net Capital Assets	\$ 29,531,327
Less: Related Long-Term Debt Outstanding	17,353,265
Total Invested in Capital Assets, Net of Related Debt	<u>12,178,062</u>
Restricted	935,332
Unrestricted Deficit	<u>(5,492,385)</u>
Total District-Wide Net Assets	<u>\$ 7,621,009</u>

Restricted assets consist of debt retirement totaling \$445,332 and capital projects totaling \$490,000.

# SCHOOL DISTRICT OF KAUKAUNA

## Notes to the Financial Statements

June 30, 2010

### NOTE 10 - FUND EQUITY (Continued):

#### 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, 2010 fund balance was reserved as follows:

<u>Individual Fund</u>	<u>Reserved Fund Balance</u>
General Fund	\$ 235,600
Debt Service Fund	445,332
Capital Projects Fund	490,000
Food Service Fund	52,173
Community Service Fund	118,496
	<u>\$ 1,341,601</u>

General fund balance is reserved for prepaid expenses.

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

Capital projects fund balance is reserved for future capital acquisitions.

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

Community service fund balance is reserved for future community service programs and expenditures.

In addition, the unreserved fund balance has been designated to include the District's current plans for accumulating funds for use in subsequent periods as follows:

<u>Fund</u>	<u>Designated Fund Balance</u>	<u>Designated For</u>
General Fund	<u>\$ 3,250,886</u>	Working Capital

### NOTE 11 - 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.

## **SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2010

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### **NOTE 12 - CONTINGENCIES:**

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, 2010, are not likely to have a material adverse impact on the District's financial position.

### **NOTE 13 - SUBSEQUENT EVENT:**

The Board approved the sale of the Nicolet School on September 27, 2010. The sale is not final until the buyer provides the total asking price of \$99,000 to the District. The buyer has until the end of November to pay the District. If payment in full is not received by this date, the Nicolet School will still be for sale.

### **NOTE 14 - 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 three fiscal years.

### **NOTE 15 - EFFECT OF FUTURE ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS:**

The Governmental Standards Board (GASB) approved Statement No. 54. This Statement expands the classifications of fund balance from reserved and unreserved to nonspendable, restricted, committed, assigned, and unassigned; and revises the definitions of special revenue, capital projects, and debt service funds. GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions* is effective for the School District of Kaukauna in 2011. The District has not yet determined the effect of this Statement on its financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**



**SCHOOL DISTRICT OF KAUKAUNA**

Required Supplementary Information

Other Post Employment Benefits

June 30, 2010

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$490	\$20,160,444	\$20,159,954	0.0%	\$18,882,836	106.8%
7/1/2009	\$867	\$34,072,060	\$34,071,193	0.0%	\$18,318,647	186.0%

**Schedule of Employer Contributions**

Year Ending June 30	Annual Required Contribution	Percentage Contributed
2008	\$2,810,884	29.9%
2009	\$2,810,884	34.1%
2010	\$4,422,959	38.3%

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts	
	Original	Final
<b>REVENUES:</b>		
Property Taxes	\$ 11,818,753	\$ 12,218,753
Other Local Sources	621,288	621,288
Interdistrict Sources	302,412	302,412
Intermediate Sources	-	-
State Sources	27,135,770	27,135,770
Federal Sources	612,449	612,449
Other Sources	98,338	98,338
<b>Total Revenues</b>	<u>40,589,010</u>	<u>40,989,010</u>
<b>EXPENDITURES:</b>		
<b>Instruction:</b>		
Regular Instruction	17,040,694	17,040,694
Vocational Instruction	1,115,178	1,115,178
Physical Instruction	1,139,874	1,139,874
Other Instruction	478,656	478,656
<b>Total Instruction</b>	<u>19,774,402</u>	<u>19,774,402</u>
<b>Support Services:</b>		
Pupil Services	1,802,994	1,802,994
Instructional Staff Services	1,367,738	1,367,738
General Administration Services	701,816	701,816
Building Administration Services	1,860,224	1,860,224
Business Administration	313,644	313,644
Operations and Maintenance	3,552,105	3,952,105
Pupil Transportation	1,928,908	1,928,908
Central Services	1,373,090	1,373,090
Insurance	344,554	344,554
Principal and Interest	336,560	336,560
Other Support Services	1,417,913	1,417,913
<b>Total Support Services</b>	<u>14,999,546</u>	<u>15,399,546</u>
<b>Non-Program Transactions:</b>		
Open Enrollment	1,929,679	1,929,679
Non-Program Transaction	128,075	128,075
<b>Total Non-Program Transactions</b>	<u>2,057,754</u>	<u>2,057,754</u>
<b>Total Expenditures</b>	<u>36,831,702</u>	<u>37,231,702</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>3,757,308</u>	<u>3,757,308</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Other Financing Source - Capital Lease	-	-
Transfer to Special Education Fund	(3,757,308)	(3,757,308)
Transfer from Debt Service Fund	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,757,308)</u>	<u>(3,757,308)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>3,477,144</u>	<u>3,477,144</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,477,144</u>	<u>\$ 3,477,144</u>

Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 12,218,753	\$ -
551,618	(69,670)
368,173	65,761
5,803	5,803
25,684,143	(1,451,627)
1,935,415	1,322,966
50,401	(47,937)
40,814,306	(174,704)
16,786,419	254,275
1,083,078	32,100
1,167,036	(27,162)
416,797	61,859
19,453,330	321,072
1,672,716	130,278
1,217,615	150,123
711,156	(9,340)
1,814,440	45,784
302,960	10,684
4,319,508	(367,403)
1,865,373	63,535
1,789,354	(416,264)
316,360	28,194
169,108	167,452
1,697,034	(279,121)
15,875,624	(476,078)
1,967,439	(37,760)
125,169	2,906
2,092,608	(34,854)
37,421,562	(189,860)
3,392,744	(364,564)
396,157	396,157
(3,779,642)	(22,334)
83	83
(3,383,402)	373,906
9,342	9,342
3,477,144	-
\$ 3,486,486	\$ 9,342

# 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, 2010

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>			
Interdistrict	\$ 82,500	\$ 27,158	\$ (55,342)
Intermediate Sources	13,000	602	(12,398)
State Sources	1,428,248	1,455,110	26,862
Federal Sources	1,685,384	1,350,625	(334,759)
Other Sources	-	4,593	4,593
<b>Total Revenues</b>	<u>3,209,132</u>	<u>2,838,088</u>	<u>(371,044)</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Vocational Instruction	-	10,588	(10,588)
Physical Instruction	4,293	4,565	(272)
Special Instruction	5,267,892	4,697,835	570,057
<b>Total Instruction</b>	<u>5,272,185</u>	<u>4,712,988</u>	<u>559,197</u>
<b>SUPPORT SERVICES:</b>			
Pupil Services	747,510	785,801	(38,291)
Instructional Staff Services	393,599	418,291	(24,692)
Business Services	-	22,100	(22,100)
Pupil Transportation	258,846	365,524	(106,678)
<b>Total Support Services</b>	<u>1,399,955</u>	<u>1,591,716</u>	<u>(191,761)</u>
<b>NON-PROGRAM TRANSACTIONS:</b>			
Open Enrollment	270,000	272,698	(2,698)
Non-Program Transaction	24,300	40,328	(16,028)
<b>Total Non-Program Transactions</b>	<u>294,300</u>	<u>313,026</u>	<u>(18,726)</u>
<b>Total Expenditures</b>	<u>6,966,440</u>	<u>6,617,730</u>	<u>348,710</u>
<b>DEFICIT OF REVENUES UNDER EXPENDITURES</b>	<u>(3,757,308)</u>	<u>(3,779,642)</u>	<u>(22,334)</u>
<b>OTHER FINANCING SOURCE:</b>			
Transfer from General Fund	<u>3,757,308</u>	<u>3,779,642</u>	<u>22,334</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to the Required Supplementary Information  
June 30, 2010

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**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, 2010:

Individual Fund	Excess Expenditures
<b>General Fund</b>	
Physical Instruction	\$ 27,162
General Administration Services	9,340
Operations and Maintenance	367,403
Central Services	416,264
Other Support Services	279,121
Open Enrollment	37,760
<b>Special Education Fund</b>	
Vocational Instruction	\$ 10,588
Physical Instruction	272
Pupil Services	38,291
Instructional Staff Services	24,692
Business Services	22,100
Pupil Transportation	106,678
Open Enrollment	2,698
Non-Program Transactions	16,028

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## SUPPLEMENTARY INFORMATION



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# SCHOOL DISTRICT OF KAUKAUNA

Combining Balance Sheet  
Nonmajor Governmental Funds  
As of June 30, 2010

	<u>Capital Projects</u>	<u>Food Service</u>
<b>ASSETS:</b>		
<b>Current Assets</b>		
Cash and Investments	\$ 490,000	\$ 60,296
Accounts Receivable	-	2,994
Due from Other Governments	-	4,486
Inventory	-	25,242
<b>Total Current Assets</b>	<u>\$ 490,000</u>	<u>\$ 93,018</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ -	\$ 11,110
Accrued Liabilities	-	3,581
Deferred Revenue	-	26,154
<b>Total Current Liabilities</b>	<u>-</u>	<u>40,845</u>
<b>FUND BALANCES:</b>		
Reserved	<u>490,000</u>	<u>52,173</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 490,000</u>	<u>\$ 93,018</u>

