

**SCHOOL DISTRICT OF KAUKAUNA**

**Annual Financial Report**

**June 30, 2014**

# SCHOOL DISTRICT OF KAUKAUNA

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## INDEPENDENT AUDITORS' REPORT

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of School District of Kaukauna (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of School District of Kaukauna as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions and budgetary comparison information on pages 3 through 10 and 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of Kaukauna's basic financial statements. The combining nonmajor fund financial statements and combining schedules of internal general and special education funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying schedules of changes in assets and liabilities – pupil activity fund and schedule of state financial assistance are presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction and are also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
KerberRose SC  
Certified Public Accountants  
November 19, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SCHOOL DISTRICT OF KAUKAUNA**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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This discussion and analysis of 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 \$15,484,226 (*net position*). Of this amount, net investment in capital assets is \$18,881,804 and \$322,359 is restricted for debt service. This results in a net unrestricted deficit of (\$3,719,937).
- Net position for the most recent fiscal year increased by \$2,296,529.
- As of June 30, 2014, the District's governmental funds reported ending fund balances of \$5,958,812, an increase of \$1,492,628 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$534,893.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided, which is intended to give the reader additional detail in support of the basic financial statements.

**District-wide financial statements**

- The district-wide financial statements are the *statement of net position* 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 position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. This statement reports all of the District's assets (cash and noncash) and its known liabilities, both current and long-term. The purpose of this statement is to give the reader an understanding of the District's net worth. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, before such a determination can be made, other financial and nonfinancial factors need to be considered, such as changes in the District's property tax base, its state and federal aid, and the condition of its capital assets.
- The *statement of activities* presents information showing how the District's net position changed during the year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the District's activities is being supported. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for all items that are known, even though they may not affect the actual cash flow of the District until a future year (e.g., uncollected taxes, earned but unused vacation, and other post-employment benefit obligations). This method of accounting is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the District's fund financial statements. The intent of the district-wide financial statements is to give the reader a long-term view of the District's financial condition.
- 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, 2014

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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 balances (deficit)* (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 District's near-term financial decisions. A reconciliation to facilitate the comparison of the statement of net position to the governmental funds balance sheet is presented on page 14. A separate reconciliation of the statement of activities to the governmental funds operating statement is presented on page 16.
- The District has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the District's five regular funds (general, debt service, capital projects, food service, and community service). 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 on the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances (deficit)* for the general fund as it is considered to be a major fund. Information is also combined and presented for the debt service, capital projects fund, food service, and community service funds. The combining statements are presented on pages 44 to 47.
- The District serves as a trustee, or *fiduciary*, for student organizations, student scholarships and employee benefit trust funds. The private purpose trust is restricted for student scholarships, the employee benefit trust fund is restricted for the employee benefit plans and the agency fund holds the assets of student organizations. The assets of the fiduciary funds 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 19 to 38.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget and post-employment benefits. The District adopts an annual appropriation budget for its general fund. This *required supplementary information* can be found on pages 39 to 43.

This report also contains *supplementary information*. This includes combining statements for the nonmajor governmental funds, a schedule of changes in assets and liabilities for the pupil activity fund and combining schedules of the internal general and special education funds. The supplementary information can be found on pages 44 to 50.

**SCHOOL DISTRICT OF KAUKAUNA**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**FINANCIAL ANALYSIS**

**The District as a Whole**

**Summary of Net Position**

	2014	2013
<b>ASSETS</b>		
Current Assets	\$ 7,348,575	\$ 7,390,592
Non-Current Assets	28,496,804	29,220,280
Total Assets	35,845,379	36,610,872
<b>LIABILITIES</b>		
Current Liabilities	4,309,506	5,621,971
Long-Term Liabilities	16,051,647	17,801,204
Total Liabilities	20,361,153	23,423,175
<b>NET POSITION</b>		
Net Investment in Capital Assets	18,646,341	19,270,280
Restricted	322,359	219,085
Unrestricted Deficit	(3,484,474)	(6,301,668)
Total Net position	\$ 15,484,226	\$ 13,187,697

As indicated by the table above, total net position is \$15,484,226 as of June 30, 2014. Net position can be separated into three categories: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is 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 \$56,635,659 as of June 30, 2014, 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 \$28,138,855 as of June 30, 2014.

Restricted assets consist of assets required to be used for debt retirement totaling \$322,359 as of June 30, 2014.

**SCHOOL DISTRICT OF KAUKAUNA**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014

**Change in Net Position** - The following table shows the changes in net position for the fiscal year.

<b>Results of Operations</b>				
	<u>Amounts 2014</u>	<u>% of Total</u>	<u>Amounts 2013</u>	<u>% of Total</u>
<b>Program Revenues</b>				
Charges for Services	\$ 2,509,850	5.08%	\$ 2,459,294	5.18%
Operating Grants and Contributions	3,980,988	8.05%	4,145,192	8.74%
<b>Total Program Revenues</b>	<u>6,490,838</u>	<u>13.13%</u>	<u>6,604,486</u>	<u>13.92%</u>
<b>General Revenues</b>				
Property Taxes	17,054,265	34.49%	16,690,494	35.18%
State and Federal General Aids	25,683,208	51.94%	23,728,147	50.02%
Other	218,203	0.44%	416,664	0.88%
<b>Total General Revenues</b>	<u>42,955,676</u>	<u>86.87%</u>	<u>40,835,305</u>	<u>86.08%</u>
<b>Total Revenues</b>	<u>49,446,514</u>	<u>100.00%</u>	<u>47,439,791</u>	<u>100.00%</u>
<b>Expenses</b>				
Instruction	24,295,998	51.53%	22,783,155	48.32%
Support Services	17,357,578	36.81%	19,107,031	40.52%
Interest on Debt	330,880	0.70%	473,031	1.00%
Depreciation – Unallocated	921,864	1.96%	938,392	1.99%
Non-Program Transactions	4,243,665	9.00%	3,849,907	8.16%
<b>Total Expenses</b>	<u>47,149,985</u>	<u>100.00%</u>	<u>47,151,516</u>	<u>100.00%</u>
<b>Change in Net Position</b>	<u>\$ 2,296,529</u>		<u>\$ 288,275</u>	

Key elements of this change are as follows:

Revenues increased by \$2,006,723 primarily due to a property tax increase and large state/federal aid increases.

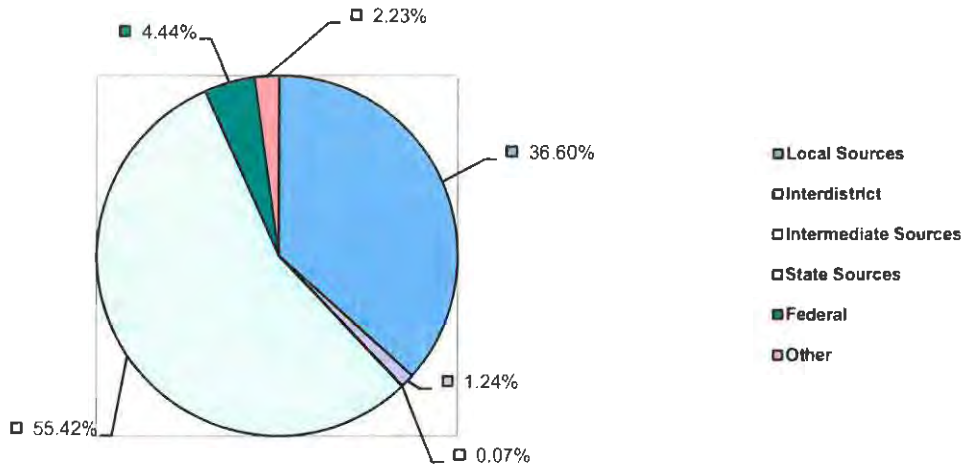
Expenses decreased by \$1,531 primarily due to decreased support staff costs, but offset by increased instructional costs and open enrollment.

**SCHOOL DISTRICT OF KAUKAUNA**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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**Revenues**

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



The District relies primarily on property taxes, federal aid, 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 96.04% of district-wide revenue.

Local sources of revenues total \$18,095,464 and include revenues to the general fund of \$14,250,841, debt service fund of \$3,062,948, food service fund of \$702,032 and community services fund of \$79,373.

Interdistrict sources of revenues of \$613,257 are funds from other districts for open enrollment and are revenues to the general fund.

Intermediate sources of revenues of \$33,229 are amounts received from CESAs and are revenues to the general fund.

State sources of revenue total \$27,404,038 and include revenues to the general fund of \$27,385,732, and food service fund of \$18,306.

Federal sources of revenue total \$2,197,683 and include revenue to the general fund of \$1,618,748, and food service fund of \$578,935.

