

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2012

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ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the School Board
Elkhorn Area School District
Elkhorn, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elkhorn Area School District ("District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elkhorn Area School District as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The financial information listed in the table of contents as other supplemental information, and the accompanying schedule of federal financial assistance and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The financial information listed in the table of contents as other supplemental information, and the accompanying schedule of federal financial assistance 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

October 12, 2012
Milwaukee, Wisconsin

**ELKHORN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS STATEMENT
For the Year Ended June 30, 2012**

The discussion and analysis of the Elkhorn Area School District's financial performance provides an overall review of financial activities for the 2010-2011 and 2011-2012 fiscal years. The 2001-2002 fiscal year was the first year the School District filed the audit statement in compliance with the Government Accounting and Standards Board's Statement 34 (GASB 34).

It should be read in conjunction with the Independent Auditors' Report and the District's financial statements, which immediately follow this section.

Financial Highlights

Total governmental funds revenues for the 2010-2011 fiscal year were \$38,952,261; including \$18,100,052 of property taxes, \$17,812,226 of general state and federal aids, \$3,039,983 of charges for services, local revenues, and operating grants. Total governmental funds

expenditures were \$ 38,726,215 including \$22,120,635 for direct instruction, \$ 16,605,580 for instructional support and other support services. The District's financial status, as reflected in total net assets, increased by \$ 2,100,553

Total governmental funds revenues for the 2011-2012 fiscal year were \$37,772,882; including \$18,691,596 of property taxes, \$15,396,844 of general state and federal aids, \$3,684,442 of charges for services, local revenues, and operating grants. Total governmental funds expenditures were 48,509,445; including

\$20,121,071 for direct instruction, \$28,388,374 for instructional support and other support services. The District's financial status, as reflected in total net assets, increased by \$ 3,855,429

Overview of the Financial Statements

This section of the financial statements consists of three parts: management's discussion and analysis, basic financial statements (District-wide and fund statements) including notes to the financial statements, and other required supplementary information.

The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Assets and Statement of Activities* provide information on a District-wide basis.

- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

The *notes to the financial statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

including a comparison of the District's budget data for the year.

Required supplementary information further explains and supports the financial statements by

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

Major Features of the District-wide and Fund Financial Statements

	District Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary such as instructional, support services, debt service, capital projects, and community services.	Activities the District operates similar to private business. The District's food service program is its only proprietary operation.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of activities. 	<ul style="list-style-type: none"> ▪ Balance sheet ▪ Statement of revenues, expenditures and changes in fund balance. 	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of revenues, expenses and changes in net assets ▪ Statement of cash flows. 	<ul style="list-style-type: none"> ▪ Statement of fiduciary net assets ▪ Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	<p>Accrual accounting.</p> <p>Economic resources focus.</p>	<p>Modified accrual accounting.</p> <p>Current financial resources focus.</p>	<p>Accrual accounting.</p> <p>Economic resources focus.</p>	<p>Accrual accounting.</p> <p>Economic resources focus.</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Assets reports all assets and liabilities available to support District activities. The two District-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

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

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, community programs and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other

financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the District-wide statements.

- *Proprietary funds*—The District has no proprietary funds

- *Fiduciary funds*—The District serves as a trustee, or *fiduciary*, for scholarship trusts, as well as student activity funds. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds

are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Table 1, below, provides a summary of the District's net assets for the year ended June 30, 2012. Total net assets reflects an increase of \$3,855,429. The calculation of net assets uses historical costs for facilities that may not reflect

the true value. The District's facilities are in good condition as sufficient funds are appropriated annually for preventative maintenance needs.