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Community Service	Cooperative Program	Total
\$ 118,496	\$ 3,636	\$ 672,428
-	-	2,994
-	-	4,486
-	-	25,242
<u>\$ 118,496</u>	<u>\$ 3,636</u>	<u>\$ 705,150</u>
\$ -	\$ 3,636	\$ 14,746
-	-	3,581
-	-	26,154
<u>-</u>	<u>3,636</u>	<u>44,481</u>
<u>118,496</u>	<u>-</u>	<u>660,669</u>
<u>\$ 118,496</u>	<u>\$ 3,636</u>	<u>\$ 705,150</u>

**SCHOOL DISTRICT OF KAUKAUNA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	<b>Capital Projects</b>	<b>Food Service</b>
<b>REVENUES:</b>		
Other Local Sources	\$ -	\$ 737,082
State Sources	-	20,812
Federal Sources	-	549,222
<b>Total Revenues</b>	<u>-</u>	<u>1,307,116</u>
<b>EXPENDITURES:</b>		
<b>Support Services:</b>		
Operations and Maintenance	-	19,164
Food Services	-	1,264,971
Principal and Interest	-	8,552
Debt Issuance Costs	10,000	-
<b>Total Support Services</b>	<u>10,000</u>	<u>1,292,687</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,000)</u>	<u>14,429</u>
<b>OTHER FINANCING SOURCES:</b>		
Other Financing Source - Capital Lease	-	33,232
Proceeds from Long-Term Debt	500,000	-
<b>Total Other Financing Sources</b>	<u>500,000</u>	<u>33,232</u>
<b>NET CHANGE IN FUND BALANCES</b>	490,000	47,661
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	4,512
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 490,000</u>	<u>\$ 52,173</u>

---

Community Service	Total
\$ -	\$ 737,082
-	20,812
-	549,222
-	1,307,116
-	19,164
-	1,264,971
-	8,552
-	10,000
-	1,302,687
-	4,429
-	33,232
-	500,000
-	533,232
-	537,661
118,496	123,008
\$ 118,496	\$ 660,669

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Changes in Assets and Liabilities  
Pupil Activity Fund  
For the Year Ended June 30, 2010

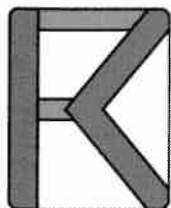
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	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2010</u>
<b>ASSETS:</b>				
Cash	\$ 265,816	\$ 695,792	\$ 697,564	\$ 264,044
<b>LIABILITIES:</b>				
Due to Student Organizations:				
Elementary School	\$ 5,157	\$ 3,223	\$ 5,350	\$ 3,030
Middle School	37,201	85,574	84,627	38,148
High School	223,458	606,995	607,587	222,866
<b>TOTAL LIABILITIES</b>	<u>\$ 265,816</u>	<u>\$ 695,792</u>	<u>\$ 697,564</u>	<u>\$ 264,044</u>



**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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2010. 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as item #10-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

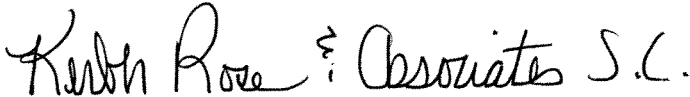
### **Compliance and Other Matters**

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 17, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

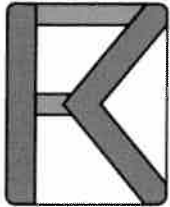
This report is intended solely for the information of the School Board, management, awarding agencies, pass-through entities and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by anyone other than these specified parties.



**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

November 17, 2010



# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 School District of Kaukauna's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in the accordance with OMB Circular A-133 or the *Guidelines* and which is described in the accompanying schedule of findings as item #10-2.

### Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Guidelines*, 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.