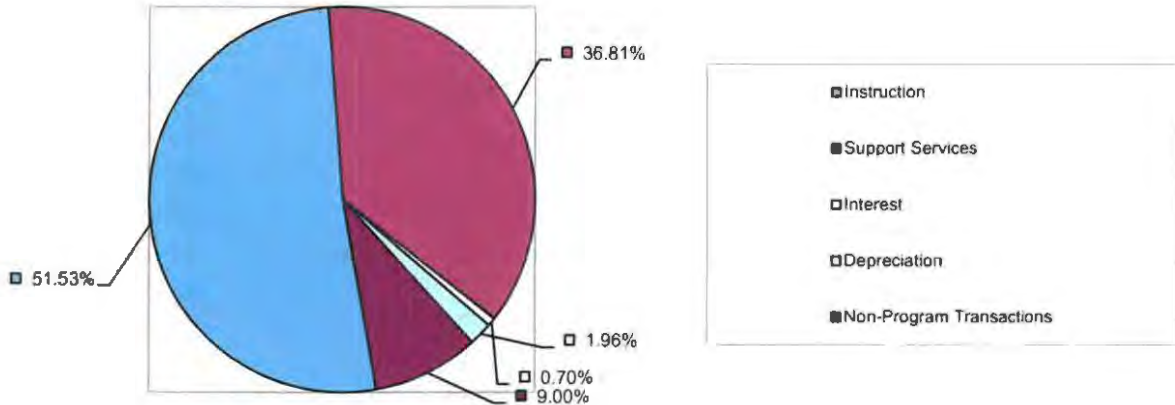
Other sources of revenue total \$1,102,843 and are revenues to the general fund. These revenues were from insurance reimbursements, refund of prior year expenses and extra-curricular activities.

**SCHOOL DISTRICT OF KAUKAUNA**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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**Expenses**

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



Expenses include instruction of \$24,295,998, support services of \$17,357,578, interest on long-term debt of \$330,880, unallocated depreciation of \$921,864 and non-program transactions of \$4,243,665.

**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, unassigned 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, 2014, the District's governmental funds reported combined ending fund balances of \$5,958,812, an increase of \$1,492,628 in comparison with the prior year. A portion of the fund balance is nonspendable due to prepaid expenses of \$478,312 and inventory of \$25,224. A portion of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for retirement of long-term debt \$322,359. A portion of the fund balance is committed for the high school parking lot (\$500,000), high school facility (\$1,000,000), high school grounds (\$1,500,000), land purchase (\$250,000), information technology computer initiative (\$750,000), other post-employment benefits (\$20,000), and roof replacements (\$600,000).

The *general fund* is the chief operating fund of the District. As of June 30, 2014, the total fund balance of the general fund was \$5,632,502. A portion of the fund balance is committed for the high school parking lot (\$500,000), high school facility (\$1,000,000), high school grounds (\$1,500,000), land purchase (\$250,000), information technology computer initiative (\$750,000), other post-employment benefits (\$20,000), and roof replacements (\$600,000). The total fund balance of the general fund decreased by \$447,079 from the prior year.

**SCHOOL DISTRICT OF KAUKAUNA**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014

**Fiduciary Funds**

The District's fiduciary funds include a private purpose trust fund, an employee benefit trust fund, and an agency fund. Net position of the private purpose trust fund at the end of the year amounted to \$168,904. This entire amount is restricted for scholarships. Net position decreased \$3,672 from the prior year.

Net position of the employee benefit trust fund at the end of the year amounted to \$2,693,368. This entire amount is restricted for employee benefits. Net position increased by \$721,380 from the prior year.

As of June 30, 2014, the agency fund reported that \$18,067 was due to student groups, which is an increase of \$3,690 from the prior year.

**Budgetary Highlights**

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

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>BUDGET REVISIONS</u>	<u>2013 - 2014 ACTUAL</u>	<u>VARIANCE</u>	<u>PERCENT</u>
General Fund:						
Revenues	\$ 41,230,689	\$ 41,230,689	\$ -	\$ 42,537,168	\$ 1,306,479	3.17%
Expenditures and Other Uses	41,230,689	41,215,286	(15,403)	42,984,247	1,768,961	4.29%
Difference	<u>\$ -</u>	<u>\$ 15,403</u>	<u>\$ (15,403)</u>	<u>\$ (447,079)</u>	<u>\$ (462,482)</u>	

The District's actual general revenues were \$1,306,479 more than budgeted primarily due to state per pupil aid not budgeted for.

The District's actual general fund expenditures were \$1,768,961 more than the budgeted due to capital project expansion and transfer to other post-employment benefits.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balance (deficit) provided as part of the notes to the required supplementary information.

**SCHOOL DISTRICT OF KAUKAUNA**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the District had invested a net of \$28,496,804 in a broad range of capital assets, including buildings, sites, and equipment. This amount represents a net decrease of \$723,476. Total accumulated depreciation on these assets is \$28,138,855.

- Asset acquisitions for governmental activities totaled \$ 1,422,245.
- The District recognized depreciation expense of \$1,588,200.

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Land	\$ 1,118,025	\$ 1,118,025
Construction in Progress	1,377,814	1,164,053
Buildings and Improvements	47,228,758	46,945,209
Furniture and Equipment	6,911,062	6,745,977
Less Accumulated Depreciation	(28,138,855)	(26,752,984)
Capital Assets Net of Depreciation	\$ 28,496,804	\$ 29,220,280

**Long-Term Debt**

	<b>Outstanding Long-Term Obligations</b>	
	<b>2014</b>	<b>2013</b>
General Obligation	\$ 11,530,463	\$ 12,180,904
Other	7,310,624	8,171,807
	\$ 18,841,087	\$ 20,352,711

- The District retired \$2,505,000 of outstanding bonds and notes.
- The District issued \$1,960,000 in notes in the current year.

**ECONOMIC FACTORS**

- Revenues for 2014-2015 are expected to be approximately \$1.2 million more than in 2013-2014
- The Kaukauna Area School Districts enrollment for the 2014-15 school year is 4,410 students.
- The District is in the process of development of an athletic complex upgrade project with an approximate cost of \$6 million and the District is anticipating issuing non-referendum debt to finance the project.

**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 Position

As of June 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 1,908,155
Receivables:	
Taxes	4,412,669
Accounts	5,889
Due from Wisconsin Districts	8,755
Due from State Government	476,689
Due from Federal Government	13,626
Due from Other Government	9,540
Inventory	25,224
Prepaid Expenses	478,924
Other Assets	9,104
<b>Total Current Assets</b>	<b>7,348,575</b>
<b>Noncurrent Assets</b>	
Land	1,118,025
Buildings and Building Improvements	47,228,758
Furniture and Equipment	6,911,062
Construction in Progress	1,377,814
Less: Accumulated Depreciation	(28,138,855)
<b>Total Noncurrent Assets</b>	<b>28,496,804</b>
<b>TOTAL ASSETS</b>	<b>35,845,379</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	208,910
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	1,150,038
Interest	130,303
Unearned Revenue	30,816
Current Portion of Long-Term Obligations	2,789,439
<b>Total Current Liabilities</b>	<b>4,309,506</b>
<b>Noncurrent Liabilities</b>	
Noncurrent Portion of Long-Term Obligations	16,051,647
<b>TOTAL LIABILITIES</b>	<b>20,361,153</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	18,646,341
Restricted	322,359
Unrestricted Deficit	(3,484,474)
<b>TOTAL NET POSITION</b>	<b>\$ 15,484,226</b>