	Governmental Activities		Total %
	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
Current and other assets	16,154,335	13,494,672	-19.70
Capital assets	38,966,470	38,118,217	-2.22
Total assets	55,120,805	51,612,889	-6.79
Long-term debt obligations	29,952,402	21,510,544	-39.24
Current liabilities	8,899,076	9,977,591	10.80
Total liabilities	38,851,478	31,488,135	-23.38
Net assets			
Invested in capital assets, net of related debt	8,976,226	16,527,756	45.68
Restricted	6,076,042	1,075,039	-465.19
Unrestricted	1,217,059	2,521,959	51.74
Total net assets	16,269,327	20,124,754	19.15

Table 2 Changes in Net Assets from Operating Results			
	Governmental Activities		Total % Change
	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
REVENUES			
Charges for services	2,409,149	2,313,022	-4.15
Operating grants & contributions	3,763,957	2,934,404	-28.26
Property taxes	18,111,412	18,691,596	3.10
State and federal aids	14,653,275	13,193,582	-11.06
Other revenues	302,362	934,894	67.65
Total Revenues	39,240,155	38,067,498	-3.08
EXPENSES			
Instruction	21,603,480	19,270,031	-12.10
Pupil & instructional services	2,862,715	2,511,328	-13.99
Administration	2,987,304	2,622,466	-13.91
Business services	5,926,353	6,015,705	1.48
Interest (long-term debt)	1,420,245	1,331,691	-6.64
Food Service	1,295,816	1,300,349	.35
Depreciation-unallocated	1,021,026	1,157,163	11.76
Non-program transactions	22,663	3,336	-579.34
Total Expenditures	37,139,602	34,212,069	-8.55
Increase (Decrease) in net assets	2,100,553	3,855,429	45.51
Note: totals may not add due to rounding			

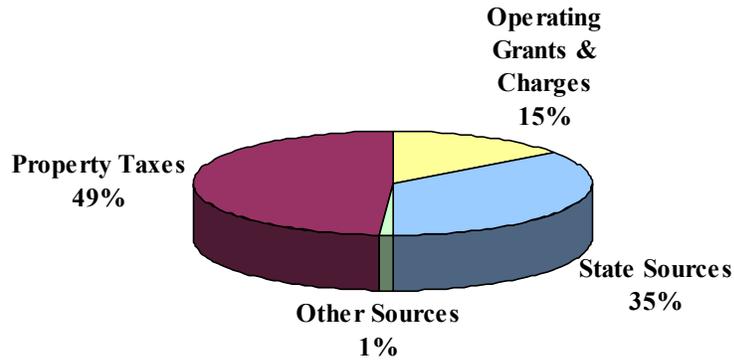
Table 2 provides summarized operating results and their impact on net assets.

The District relies primarily on property taxes 49%, state aid 35%, and operating grants,

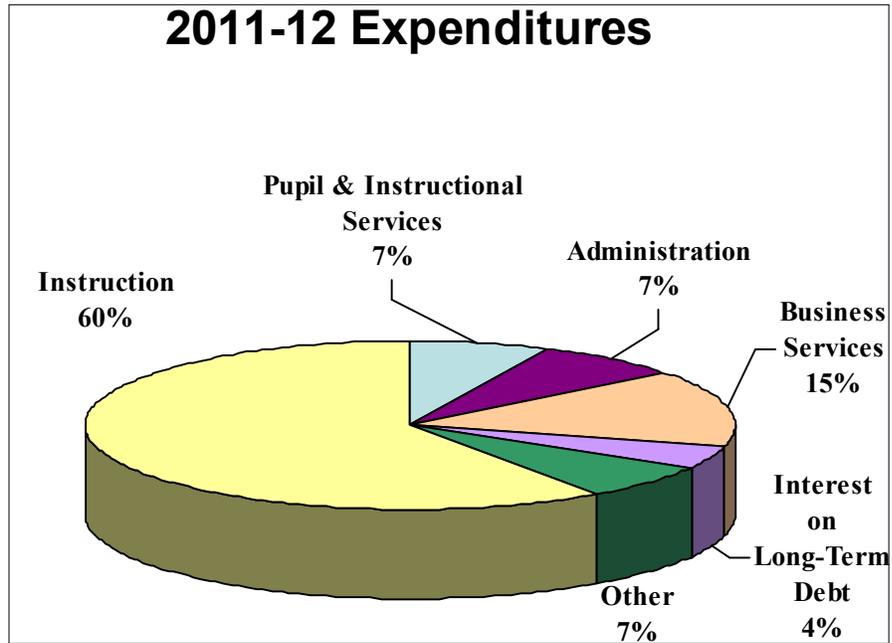
charges for services, and other sources totaling 16% to fund governmental activities.