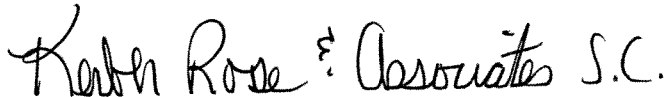
To the Board of Education  
School District of Kaukauna  
Kaukauna, Wisconsin

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and correct, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings as item #10-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Board, 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 17, 2010

**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, 2010

Awarding Agency/ Award Description/ Pass-Through Agency	Catalog Number	Pass- Through Number	Program or Award Amount
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>CHILD NUTRITION CLUSTER:</i>			
Wisconsin Department of Public Instruction			
Non-Cash Assistance (Commodities):			
National School Lunch Program			
July 1, 2009-June 30, 2010	10.555	Unknown	\$ N/A
Cash Assistance:			
School Breakfast Program			
July 1, 2008-June 30, 2009	10.553	717-546	N/A
July 1, 2009-June 30, 2010			
National School Lunch Program			
July 1, 2008-June 30, 2009	10.555	717-547	N/A
July 1, 2009-June 30, 2010			
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>SPECIAL EDUCATION CLUSTER:</i>			
Wisconsin Department of Public Instruction			
IDEA Flow Through			
July 1, 2009-June 30, 2010	84.027	730-341	762,466
Preschool Entitlement			
July 1, 2009-June 30, 2010	84.173	730-347	45,284
ARRA-IDEA Flow Through			
July 1, 2009-June 30, 2010	84.391	730-813	858,996
ARRA-Preschool Entitlement			
July 1, 2009-June 30, 2010	84.392	730-819	40,614
<i>ENGLISH LANGUAGE ACQUISITION</i>			
Wisconsin Department of Public Instruction			
July 1, 2009-June 30, 2010	84.365	730-391	14,230
<i>TITLE 1, PART A CLUSTER:</i>			
Wisconsin Department of Public Instruction			
Title I-A Basic			
July 1, 2009-June 30, 2010	84.010	751-141	324,759
ARRA-Title I-A			
July 1, 2009-June 30, 2010	84.389	751-816	167,024
<i>IMPROVING TEACHER QUALITY STATE GRANT</i>			
Wisconsin Department of Public Instruction			
July 1, 2009-June 30, 2010	84.367	730-365	111,427

The accompanying notes are an integral part of this schedule.

<u>Accrued Receivable 7/1/09</u>	<u>Grantor Reimbursements</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/10</u>
\$ -	\$ 95,161	\$ 95,161	\$ -
7,781	7,781	-	-
-	61,764	62,396	632
39,160	39,160	-	-
-	387,811	391,665	3,854
<u>46,941</u>	<u>591,677</u>	<u>549,222</u>	<u>4,486</u>

-	668,297	668,297	-
-	45,284	45,284	-
-	454,139	471,876	17,737
-	17,500	17,500	-
-	14,230	14,230	-
-	280,509	280,509	-
-	83,422	83,422	-
-	111,427	111,427	-

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF KAUKAU**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

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Awarding Agency/ Award Description/ Pass-Through Agency
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**U.S. DEPARTMENT OF EDUCATION (Continued)**

**DRUG-FREE SCHOOLS AND COMM. ACT OF 1986**

Wisconsin Department of Public Instruction  
July 1, 2009-June 30, 2010

**EDUCATION TECHNOLOGY STATE GRANTS CLUSTER:**

Title II-D Education Technology  
Wisconsin Department of Public Instruction  
July 1, 2009-June 30, 2010

ARRA-Title II-D Education Technology  
CESA #6  
July 1, 2009-June 30, 2010

**ARRA-STATE FISCAL STABILIZATION FUND**

**EDUCATIONAL SERVICES**

Wisconsin Department of Public Instruction  
July 1, 2009-June 30, 2010

**FUND FOR THE IMPROVEMENT OF EDUCATION**

Direct Funding  
July 1, 2009-June 30, 2010

**TOTAL U.S. DEPARTMENT OF EDUCATION**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**MEDICAID SCHOOL BASED SERVICES**

Wisconsin Department of Health and  
Human Services  
July 1, 2009-June 30, 2010

**TOTAL FEDERAL ASSISTANCE**

<u>Accrued Receivable 7/1/09</u>	<u>Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/10</u>
\$ -	\$ 9,600	\$ 9,600	\$ -
-	2,563	2,563	-
-	1,400	1,400	-
-	1,413,538	1,413,538	-
-	20,126	20,126	-
-	3,122,035	3,139,772	17,737
-	147,668	147,668	-
<u>\$ 46,941</u>	<u>\$ 3,861,380</u>	<u>\$ 3,836,662</u>	<u>\$ 22,223</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, 2010

<b>Awarding Agency/ Awarding Description/ Pass-Through Agency</b>	<b>State I.D. Number</b>	<b>Program or Award Amount</b>	<b>Accrued Receivable 7/01/09</b>
<b>ENTITLEMENT PROGRAMS:</b>			
<b>MAJOR STATE PROGRAMS:</b>			
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	427,369
Pupil Transportation - DPI	255.107	N/A	-
Library Aid - DPI	255.103	N/A	-
<b>TOTAL MAJOR PROGRAMS</b>			<u>427,369</u>
<b>NONMAJOR STATE PROGRAMS:</b>			
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	-
County Drug Free Schools Grant	N/A	N/A	-
Exempt Computer State Aid (WI Dept of Revenue)	N/A	N/A	93,777
<b>TOTAL NONMAJOR PROGRAMS</b>			<u>93,777</u>
<b>TOTAL STATE ASSISTANCE</b>			<u>\$ 521,146</u>

The accompanying notes are an integral part of this schedule.