See Accompanying Notes

**SCHOOL DISTRICT OF KAUKAUNA**

District-Wide Statement of Activities

For the Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular Instruction	\$ 16,360,159	\$ 155,428	\$ 453,205	\$ (15,751,526)
Vocational Instruction	828,395	-	29,673	(798,722)
Physical Instruction	1,034,439	-	-	(1,034,439)
Special Instruction	4,612,043	18,467	2,449,015	(2,144,561)
Other Instruction	1,460,962	1,037,521	-	(423,441)
<b>Total Instruction</b>	<u>24,295,998</u>	<u>1,211,416</u>	<u>2,931,893</u>	<u>(20,152,689)</u>
Support Services				
Pupil Services	2,071,104	-	-	(2,071,104)
Instructional Staff Services	1,405,841	-	358,914	(1,046,927)
General Administration Services	633,124	-	-	(633,124)
School Building Administration Services	1,855,608	-	-	(1,855,608)
Business Administration	1,576,953	-	-	(1,576,953)
Operations and Maintenance of Plant	3,260,577	-	-	(3,260,577)
Pupil Transportation Services	2,373,782	20,153	92,939	(2,260,690)
Food Services	1,212,333	702,302	597,242	87,211
Central Services	2,035,181	-	-	(2,035,181)
Insurance	233,899	-	-	(233,899)
Other Support Services	699,176	-	-	(699,176)
Interest on Debt	438,921	-	-	(438,921)
Amortization Expense	(108,041)	-	-	108,041
Depreciation - Unallocated	921,864	-	-	(921,864)
<b>Total Support Services</b>	<u>18,610,322</u>	<u>722,455</u>	<u>1,049,095</u>	<u>(16,838,772)</u>
Non-Program Transactions				
Open Enrollment	3,743,900	575,979	-	(3,167,921)
Non-Open Enrollment	499,765	-	-	(499,765)
<b>Total Non-Program Transactions</b>	<u>4,243,665</u>	<u>575,979</u>	<u>-</u>	<u>(3,667,686)</u>
<b>TOTAL DISTRICT-WIDE</b>	<u>\$ 47,149,985</u>	<u>\$ 2,509,850</u>	<u>\$ 3,980,988</u>	<u>(40,659,147)</u>
<b>GENERAL REVENUES</b>				
Property Taxes:				
General Purposes				13,911,944
Debt Services				3,062,948
Community Services				79,373
State and Federal Aids not Restricted to Special Functions:				
Equalization and Computer Aid				25,683,208
Interest and Investment Earnings				3,551
Insurance Dividends and Reimbursement				49,999
Supply Resale				27,747
Refunds				100,138
Rent				31,443
Miscellaneous				5,325
<b>Total General Revenues</b>				<u>42,955,676</u>
<b>CHANGE IN NET POSITION</b>				<u>2,296,529</u>
<b>NET POSITION - BEGINNING OF YEAR - RESTATED</b>				<u>13,187,697</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 15,484,226</u>

See Accompanying Notes

**SCHOOL DISTRICT OF KAUKAUNA**

Balance Sheet  
 Governmental Funds  
 As of June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,538,584	\$ 369,571	\$ 1,908,155
Receivables:			
Taxes	4,412,669	-	4,412,669
Accounts	5,889	-	5,889
Due from Wisconsin Districts	8,755	-	8,755
Due from State Government	476,689	-	476,689
Due from Federal Government	7,900	5,726	13,626
Due from Other Government	9,540	-	9,540
Due from Other Fund	613	-	613
Inventory	-	25,224	25,224
Prepaid Expenses	477,609	1,316	478,925
Other Assets	9,104	-	9,104
<b>TOTAL ASSETS</b>	<u>\$ 6,947,352</u>	<u>\$ 401,837</u>	<u>\$ 7,349,189</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 167,346	\$ 41,564	\$ 208,910
Accrued Liabilities			
Payroll, Payroll Taxes, Insurance	1,147,504	2,534	1,150,038
Due to Other Fund	-	613	613
Unearned Revenue	-	30,816	30,816
<b>Total Liabilities</b>	<u>1,314,850</u>	<u>75,527</u>	<u>1,390,377</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid Expenses	477,609	703	478,312
Inventory	-	25,224	25,224
Restricted:			
Debt Service	-	322,359	322,359
Committed:			
High School Parking Lot	500,000	-	500,000
High School Facility	1,000,000	-	1,000,000
High School Grounds	1,500,000	-	1,500,000
Land Purchase	250,000	-	250,000
Information Technology Computer Initiative	750,000	-	750,000
Other Post-Employment Benefits	20,000	-	20,000
Roof Replacements	600,000	-	600,000
Unassigned (Deficit)	534,893	(21,976)	512,917
<b>Total Fund Balances</b>	<u>5,632,502</u>	<u>326,310</u>	<u>5,958,812</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,947,352</u>	<u>\$ 401,837</u>	<u>\$ 7,349,189</u>

See Accompanying Notes

## SCHOOL DISTRICT OF KAUKAUNA

Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position  
As of June 30, 2014

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**Total Fund Balances - Governmental Funds** **\$ 5,958,812**

***Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:***

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported in the statement of net position:

Governmental Capital Asset	56,635,659	
Governmental Accumulated Depreciation	<u>(28,138,855)</u>	28,496,804

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 position that are not reported in the funds balance sheet:

General Obligations and Capital Lease	(11,531,586)	
Accrued Interest on General Obligation Debt	(130,303)	
Compensated Absences	(57,756)	
Other Post-Employment Benefits	<u>(7,251,745)</u>	<u>(18,971,390)</u>

**Total Net Position - Governmental Activities** **\$ 15,484,226**

**SCHOOL DISTRICT OF KAUKAUNA**

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Governmental Funds

For the Year Ended June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ 13,911,944	\$ 3,142,321	\$ 17,054,265
Other Local Sources	338,897	702,302	1,041,199
Interdistrict Sources	613,257	-	613,257
Intermediate Sources	33,229	-	33,229
State Sources	27,385,732	18,306	27,404,038
Federal Sources	1,618,748	578,935	2,197,683
Other Sources	1,102,843	-	1,102,843
<b>Total Revenues</b>	<u>45,004,650</u>	<u>4,441,864</u>	<u>49,446,514</u>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
Regular Instruction	16,459,400	-	16,459,400
Vocational Instruction	849,873	-	849,873
Physical Instruction	1,061,259	-	1,061,259
Special Instruction	4,731,621	-	4,731,621
Other Instruction	1,460,962	-	1,460,962
<b>Total Instruction</b>	<u>24,563,115</u>	<u>-</u>	<u>24,563,115</u>
<b>Support Services</b>			
Pupil Services	2,124,802	-	2,124,802
Instructional Staff Services	1,442,291	-	1,442,291
General Administration Services	633,124	-	633,124
School Building Administration Services	1,717,981	51,167	1,769,148
Business Services	1,617,478	-	1,617,478
Operations and Maintenance	3,576,917	170,376	3,747,293
Pupil Transportation	2,363,081	-	2,363,081
Food Services	-	1,280,940	1,280,940
Central Services	2,236,200	-	2,236,200
Insurance	233,899	-	233,899
Principal and Interest	-	2,959,674	2,959,674
Other Support Services	699,176	-	699,176
<b>Total Support Services</b>	<u>16,644,949</u>	<u>4,462,157</u>	<u>21,107,106</u>
<b>Non-Program Transactions</b>			
Open Enrollment	3,743,900	-	3,743,900
Non-Open Enrollment	499,765	-	499,765
<b>Total Non-Program Transactions</b>	<u>4,243,665</u>	<u>-</u>	<u>4,243,665</u>
<b>Total Expenditures</b>	<u>45,451,729</u>	<u>4,462,157</u>	<u>49,913,886</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(447,079)</u>	<u>(20,293)</u>	<u>(467,372)</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Long-Term Debt	-	1,960,000	1,960,000
<b>NET CHANGES IN FUND BALANCE (DEFICIT)</b>	<u>(447,079)</u>	<u>1,939,707</u>	<u>1,492,628</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>6,079,581</u>	<u>(1,613,397)</u>	<u>4,466,184</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 5,632,502</u>	<u>\$ 326,310</u>	<u>\$ 5,958,812</u>

See Accompanying Notes

**SCHOOL DISTRICT OF KAUKAUNA**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -  
Governmental Funds to the District-Wide Statement of Activities  
For the Year Ended June 30, 2014

<b>Net change in Fund Balances - Total Governmental Funds</b>		\$ 1,492,628
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	864,724	
Depreciation expense reported in the statement of activities	<u>(1,588,200)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(723,476)
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.		
Compensated absences benefits paid in current year	11,846	
Compensated absences benefits earned in current year	<u>(23,095)</u>	
Amounts paid are less than amounts earned by		(11,249)
Post-employment benefits paid in current year	1,701,853	
Post-employment benefits earned in current year	<u>(829,421)</u>	
Amounts paid are more than amounts earned by		872,432
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 position and does not affect the statement of activities. The amount of the long-term debt principal payments in the current year is.		
		2,505,000
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 position, and does not affect the statement of activities		
The amount of debt incurred in the current year is:		(1,960,000)
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	454,674	
The amount of interest accrued during the current period	<u>(438,921)</u>	
Interest paid is more than interest accrued by		15,753
Prior year debt premium is allocated over the period the debt is outstanding and is reported as amortization revenues in the statement of activities. The amortization revenue for the current year is:		
		124,356
Prior year debt discount and refunding losses are allocated over the period the debt is outstanding and are reported as amortization expense in the statement of activities. The amortization expense for the current year is:		
		<u>(18,915)</u>
<b>Change in Net Position - Governmental Activities</b>		<u>\$ 2,296,529</u>