The composition of governmental revenues by source and expenditures by type are illustrated on the following pages.

2011-12 Revenues



2011-12 Expenditures



Financial Aspects of the District's Funds

2010-2011

The District completed the year with a total governmental fund balance of \$ 10,489,526 up slightly from last year's ending fund balance of \$9,444,671.

- The general fund had an increase in fund balance of \$974,105 which included the carryover of \$558,546 in federal job funds. In addition, this increase was partially due to additional insurance dividends, handicapped aid, Medicaid reimbursement, other one time revenues and lower than expected utility costs along with workers compensation premium costs.
- The debt service fund had a decrease of \$ 113,575. The fund balance of the debt Service fund will fluctuate each year. The District makes interest payments in October, and is required to carry a balance at least sufficient to cover the payment until property taxes are

collected in the second half of the subsequent fiscal year

- The food service program (proprietary fund) increased its fund balance in the amount of \$114,329 due primary to increased program participation and the participation in a co-op purchasing group.

2011-2012

The District completed the year with a total governmental fund balance of \$ 6,620,941 down from last year's ending fund balance of \$10,489,526 .

- The general fund had a increase in fund balance of \$1,134,013. This increase was partially due to additional insurance dividends, handicapped aid, Medicaid reimbursement, TIF balance funds, other one time revenues and lower than expected utility costs along with short term borrowing costs.
- The debt service fund had a decrease of \$ 5,054,299. This reduction was primarily due to the payment of an advanced refunding which was held in escrow and paid off during this fiscal year.

- The food service program (proprietary fund) increased its fund balance in the amount of \$47,693 due primary to increased program participation and the participation in a co-op purchasing group.

General Fund Budgetary Highlights

2010-2011

The District reviews an interim budget in June for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations, an *original* budget is adopted in October following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified.

While the District’s final budget for the general fund anticipated that revenues would exceed expenditures by \$558,546, the actual results for the year showed an increase in fund balance of \$974,105. The general fund balance, as a percentage of operating expenses, represented 11.90% for the fiscal year.

2011-2012

While the District’s final budget for the general fund anticipated that revenues would equal expenditures, the actual results for the year

showed an increase in fund balance of \$1,134,013. The general fund balance, as a percentage of operating expenses, represented 18.00% for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had invested \$56,547,457 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation on these assets totaled \$17,580,987. Asset

acquisitions for governmental activities totaled \$1,260,948. The District recognized depreciation expense of \$1,260,030. Detailed information about capital assets can be found in Note 4 (page 26) to the financial statements.

At the end of fiscal year 2012, the District had invested \$57,035,820 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation

on these assets totaled \$18,964,621. Asset acquisitions for governmental activities totaled \$512,477. The District recognized depreciation expense of \$1,407,589.

<i>Table 4</i>			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
Land (not depreciated)	668,548	668,548	0.00
Site improvements	2,154,822	1,540,641	-39.86
Buildings & building improvements	48,979,060	49,832,188	1.71
Furniture & equipment	4,745,027	4,994,443	4.99
Accumulated depreciation	(17,580,987)	(18,964,621)	7.29
Total	38,966,470	37,402,651	-4.18

Long-Term Debt

At year-end, the District had \$ 21,543,443 in general obligation bonds and other general obligation debt outstanding. Our current debt limit per Wisconsin statutes is \$190,192,033. The District retired \$ 14,440,000 of outstanding general obligation debt during the fiscal year. The District's current Bond Rating is Aa2, a very good rating for the size of our District. Debt of the District is secured by an irrevocable

tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

Detailed information about the District's long-term liabilities is presented in Note 5 (pages 27-28) to the financial statements.