<u>State Reimbursements</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/10</u>
\$ 1,455,110	\$ 1,455,110	\$ -
602	602	-
25,266,352	25,290,346	451,363
118,510	118,510	-
121,604	121,604	-
<u>26,962,178</u>	<u>26,986,172</u>	<u>451,363</u>
14,365	14,365	-
6,447	6,447	-
2,299	2,299	-
61,501	61,501	-
13,016	13,016	-
93,777	76,867	76,867
<u>191,405</u>	<u>174,495</u>	<u>76,867</u>
<u>\$ 27,153,583</u>	<u>\$ 27,160,667</u>	<u>\$ 528,230</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, 2010

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### **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:**

2009 - 2010 eligible costs under the State Special Education Program are \$4,985,297.

### **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 KAUKAUNA**Schedule of Findings  
For the Year Ended June 30, 2010**Section I – Summary of Auditors' Results****Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to the financial statements?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
84.027	IDEA Flow Through
84.173	Preschool Entitlement
84.391	ARRA-IDEA Flow Through
84.392	ARRA-Preschool Entitlement
84.010	Title I-A Basic
84.389	ARRA-Title I-A
84.394	ARRA – State Fiscal Stabilization Fund
	Educational Services
93.778	Medicaid School Based Services

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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**SCHOOL DISTRICT OF KAUKAUNA**

Schedule of Findings - Continued  
For the Year Ended June 30, 2010

**Section I – Summary of Auditors' Results - Continued****State Awards**

Internal control over major programs:

Material weakness identified?

No

Significant deficiency identified?

Yes

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?

Yes

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

**Section II - Financial Statement Findings****#10-1 Financial Accounting and Reporting**

<b>Criteria:</b>	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net assets, and disclosures in the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
<b>Condition:</b>	During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP.
<b>Cause:</b>	Management requested that Kerber, Rose & Associates, S.C. assist in preparing a draft of the audited financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.
<b>Effect:</b>	Although the auditors are preparing the financial statements and related footnotes, management of the District thoroughly reviews them and accepts responsibility for their completeness and accuracy.
<b>Recommendation:</b>	We recommend that management continues to make this decision on a cost/benefit basis.
<b>Management's Response:</b>	Due to limited staffing the District will continue to contract with an outside audit firm to complete the statements.

## SCHOOL DISTRICT OF KAUKAUNA

Schedule of Findings - Continued  
For the Year Ended June 30, 2010

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### Section III - Federal Award Findings

There were no findings for federal awards.

### Section IV - State Award Findings

#### #10-2 Eligibility – Pupil Transportation (255.107)

<b>Condition:</b>	A student was included in the transportation report, but did not attend the District during the year.
<b>Cause:</b>	The District's current controls did not prevent the student from being included in the transportation report.
<b>Criteria:</b>	The transportation report should only include students eligible to receive and those that did receive transportation services.
<b>Effect:</b>	Errors could occur with the District's current controls over transportation reports.
<b>Recommendation:</b>	We recommend that the District strengthen their controls over transportation reporting to ensure that only the eligible students are being included.
<b>Management's Response:</b>	The District continues to work on ways to improve its reporting of students to the bus company. The District is attempting to merge software programs with the bus company which would allow for cross checking of students listed on routes and their actual enrollment in the District. Costs associated with this are excessive and currently are a barrier to completing this project.

**SCHOOL DISTRICT OF KAUKAUNA**  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2010

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

**Status** – See current year finding #10-1.

**ELIGIBILITY – PUPIL TRANSPORTATION** – The District's current controls did not prevent a student from being included in the transportation report, even though the student did not attend the District during the year.

**Status** – See current year finding #10-2.

## **SCHOOL DISTRICT OF KAUKAUNA**

Corrective Action Plan  
For the Year Ended June 30, 2010

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**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.

**ELIGIBILITY - PUPIL TRANSPORTATION** – The District is working with its contracted carrier to make sure reporting is done properly.

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