**SCHOOL DISTRICT OF KAUKAUNA**

Statement of Net Position

Fiduciary Funds

As of June 30, 2014

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	<u>Private</u>	<u>Employee</u>	<u>Agency</u>	<u>Total</u>
	<u>Purpose Trust</u>	<u>Benefit Trust</u>		
<b>ASSETS</b>				
Cash and Investments	\$ 169,723	\$ 2,627,261	\$ 18,067	\$ 2,815,051
Prepaid Expenses	-	66,107	-	66,107
<b>Total Assets</b>	<u>169,723</u>	<u>2,693,368</u>	<u>18,067</u>	<u>2,881,158</u>
<b>LIABILITIES</b>				
Accounts Payable	819	-	-	819
Due to Student Groups	-	-	18,067	18,067
<b>Total Liabilities</b>	<u>819</u>	<u>-</u>	<u>18,067</u>	<u>18,886</u>
<b>NET POSITION</b>				
Restricted:				
Scholarships	168,904	-	-	2,693,368
Other Post Employment Benefits	-	2,693,368	-	168,904
	<u>\$ 168,904</u>	<u>\$ 2,693,368</u>	<u>\$ -</u>	<u>\$ 2,862,272</u>

See Accompanying Notes

**SCHOOL DISTRICT OF KAUKAUNA**  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions to Employee-Benefit Trust	\$ -	\$ 1,444,692	\$ 1,444,692
Interest	128	14,351	14,479
Unrealized Gain on Investments	-	78,052	78,052
<b>Total Additions</b>	<u>128</u>	<u>1,537,095</u>	<u>1,537,223</u>
<b>DEDUCTIONS</b>			
Payments from Employee-Benefit Trust	-	815,715	815,715
Scholarships Awarded	3,800	-	3,800
<b>Total Deductions</b>	<u>3,800</u>	<u>815,715</u>	<u>819,515</u>
<b>CHANGE IN NET POSITION</b>	(3,672)	721,380	717,708
<b>NET POSITION - BEGINNING</b>	<u>172,576</u>	<u>1,971,988</u>	<u>2,144,564</u>
<b>NET POSITION - ENDING</b>	<u>\$ 168,904</u>	<u>\$ 2,693,368</u>	<u>\$ 2,862,272</u>

See Accompanying Notes



# SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2014

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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 (GAAP) and have been consistently applied in the preparation of the financial statements.

The District's financial statements are prepared in accordance with 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 by GAAP and used by the District are discussed below.

### NATURE OF OPERATIONS

The District is organized as a unified school district. The District, governed by a seven-member elected school board, operates an early childhood special education program as well as grades 4-year old Kindergarten through 12 and is comprised of eleven taxing districts.

The accompanying financial statements present the activities of the District. The 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 stand alone 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 district-wide financial statements (i.e., statement of net position and the statement of activities) report 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 students 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 district-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, 2014

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## 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 project funds are used to account for financial resources to be used for acquisition or construction of major capital expenditures.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

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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 Fund**

The District reports the following major governmental fund:

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.

**Nonmajor Funds**

The District reports the following nonmajor funds:

Capital Projects - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of equipment and major capital facilities.

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.

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.

**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to the Financial Statements  
June 30, 2014

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

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial report.

The district-wide, private purpose trust and employee benefits trust financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus and utilize 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 position 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, 2014

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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 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. 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

**INTERFUND ACTIVITY**

In the process of aggregating the financial information for the district-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- Interfund transfer – Flow of assets from one fund to another where repayment is not expected, are reported as transfers in and out.

District-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the district-wide financial statements as follows:

- Internal activities – Amounts reported as interfund transfers and due from/to other funds in the governmental fund financial statements are eliminated in the district-wide statement of activities and statement of net position

# SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2014

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

### 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: assets with an initial individual cost of \$1,000 or higher and an estimated useful life in excess of one year. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 15-40 years and furniture and equipment of 5-10 years.

### UNEARNED REVENUE

The district-wide statement of net position and the governmental funds balance sheet report unearned revenue and therefore defer revenue recognition in connection with resources that have been received, but not yet earned. When revenue recognition criteria are met, unearned revenue is 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 position.

### 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 are 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 expenses in the period the debt is issued.

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.

**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to the Financial Statements  
June 30, 2014

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

**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 position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

**FUND EQUITY DESIGNATIONS**

District-Wide Statements

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

- a. Net investment in capital assets – 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 position – Consist of net position with constraints placed on their 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 position – Net amount that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned:

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

## SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2014

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

#### FUND EQUITY DESIGNATIONS - Continued

##### Fund Financial Statements - Continued

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent period. The School Board is the decision making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance represents amounts constrained by the School Board for a specific intended purpose. The District has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has adopted a minimum fund balance policy to maintain an unassigned year-end fund balance in the General Fund that is equivalent to at least 10%, but not greater than 25% of the anticipated General Fund expenditure budget for the subsequent fiscal year. If the fund balance was to fall below the minimum, the Board will develop a plan to restore the unassigned fund balance to be above the maximum minimum amount.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. 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.



## SCHOOL DISTRICT OF KAUKAUNA

Notes to the Financial Statements

June 30, 2014

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

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 maturing 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.

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

At June 30, 2014 the bank balance of cash was \$2,804,099. The District maintains its cash accounts at four 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 credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at June 30, 2014, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

As of June 30, 2014 the District had the following deposits:

Fully Insured Deposits	\$	669,916
Collateralized with securities held by the pledging financial institution in the District's Name		790,932
Uninsured Deposits		1,343,251
Total	\$	<u>2,804,099</u>

For all deposits and investments shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2014, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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, 2014 was \$1,666,421.

As of June 30, 2014 the District had the following investment in its fiduciary funds:

<u>Investment</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 950,313

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

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. State law does not limit the investments for fiduciary trust funds. As of June 30, 2014, the District's investments are not rated.

Concentration of Credit Risk – The District placed no limit on the amount the District may invest in any one issuer. These investments are 100% of the District's total investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. For investments stated at their fair value, fair values are based on quoted market prices. No investments are reported at amortized costs. Adjustments necessary to record investments at fair value are recorded in the statement of changes in in fiduciary net position as unrealized gain on investments.

**NOTE 3 - INTERFUND RECEIVABLE AND PAYABLE**

Interfund receivables and payables between individual funds of the District as reported in the fund financial statements as of June 30, 2014 are detailed below:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Community Service Fund	General Fund	\$ 613	Year End Cash Flow Timing

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 4 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Sites (Land)	\$ 1,118,025	\$ -	\$ -	\$ 1,118,025
Construction in Progress	<u>1,164,053</u>	<u>771,282</u>	<u>(557,521)</u>	<u>1,377,814</u>
<b>Total Capital Assets not being depreciated</b>	<u>2,282,078</u>	<u>771,282</u>	<u>(557,521)</u>	<u>2,495,839</u>
Capital Assets being Depreciated				
Buildings and Building Improvements	46,945,209	283,549	-	47,228,758
Furniture and Equipment	<u>6,745,977</u>	<u>367,414</u>	<u>(202,329)</u>	<u>6,911,062</u>
<b>Total Capital Assets Being Depreciated</b>	<u>53,691,186</u>	<u>650,963</u>	<u>(202,329)</u>	<u>54,139,820</u>
Less Accumulated Depreciation for				
Buildings and Building Improvements	(21,945,428)	(936,981)	-	(22,882,409)
Furniture and Equipment	<u>(4,807,556)</u>	<u>(651,219)</u>	<u>202,329</u>	<u>(5,256,446)</u>
Total Accumulated Depreciation	<u>(26,752,984)</u>	<u>(1,588,200)</u>	<u>202,329</u>	<u>(28,138,855)</u>
<b>Total Capital Assets being Depreciated, Net of Accumulated Depreciation</b>	<u>26,938,202</u>	<u>(937,237)</u>	<u>-</u>	<u>26,000,965</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 29,220,280</u>	<u>\$ (165,955)</u>	<u>\$ (557,521)</u>	<u>\$ 28,496,804</u>

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

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**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense for fiscal year ended June 30, 2014 amounted to \$1,588,200 and was charged to the following functions:

Instruction:		
Regular	\$	435,872
Support Services:		
Building Administration Services		123,168
Operations and Maintenance		42,859
Pupil Transportation		10,701
Food Service		25,668
Central Services		28,068
Unallocated		921,864
Total Depreciation Expense	\$	<u>1,588,200</u>