Table 5			
Outstanding Long-Term Obligations			
(in thousands of dollars)			
	Total School District		Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
General obligation debt	29,285,000	21,450,000	-36.52
Post Retirement Liability	2,936,011	2,655,471	-10.56
Capital leases	112,865	91,011	-24.01
Compensated Absences	2,855	2,432	-17.39
Prior Service Liability	589,525	0	N/A
Total Long-term Oblig.	<u>32,926,256</u>	<u>24,198,914</u>	<u>-36.06</u>

Factors Bearing on the District's Future

Currently known circumstances that will impact the District's financial status in the future are:

- State budget uncertainty: This could adversely affect the amount of state aids

paid to school Districts. It is likely that the legislature will be reviewing school funding as it tackles future state budget needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact William Trewyn, Business Manager, Elkhorn Area School District, 3 N. Jackson Street, Elkhorn WI 53121 (262) 723-3160

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Net Assets

June 30, 2012

	Governmental Activities
ASSETS	
Current assets	
Cash and investments	\$ 6,614,227
Taxes receivable	6,085,597
Accounts receivable	125,180
Due from other governments	622,568
Inventory	35,455
Prepaid expense	11,645
Total current assets	<u>13,494,672</u>
Noncurrent assets	
Capital assets	57,035,820
Less: accumulated depreciation	(18,964,621)
Deferred debt issuance costs	47,018
Total noncurrent assets	<u>38,118,217</u>
Total assets	<u><u>\$ 51,612,889</u></u>
LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities	
Short-term notes payable	\$ 5,000,000
Accounts payable	373,528
Withholdings and related fringes payable	1,267,120
Accrued interest	216,813
Accrued salaries and related items	92,000
Deposits payable	52,101
Health benefit claims payable	23,909
Deferred revenues	18,539
Current portion of long-term debt	2,933,581
Total current liabilities	<u>9,977,591</u>
Noncurrent liabilities	
Long-term obligations	18,609,862
Post-retirement liability	2,655,471
Unamortized premium	245,211
Total noncurrent liabilities	<u>21,510,544</u>
Total liabilities	31,488,135
Net Assets	
Invested in capital assets, net of related debt	16,527,756
Restricted for:	
Debt service	355,385
Food service	500,805
Other	218,849
Unrestricted	<u>2,521,959</u>
Total net assets	<u>20,124,754</u>
Total liabilities and net assets	<u><u>\$ 51,612,889</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Statement of Activities
Year Ended June 30, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction:					
Regular instruction	\$ 14,718,279	\$ 1,364,432	\$ 1,039,451	\$	(12,314,396)
Special education instruction	2,074,302	180,176	1,046,288		(847,838)
Vocational instruction	835,950	---	---		(835,950)
Other instruction	1,641,500	58,074	---		(1,583,426)
Total instruction	19,270,031	1,602,682	2,085,739		(15,581,610)
Support services:					
Pupil services	1,360,366	---	---		(1,360,366)
Instructional staff services	1,150,962	---	105,008		(1,045,954)
Administration services	2,622,466	---	---		(2,622,466)
Operation and maintenance of plant	3,131,113	9,048	---		(3,122,065)
Pupil transportation	1,614,147	---	50,954		(1,563,193)
Central services	462,185	---	---		(462,185)
Other support services	656,852	---	---		(656,852)
Community services	151,408	15,269	---		(136,139)
Food service	1,300,349	686,023	692,703		78,377
Interest on long-term debt	1,331,691	---	---		(1,331,691)
Non-program transactions	3,336	---	---		(3,336)
Unallocated depreciation**	1,157,163	---	---		(1,157,163)
Total support services	14,942,038	710,340	848,665		(13,383,033)
Total school district	\$ 34,212,069	\$ 2,313,022	\$ 2,934,404		(28,964,643)

General revenues:

Taxes:	
Property taxes, levied for general purposes	14,836,479
Property taxes, levied for debt service	3,719,664
Property taxes, levied for specific purposes	135,453
Other taxes	619,173
Federal and state aid not restricted to specific purposes	
General	13,156,388
Other	37,194
Interest and investment earnings	8,376
Loss on disposal of assets	(159)
Miscellaneous	307,504
Changes in net assets	3,855,429
Net assets - beginning of year	16,269,325
Net assets - end of year	\$ 20,124,754