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
General Obligations					
General Obligation Refunding Bonds	\$ 11,450,000	\$ -	\$ 2,455,000	\$ 8,995,000	\$ 2,565,000
General Obligation Promissory Note	40,000	1,960,000	-	2,000,000	130,000
General Obligation School Construction Promissory Notes	350,000	-	50,000	300,000	50,000
Less Deferred Amounts					
Issuance Premium	424,886	-	124,356	300,530	-
Issuance Discount	(60,731)	-	(15,139)	(45,592)	-
Refunding Losses	(23,251)	-	(3,776)	(19,475)	-
Total General Obligation Debt	<u>12,180,904</u>	<u>1,960,000</u>	<u>2,610,441</u>	<u>11,530,463</u>	<u>2,745,000</u>
Capital Leases	1,123	-	-	1,123	1,123
Compensated Absences	46,507	23,095	11,846	57,756	43,316
Post-Employment Benefits	<u>8,124,177</u>	<u>829,421</u>	<u>1,701,853</u>	<u>7,251,745</u>	-
Total Non-General Obligation Debt	<u>8,171,807</u>	<u>852,516</u>	<u>1,713,699</u>	<u>7,310,624</u>	<u>44,439</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 20,352,711</u>	<u>\$ 2,812,516</u>	<u>\$ 4,324,140</u>	<u>\$ 18,841,087</u>	<u>\$ 2,789,439</u>

Total interest paid on long-term debt for the year ended June 30, 2014 was \$454,674.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 5 - 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, 2014, is comprised of the following individual issues:

	<b>Issue Dates</b>	<b>Interest Rate</b>	<b>Dates of Maturity</b>	<b>Balances 6/30/14</b>
General Obligation Refunding Bond	05/01/07	5.03% - 5.57%	03/01/20	\$ 1,680,000
General Obligation Refunding Bond	12/01/10	2.00% - 4.00%	09/01/17	7,315,000
General Obligation School Construction Promissory Note	12/09/09	0%	09/15/19	300,000
General Obligation School Construction Promissory Note	06/30/13	1.00% - 1.30%	03/01/18	2,000,000
Total General Long-Term Obligations				<u>\$ 11,295,000</u>

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,888,823,386. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$1,888,823,386)	\$ 188,882,339
Deduct long-term debt applicable to debt margin	<u>11,295,000</u>
Margin of Indebtedness	<u>\$ 177,587,339</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2014 follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,746,123	\$ 384,068	\$ 3,130,191
2016	2,830,000	300,802	3,130,802
2017	2,975,000	189,089	3,164,089
2018	2,040,000	71,246	2,111,246
2019	385,000	33,336	418,336
2020	320,000	14,877	334,877
Total	<u>\$ 11,296,123</u>	<u>\$ 993,418</u>	<u>\$ 12,289,541</u>

Compensated absences and post-employment benefits 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, 2014

### NOTE 6 - 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. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Employees are required to contribute one-half of the actuarially determined contribution rate for general category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 and 2014 are:

	2013		2014	
	Employee	Employer	Employee	Employer
General	6.65%	6.65%	7.00%	7.00%
Teachers	6.65%	6.65%	7.00%	7.00%

The payroll for District employees covered by WRS for the year ended June 30, 2014 was \$20,306,044; the employer's total payroll was \$21,642,368. The total required contribution for the year ended June 30, 2014 was \$2,781,180, which consisted of \$1,390,590 from the employer and \$1,390,590 from the employees. Total contributions for the years ended June 30, 2013 and 2012 were \$2,444,500 and \$2,235,410 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. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application 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 and prior to July 1, 2011 are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that 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, 2014

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### NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

*Plan Description.* The District operates a single-employer retiree benefit plan that provides post-employment health and life insurance benefits to eligible employees and their spouses. There are 391 active and 151 retired participants 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.

*Teachers, Support Staff, Information Tech and Psychologists.* The District provides post-employment health and dental insurance benefits to any employees who have reached the age of 55 with a minimum of 25 years of service. The District will contribute 87.4% of the medical and dental premiums on behalf of the retiree for a period of 3 years. Additionally, in return for every 5 days of unused sick leave, the District will continue its premium contributions for an additional one month period, up to an extra 2 years of contributions. The District's total contributions, however, will not exceed a total period of 5 years or Medicare eligibility.

*Administration.* Eligibility and duration of benefits differs by date of hire as follows: Hired prior to July 1, 2003, the District provides post-employment health and dental insurance benefits to any employees who have reached the age of 55. The District will pay 100% of the medical, dental and life premiums on behalf of the retiree until Medicare eligibility. Hired between July 1, 2003 and September 1, 2006 employees with a minimum of 7 years of service, the District will pay 100% of the medical, dental and life insurance premiums on behalf of the retiree until Medicare eligibility. Hired between September 1, 2006 and July 1, 2008 employees with a minimum of 15 years of service, the District will pay 100% of the medical, dental and life insurance premiums on behalf of the retiree for a period of 5 years. Hired on or after July 1, 2008 employees with a minimum of 10 years service, the District will make the same medical and dental premium contributions as is made for active employees in this classification for a period of 3 years. Additionally, in return for every 5 days of unused sick leave, the District will continue its premium contributions for an additional one month period, up to an extra 2 years of contributions. The District's total contributions, however, will not exceed a total period of 5 years or Medicare eligibility.

*Psychologist (Individually Negotiated).* The District also provides post-employment health and dental care benefits to an employee who has reached the age of 57. The District will pay 100% of the medical and dental premium on behalf of the retiree for a period of 7 years but not to exceed Medicare eligibility. Additionally, in return for every 10 days of unused sick leave, the District will continue its premium contributions for an additional one month period at age 65, up to an extra one year of contributions.

*Funding Policy.* The District has \$2,627,261 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions and for the year ended June 30, 2014, the District contributed \$1,444,692 to the trust.



**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

*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.

	Governmental Activities
Annual Required Contributions	\$ 776,130
Interest on Net OPEB	406,209
Adjustment to Annual Required Contributions	<u>(352,918)</u>
Annual OPEB Cost (Expense)	829,421
Contributions made	<u>(1,701,853)</u>
Change in Net OPEB Obligations	<u>(872,432)</u>
OPEB Obligation at Beginning of Year	8,124,177
OPEB Obligation at End of Year	<u>\$ 7,251,745</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 1,367,702	128.3%	\$ 8,307,351
6/30/13	1,376,027	113.3%	8,124,177
6/30/14	829,421	205.2%	7,251,745

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent actuarial valuation date, for the period July 1, 2013 through June 30, 2014, the District's unfunded actuarial accrued liability (UAAL) was \$7,988,024. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-2014 fiscal year was \$20,166,510 for a ratio of the UAAL to covered payroll of 39.6%.

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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

**NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

The following simplifying assumptions were made in the valuation of the above described plan:

*Retirement age for active employees.* Based on the historical average retirement age, teachers, support staff, and administration were assumed to retire at age 57 with 30 years of service.

*Turnover.* The District's historical data on turnover by age was used as the basis for assigning active plan members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. The selected rates are shown below:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	1.8%	2.2%
30	1.4	1.9
35	1.2	1.4
40	1.1	1.1
45	1.0	0.9
50+	0.8	0.9

*Payroll growth rate.* The expected long-term payroll growth rate is to be equal to 3%.

*Healthcare Cost Trend Rates*

<u>Year</u>	<u>Percentage</u>
2014	7.5%
2015	7.0
2016	6.5
2017	6.4
2018	6.3
2019 and After	6.2 – 5.0

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions 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. Mortality, disability and retirement rates are approximately the same as those used in the December 31, 2010 Wisconsin Retirement System Annual Report for public schools. The UAAL is being amortized using a level percentage method over 30 years.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

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**NOTE 8 - FUND EQUITY**

**District-Wide Statements**

Net position of the governmental activities reported on the district-wide statement of net position at June 30, 2014 includes the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 28,496,804
Less: Related Long-Term Debt Outstanding	(9,850,463)
Net Investment in Capital Assets	<u>18,646,341</u>
Restricted for Future Debt Service	322,359
Unrestricted Deficit	(3,484,474)
Total District-Wide Net Position	<u>\$ 15,484,226</u>

The general obligation bond dated May 1, 2007 was used to refinance the Wisconsin Retirement Unfunded Liability and not for capital assets.

**NOTE 9 - LIMITATION ON SCHOOL DISTRICT REVENUES**

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

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

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

**NOTE 10 - 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, 2014, are not likely to have a material adverse impact on the District's financial position.

**NOTE 11 - 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.

**SCHOOL DISTRICT OF KAUKAUNA**

Notes to the Financial Statements

June 30, 2014

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**NOTE 12 - COMMITMENTS**

The District has outstanding contracts for carpet replacement, window replacement, and caulk and sealing at the high school totaling \$553,000.

The District has a contract with Kobussen Buses for transportation services for approximately:

2014-2015	\$ 2,063,000
2015-2016	2,100,000
2016-2017	<u>2,153,000</u>
	<u>\$ 6,316,000</u>

The District has a contract with CESA 6 for special education and instructional services totaling approximately \$510,000.

**NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the district-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and requires supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

**NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION**

The restatement made to beginning net position was a result of recording capital asset additions noted in asset appraisal and also including those capital assets in construction in progress:

**District-Wide**

Net Position - June 30, 2013 (as previously reported)	14,347,980
Overstatement of Net Position - Overstatement of Capital Assets	<u>(1,160,283)</u>
Net Position - As Restated June 30, 2013	<u>\$ 13,187,697</u>

The effect of this restatement for the year ended June 30, 2013 was a decrease on the amount previously reported as change in unrestricted net position by approximately \$920,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedules of Funding Progress and Employer Contributions  
Other Post-Employment Benefits  
June 30, 2014

**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
7/1/2011	1,814,939	14,943,939	13,129,000	12.1	19,082,074	68.8
7/1/2013	1,926,169	9,914,193	7,988,024	19.4	20,166,510	39.6

**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
2011	4,422,959	43.3
2012	1,501,150	128.3
2013	1,501,150	113.3
2014	776,130	219.3

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2014

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
<b>REVENUES</b>		
Property Taxes	\$ 13,911,944	\$ 13,911,944
Other Local Sources	388,113	388,113
Interdistrict Sources	499,236	499,236
Intermediate Sources	20,000	20,000
State Sources	25,628,599	25,628,599
Federal Sources	669,191	669,191
Other Sources	113,606	113,606
<b>Total Revenues</b>	<b>41,230,689</b>	<b>41,230,689</b>
<b>EXPENDITURES</b>		
<b>Instruction</b>		
Regular Instruction	15,812,482	15,812,482
Vocational Instruction	866,502	866,502
Physical Instruction	1,060,635	1,060,635
Other Instruction	581,678	581,678
<b>Total Instruction</b>	<b>18,321,297</b>	<b>18,321,297</b>
<b>Support Services</b>		
Pupil Services	1,704,147	1,704,147
Instructional Staff Services	1,364,621	1,364,621
General Administration Services	644,428	644,428
School Building Administration Services	1,778,464	1,778,464
Business Administration	1,284,260	1,284,260
Operations and Maintenance	3,080,817	3,080,817
Pupil Transportation	1,933,554	1,933,554
Central Services	1,407,956	1,407,956
Insurance	261,427	261,427
Other Support Services	1,092,568	1,092,568
<b>Total Support Services</b>	<b>14,552,242</b>	<b>14,552,242</b>
<b>Non-Program Transactions</b>		
Open Enrollment	3,519,425	3,519,425
Non-Open Enrollment	53,056	53,056
<b>Total Non-Program Transactions</b>	<b>3,572,481</b>	<b>3,572,481</b>
<b>Total Expenditures</b>	<b>36,446,020</b>	<b>36,446,020</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>4,784,669</b>	<b>4,784,669</b>
<b>OTHER FINANCING USE</b>		
Transfer to Special Education Fund	(4,784,669)	(4,769,266)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>15,403</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>6,079,581</b>	<b>6,079,581</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 6,079,581</b>	<b>\$ 6,094,984</b>

<b>Actual Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
\$ 13,911,944	\$ -
338,897	(49,216)
594,790	95,554
29,673	9,673
25,957,333	328,734
601,688	(67,503)
1,102,843	989,237
<u>42,537,168</u>	<u>1,306,479</u>
16,459,400	(646,918)
849,873	16,629
1,061,259	(624)
1,460,962	(879,284)
<u>19,831,494</u>	<u>(1,510,197)</u>
1,379,209	324,938
1,198,662	165,959
633,124	11,304
1,717,981	60,483
1,615,478	(331,218)
3,271,318	(190,501)
1,970,587	(37,033)
2,076,259	(668,303)
233,899	27,528
697,296	395,272
<u>14,793,813</u>	<u>(241,571)</u>
3,661,631	(142,206)
32,332	20,724
<u>3,693,963</u>	<u>(121,482)</u>
38,319,270	(1,873,250)
4,217,898	(566,771)
<u>(4,664,977)</u>	<u>104,289</u>
(447,079)	(462,482)
6,079,581	-
<u>\$ 5,632,502</u>	<u>\$ (462,482)</u>

See Accompanying Notes to Required Supplementary Information



**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to the Required Supplementary Information  
June 30, 2014

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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 sub function 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 reviews 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.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund, but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

**EXCESS OF ACTUAL EXPENDITURES OVER BUDGET**

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2014.

<u>Individual Function</u>	<u>Excess Expenditures</u>
Regular Instruction	\$ 646,918
Physical Instruction	624
Other Instruction	879,284
Business Administration	331,218
Operations and Maintenance	190,501
Pupil Transportation	37,033
Central Services	668,303
Open Enrollment	142,206

**SCHOOL DISTRICT OF KAUKAUNA**  
Notes to Required Supplementary Information - Continued  
For the Year Ended June 30, 2014

**BUDGET-TO-ACTUAL RECONCILIATION**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>General Fund</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Revenues and Other Financing Sources" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 42,537,168
Differences – Budget to GAAP:	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	2,467,482
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances (Deficit) – Governmental Funds	\$ 45,004,650
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Uses" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 42,984,247
Differences – Budget to GAAP:	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	7,132,459
The Transfer to the Special Education Fund is Eliminated because it is Considered to be Part of the General Fund.	(4,664,977)
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Governmental Funds	\$ 45,451,729

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**SUPPLEMENTARY INFORMATION**

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**SCHOOL DISTRICT OF KAUKAUNA**

Combining Balance Sheet  
Nonmajor Governmental Funds  
As of June 30, 2014

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	<b>Debt Service</b>	<b>Food Service</b>
<b>ASSETS</b>		
Cash and Investments	\$ 322,359	\$ 47,212
Due from Federal Governments	-	5,726
Inventory	-	25,224
Prepaid Expenses	-	703
<b>Total Assets</b>	<b>\$ 322,359</b>	<b>\$ 78,865</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 41,564
Accrued Liabilities	-	2,534
Due to Other Funds	-	-
Unearned Revenue	-	30,816
<b>Total Liabilities</b>	<b>-</b>	<b>74,914</b>
<b>FUND BALANCES</b>		
Nonspendable:		
Inventory	-	25,224
Prepaid Expenses	-	703
Restricted	322,359	-
Unassigned	-	(21,976)
<b>Total Fund Balances</b>	<b>322,359</b>	<b>3,951</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 322,359</b>	<b>\$ 78,865</b>

<b>Community Service</b>	<b>Total</b>
\$ -	\$ 369,571
-	5,726
-	25,224
613	1,316
\$ 613	\$ 401,837
\$ -	\$ 41,564
-	2,534
613	613
-	30,816
613	75,527
-	25,224
-	703
-	322,359
-	(21,976)
-	326,310
\$ 613	\$ 401,837

**SCHOOL DISTRICT OF KAUKAUNA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>		
Property Taxes	\$ 3,062,948	\$ -
Other Local Sources	-	-
State Sources	-	-
Federal Sources	-	-
<b>Total Revenues</b>	<u>3,062,948</u>	<u>-</u>
<b>EXPENDITURES</b>		
<b>Support Services:</b>		
School Building Administration Services	-	-
Operations and Maintenance	-	110,181
Food Services	-	-
Principal and Interest	2,959,674	-
<b>Total Support Services</b>	<u>2,959,674</u>	<u>110,181</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>103,274</u>	<u>(110,181)</u>
<b>OTHER FINANCING SOURCES</b>		
Proceeds from Long-Term Debt	-	1,960,000
<b>NET CHANGES IN FUND BALANCES (DEFICIT)</b>	103,274	1,849,819
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>219,085</u>	<u>(1,849,819)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 322,359</u>	<u>\$ -</u>



<u>Food Service</u>	<u>Community Service</u>	<u>Total</u>
\$ -	\$ 79,373	\$ 3,142,321
702,302	-	702,302
18,306	-	18,306
578,935	-	578,935
<u>1,299,543</u>	<u>79,373</u>	<u>4,441,864</u>
-	51,167	51,167
31,444	28,751	170,376
1,280,940	-	1,280,940
-	-	2,959,674
<u>1,312,384</u>	<u>79,918</u>	<u>4,462,157</u>
<u>(12,841)</u>	<u>(545)</u>	<u>(20,293)</u>
-	-	1,960,000
(12,841)	(545)	1,939,707
<u>16,792</u>	<u>545</u>	<u>(1,613,397)</u>
<u>\$ 3,951</u>	<u>\$ -</u>	<u>\$ 326,310</u>

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Changes in Assets and Liabilities  
Pupil Activity Fund  
For the Year Ended June 30, 2014

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	<b>Balance 7/1/2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2014</b>
<b>ASSETS</b>				
Cash	\$ 14,377	\$ 51,432	\$ 47,742	\$ 18,067
<b>LIABILITIES</b>				
Due to Student Organizations				
Middle School	\$ 1,542	\$ 6,845	\$ 5,682	\$ 2,705
High School	12,835	44,587	42,060	15,362
<b>TOTAL LIABILITIES</b>	\$ 14,377	\$ 51,432	\$ 47,742	\$ 18,067

**SCHOOL DISTRICT OF KAUKAUNA**

Combining Schedule of Internal General and Special Education Funds - Balance Sheet  
As of June 30, 2014

	<u>General</u>	<u>Special Education</u>	<u>Total General Fund</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,437,932	\$ 100,652	\$ 1,538,584
Receivables:			
Taxes	4,412,669	-	4,412,669
Accounts	5,889	-	5,889
Due from Wisconsin Districts	-	8,755	8,755
Due from State Government	476,689	-	476,689
Due from Federal Government	7,900	-	7,900
Due from Other Government	8,500	1,040	9,540
Due from Other Funds	613	-	613
Prepaid Expenses	405,609	72,000	477,609
Other Assets	9,104	-	9,104
<b>TOTAL ASSETS</b>	<u>\$ 6,764,905</u>	<u>\$ 182,447</u>	<u>\$ 6,947,352</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 164,970	\$ 2,376	\$ 167,346
Accrued Liabilities			
Payroll, Payroll Taxes, Insurance	967,433	180,071	1,147,504
<b>Total Liabilities</b>	<u>1,132,403</u>	<u>182,447</u>	<u>1,314,850</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expenses	405,609	72,000	477,609
Assigned:			
High School Parking Lot	500,000	-	500,000
High School Facility	1,000,000	-	1,000,000
High School Grounds	1,500,000	-	1,500,000
Land Purchase	250,000	-	250,000
Information Technology Computer Initiative	750,000	-	750,000
Other Post-Employment Benefits Transfer	20,000	-	20,000
Roof Replacements	600,000	-	600,000
Unassigned	606,893	(72,000)	534,893
<b>Total Fund Balances</b>	<u>5,632,502</u>	<u>-</u>	<u>5,632,502</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,764,905</u>	<u>\$ 182,447</u>	<u>\$ 6,947,352</u>

**SCHOOL DISTRICT OF KAUKAUNA**

Combining Schedule of Internal General and Special Education Funds -  
Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014

	<u>General</u>	<u>Special Education</u>	<u>Total General Fund</u>
<b>REVENUES</b>			
Property Taxes	\$ 13,911,944	\$ -	\$ 13,911,944
Other Local Sources	338,897	-	338,897
Interdistrict Sources	594,790	18,467	613,257
Intermediate Sources	29,673	3,556	33,229
State Sources	25,957,333	1,428,399	27,385,732
Federal Sources	601,688	1,017,060	1,618,748
Other Sources	1,102,843	-	1,102,843
<b>Total Revenues</b>	<u>42,537,168</u>	<u>2,467,482</u>	<u>45,004,650</u>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
Regular Instruction	16,459,400	-	16,459,400
Vocational Instruction	849,873	-	849,873
Physical Instruction	1,061,259	-	1,061,259
Special Instruction	-	4,731,621	4,731,621
Other Instruction	1,460,962	-	1,460,962
<b>Total Instruction</b>	<u>19,831,494</u>	<u>4,731,621</u>	<u>24,563,115</u>
<b>Support Services</b>			
Pupil Services	1,379,209	745,593	2,124,802
Instructional Staff Services	1,198,662	243,629	1,442,291
General Administration Services	633,124	-	633,124
School Building Administration Services	1,717,981	-	1,717,981
Business Services	1,615,478	2,000	1,617,478
Operations and Maintenance	3,271,318	305,599	3,576,917
Pupil Transportation	1,970,587	392,494	2,363,081
Central Services	2,076,259	159,941	2,236,200
Insurance	233,899	-	233,899
Other Support Services	697,296	1,880	699,176
<b>Total Support Services</b>	<u>14,793,813</u>	<u>1,851,136</u>	<u>16,644,949</u>
<b>Non-Program Transactions</b>			
Open Enrollment	3,661,631	82,269	3,743,900
Non-Open Enrollment	32,332	467,433	499,765
<b>Total Non-Program Transactions</b>	<u>3,693,963</u>	<u>549,702</u>	<u>4,243,665</u>
<b>Total Expenditures</b>	<u>38,319,270</u>	<u>7,132,459</u>	<u>45,451,729</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,217,898</u>	<u>(4,664,977)</u>	<u>(447,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from General Fund	-	4,664,977	4,664,977
Transfer to Special Education Fund	(4,664,977)	-	(4,664,977)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,664,977)</u>	<u>4,664,977</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(447,079)</u>	<u>-</u>	<u>(447,079)</u>
<b>FUND BALANCES - BEGINNING OF YEAR4</b>	<u>6,079,581</u>	<u>-</u>	<u>6,079,581</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 5,632,502</u>	<u>\$ -</u>	<u>\$ 5,632,502</u>

## ADDITIONAL REPORTS

**Independent Auditor' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of School District of Kaukauna (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in accompanying *schedule of findings and responses* as #2014-001 that we consider to be a significant deficiency.

To the Board of Education  
School District of Kaukauna

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *schedule of findings and responses* as #2014-002.

### **School District of Kaukauna's Response to Findings**

The District's responses to the findings identified are our audit is described in the accompanying *schedule of findings and responses*. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

  
KerberRose SC  
Certified Public Accountants  
November 19, 2014

**Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and State Single Audit Guidelines**

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

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

We have audited 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 the District's major federal and state programs for the year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying *schedule of findings and responses*.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Guidelines (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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.



To the Board of Education  
School District of Kaukauna

### **Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and responses as finding #2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The School District of Kaukauna's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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 over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying *schedule of findings and responses* as finding #2014-002 to be a material weakness.

The School District of Kaukauna's response to the internal control over compliance finding identified in our audit is described in the accompanying *schedule of findings and responses*. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133* and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

  
KerberRose SC  
Certified Public Accountants  
November 19, 2014

**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, 2014

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, 2013-June 30, 2014	10.555	717-547	\$ N/A
Cash Assistance			
School Breakfast Program			
July 1, 2012-June 30, 2013	10.553	717-546	N/A
July 1, 2013-June 30, 2014			N/A
National School Lunch Program			
July 1, 2012-June 30, 2013	10.555	717-547	N/A
July 1, 2013-June 30, 2014			N/A
<b>Total Child Nutrition Cluster</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>SPECIAL EDUCATION CLUSTER</i>			
Wisconsin Department of Public Instruction			
IDEA Flow Through			
July 1, 2012-June 30, 2013	84.027	730-341	899,958
July 1, 2013-June 30, 2014			788,323
Preschool Entitlement			
July 1, 2012-June 30, 2013	84.173	730-347	39,475
July 1, 2013-June 30, 2014			49,747
<b>Total Special Education Cluster</b>			
<i>ENGLISH LANGUAGE ACQUISITION</i>			
Wisconsin Department of Public Instruction			
July 1, 2012-June 30, 2013	84.365	730-391	11,934
July 1, 2013-June 30, 2014			12,057
<b>Total English Language Acquisition</b>			
<i>TITLE 1, PART A</i>			
Wisconsin Department of Public Instruction			
July 1, 2012-June 30, 2013	84.010	751-141	514,311
July 1, 2013-June 30, 2014			363,407
<b>Total Title 1, Part A</b>			

The accompanying notes are an integral part of this schedule.

<u>Accrued Receivable 7/1/13</u>	<u>Grantor Reimbursements</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/14</u>
\$ -	\$ 73,048	\$ 73,048	\$ -
957	957	-	-
-	78,817	80,110	1,293
6,087	6,087	-	-
-	421,344	425,777	4,433
<u>7,044</u>	<u>580,253</u>	<u>578,935</u>	<u>5,726</u>
150,149	150,149	-	-
-	788,323	788,323	-
17,546	17,546	-	-
-	49,747	49,747	-
<u>167,695</u>	<u>1,005,765</u>	<u>838,070</u>	<u>-</u>
11,934	11,934	-	-
-	12,057	12,057	-
<u>11,934</u>	<u>23,991</u>	<u>12,057</u>	<u>-</u>
99,564	99,564	-	-
-	363,406	363,406	-
<u>99,564</u>	<u>462,970</u>	<u>363,406</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

Awarding Agency/ Award Description/ Pass-Through Agency	Catalog Number	Pass- Through Number	Program or Award Amount
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>			
<i>IMPROVING TEACHER QUALITY STATE GRANT</i>			
Wisconsin Department of Public Instruction			
July 1, 2012-June 30, 2013	84.367	730-365	\$ 98,437
July 1, 2013-June 30, 2014			92,603
<b>Total Improving Teacher Quality State Grant</b>			
<i>CAREER AND TECHNICAL EDUCATION</i>			
CESA #6			
July 1, 2012-June 30, 2013	84.048	Unknown	17,205
July 1, 2013-June 30, 2014			21,173
<b>Total Career and Technical Education</b>			
<i>ESEA CHARTER SCHOOL GRANT</i>			
Wisconsin Department of Public Instruction			
July 1, 2012-June 30, 2013	84.282	730-360	400,000
July 1, 2013-June 30, 2014			133,621
<b>Total Career and Technical Education</b>			
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>MEDICAID SCHOOL BASED SERVICES</i>			
Wisconsin Department of Health and Human Services			
July 1, 2013-June 30, 2014	93.778	Unknown	N/A
<b>TOTAL FEDERAL ASSISTANCE</b>			

The accompanying notes are an integral part of this schedule.

<u>Accrued Receivable 7/1/13</u>	<u>Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/14</u>
\$ 22,985	\$ 22,985	\$ -	\$ -
-	92,603	92,603	-
<u>22,985</u>	<u>115,588</u>	<u>92,603</u>	<u>-</u>
2,851	2,851	-	-
-	13,273	21,173	7,900
<u>2,851</u>	<u>16,124</u>	<u>21,173</u>	<u>7,900</u>
36,227	36,227	-	-
-	133,622	133,622	-
<u>36,227</u>	<u>169,849</u>	<u>133,622</u>	<u>-</u>
<u>341,256</u>	<u>1,794,287</u>	<u>1,460,931</u>	<u>7,900</u>
-	178,990	178,990	-
<u>\$ 348,300</u>	<u>\$ 2,553,530</u>	<u>\$ 2,218,856</u>	<u>\$ 13,626</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, 2014

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	Program or Award Amount	Accrued Receivable 7/01/13
<b>ENTITLEMENT PROGRAMS</b>			
<i>MAJOR STATE PROGRAMS</i>			
Handicapped Pupils and School Age Parents			
Internal District Program - DPI	255.101	N/A	\$ -
CESA #6	255.101	N/A	-
General Equalization - DPI	255.201	N/A	434,897
Per Pupil Aid - DPI	255.945	N/A	-
<b>TOTAL MAJOR PROGRAMS</b>			<u>434,897</u>
<i>NONMAJOR STATE PROGRAMS</i>			
State Lunch - DPI	255.102	N/A	-
Library Aid - DPI	255.103	N/A	-
School Breakfast Program - DPI	255.344	N/A	-
Bilingual/Bicultural Aid - DPI	255.106	N/A	-
Pupil Transportation - DPI	255.107	N/A	-
Alcohol and Other Drug Abuse - DPI	255.306	N/A	25,000
Educator Effective Eval Sys Grants Public	255.940	N/A	-
Local Youth Apprenticeship - CESA #6	445.112	N/A	8,307
County Drug Free Schools Grant	N/A	N/A	-
Exempt Computer State Aid (WI Dept of Revenue)	N/A	N/A	39,221
<b>TOTAL NONMAJOR PROGRAMS</b>			<u>72,528</u>
<b>TOTAL STATE ASSISTANCE</b>			<u>\$ 507,425</u>

The accompanying notes are an integral part of this schedule.



<u>State Reimbursements</u>	<u>Expenditures</u>	<u>Accrued Receivable 6/30/14</u>
\$ 1,428,061	\$ 1,428,061	\$ -
3,556	3,556	-
25,317,791	25,328,795	445,901
323,625	323,625	-
<u>27,073,033</u>	<u>27,084,037</u>	<u>445,901</u>
14,035	14,035	-
120,632	120,632	-
4,272	4,272	-
1,810	1,810	-
92,939	92,939	-
50,000	25,000	-
20,720	20,720	-
8,307	8,500	8,500
13,361	13,361	-
39,221	30,788	30,788
<u>365,297</u>	<u>332,057</u>	<u>39,288</u>
<u>\$ 27,438,330</u>	<u>\$ 27,416,094</u>	<u>\$ 485,189</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, 2014

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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**

2013 - 2014 eligible costs under the State Special Education Program are \$5,269,428.

**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 and Responses  
 For the Year Ended June 30, 2014

**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued	Unmodified
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?	Yes
Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Program
10.553	<b>Child Nutrition Cluster</b>
10.555	School Breakfast Program
	National School Lunch Program
84.010	Title I, Part A
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?	No
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**State Awards**

Internal control over major programs	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines or the Wisconsin Department of Public Instruction Audit Manual?	No
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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
255.945	Per Pupil Aid

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Findings and Responses - Continued  
For the Year Ended June 30, 2014

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**Section II - Financial Statement Finding**

**2014-001 Financial Reporting**

<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>Criteria</b>	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
<b>Cause</b>	Management requested that KerberRose SC 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. Management reviews the financial statements and compares to the District's financial records for completeness and accuracy and accepts responsibility for those financial statements

**SCHOOL DISTRICT OF KAUKAUNA**  
Schedule of Findings and Responses - Continued  
For the Year Ended June 30, 2014

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**Section III - Federal Award Finding**

**#2014-002 Title I, Part A (84.010) - Allowable Costs - Time and Effort Reporting**

<b>Condition:</b>	The District did not complete periodic time certifications or personnel activity reports as required for the employees that charge their time to one grant or for employees that charge their time to various grants.
<b>Criteria:</b>	OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of Salaries and Wages – requires that salaries and wages, whether treated as direct or indirect costs, will be support by periodic certifications that the employees worked on the programs for the period of time covered by the certification.
<b>Cause:</b>	The District was not aware of the requirement and therefore, time certifications or personnel activity reports were not prepared by the staff
<b>Effect:</b>	The District did not properly document the costs in accordance with OMB Circular A-87.
<b>Recommendation:</b>	The District should establish a policy and implement procedures to ensure wages and related benefit costs charged to grants be supported by the required certifications. These payroll certifications should be completed and signed within a reasonable time period and be signed after the fact.
<b>Management's Response:</b>	The District accepts this finding and is currently working to establish a policy and implement procedures to ensure that in the future, wages and related benefit costs are well supported by payroll certifications

**Section IV - State Award Findings**

There were no findings for state awards.

**SCHOOL DISTRICT OF KAUKAUNA**  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2014

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**FINANCIAL STATEMENT FINDING**

**#2013-001 – Financial Reporting** – This District’s staff does not have a process for preparing the financial statements and related notes in accordance with GAAP.

**Status** – See current year finding 2014-001.

**FEDERAL AWARD FINDINGS**

**#2013-002 – Consent to Bill Medicaid – Medicaid School Based Services 93.778** – Management is responsible for establishing and maintaining internal controls to ensure that each student that is Medicaid eligible has a DPI form M-5 “Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services” signed and in the students file. During our audit, we noted a billing to Medicaid for a student that did not have a signed form M-5 on file giving consent to bill for such services

**Status** – Procedures have been reviewed and corrections have been implemented in 2013-2014.

**#2013-003 – Wage Reporting in Medicaid Cost Reporting System – Medicaid School Based Services 93.778** – Management is responsible for establishing and maintaining internal controls to ensure that quarterly wages are reported and entered correctly in the Medicaid Cost Reporting System. During our audit, we noted that the wages for some hourly employees were entered as hours and the field for the wages was empty

**Status** – Procedures have been reviewed and corrections have been implemented in 2013-2014.

## SCHOOL DISTRICT OF KAUKAUNA

Corrective Action Plan

For the Year Ended June 30, 2014

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### FINANCIAL STATEMENT FINDING

**#2014-001 – Financial Reporting** – The District is aware that their staff does not have a process to prepare financial statements and related notes in accordance with GAAP. The District will continue to make this decision on a cost/benefit basis and have auditors assist in preparing the financial statements and related notes. Management does review the financial statements and compares to the District's financial records for completeness and accuracy and accepts responsibility for those financial statements.

### FEDERAL AWARD FINDING

**#2014-002 – Title I, Part A – Allowable Costs – Time and Effort Reporting** – The District is aware of this issue and has responded by assigning an individual to establish a policy and implement procedures to ensure that in the future, wage and related benefit costs are well supported by payroll certifications.

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