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 5,482,965	\$ 355,385	\$ 775,877	\$ 6,614,227
Taxes receivable	6,085,597	---	---	6,085,597
Accounts receivable	38,368	---	86,812	125,180
Due from other funds	70,000	---	---	70,000
Due from other governments	595,459	---	20,131	615,590
Inventory	27,039	---	8,416	35,455
Prepaid expense	11,385	---	260	11,645
	<u>\$ 12,310,813</u>	<u>\$ 355,385</u>	<u>\$ 891,496</u>	<u>\$ 13,557,694</u>
Total assets				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term notes payable	\$ 5,000,000	\$ ---	\$ ---	\$ 5,000,000
Accounts payable	365,873	---	7,655	373,528
Withholdings and related fringes payable	1,261,374	---	5,746	1,267,120
Accrued interest	39,556	---	---	39,556
Accrued payroll	83,723	---	8,277	92,000
Due to other funds	---	---	70,000	70,000
Deposits payable	38,969	---	13,132	52,101
Health benefit claims payable	23,909	---	---	23,909
Deferred revenues	---	---	18,539	18,539
Total liabilities	<u>6,813,404</u>	<u>---</u>	<u>123,349</u>	<u>6,936,753</u>
Fund Balances				
Nonspendable	38,424	---	8,528	46,952
Restricted	---	355,385	711,194	1,066,579
Assigned	---	---	48,425	48,425
Unassigned	5,458,985	---	---	5,458,985
Total fund balances	<u>5,497,409</u>	<u>355,385</u>	<u>768,147</u>	<u>6,620,941</u>
Total liabilities and fund balances	<u>\$ 12,310,813</u>	<u>\$ 355,385</u>	<u>\$ 891,496</u>	<u>\$ 13,557,694</u>

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets**

June 30, 2012

Total fund balances - governmental funds \$ 6,620,941

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of the assets	\$ 57,035,820	
Accumulated depreciation	<u>(18,964,621)</u>	
		38,071,199

The District made less than the required annual contribution to fund their post-employment benefit liability resulting in a post-retirement liability, which is not considered currently payable and thus not reported in the governmental funds. (2,655,471)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	17,555,000	
Promissory notes	3,335,000	
State trust fund loan	560,000	
Deferred debt issuance costs	(47,018)	
Unamortized premium	245,210	
Capital leases payable	91,011	
Compensated absences	<u>2,432</u>	
		(21,741,635)

Accrued interest subsidy is not receivable in the current period and therefore is not reported as an asset in the funds. 6,977

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds. (177,257)

Total net assets - governmental activities \$ 20,124,754

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 15,641,444	\$ 3,649,664	\$ 1,205,521	\$ 20,496,629
Interdistrict payments within Wisconsin	884,600	---	380,749	1,265,349
Intermediate sources	535,419	---	---	535,419
State	13,864,055	---	27,983	13,892,038
Federal	840,086	---	664,720	1,504,806
Other	76,594	2,047	---	78,641
Total revenues	<u>31,842,198</u>	<u>3,651,711</u>	<u>2,278,973</u>	<u>37,772,882</u>
Expenditures:				
Instruction:				
Current	18,658,102	---	670,466	19,328,568
Interdistrict	535,358	---	---	535,358
Capital outlay	224,625	---	32,520	257,145
Support Services:				
Current	10,887,523	---	1,594,041	12,481,564
Capital outlay	189,566	---	65,766	255,332
Debt service	77,490	15,573,988	---	15,651,478
Total expenditures	<u>30,572,664</u>	<u>15,573,988</u>	<u>2,362,793</u>	<u>48,509,445</u>
Excess (deficiency) of revenues over expenditures	1,269,534	(11,922,277)	(83,820)	(10,736,563)
Other Financing Sources (uses):				
Operating transfers in	---	---	135,521	135,521
Operating transfers out	(135,521)	---	---	(135,521)
Face value of refunding bond	---	6,605,000	---	6,605,000
Premium on issuance of refunding bond	---	262,978	---	262,978
Total other financing sources (uses)	<u>(135,521)</u>	<u>6,867,978</u>	<u>135,521</u>	<u>6,867,978</u>
Net change in fund balances	1,134,013	(5,054,299)	51,701	(3,868,585)
Fund Balances - Beginning of year	<u>4,363,396</u>	<u>5,409,684</u>	<u>716,446</u>	<u>10,489,526</u>
Fund Balances - End of year	<u>\$ 5,497,409</u>	<u>\$ 355,385</u>	<u>\$ 768,147</u>	<u>\$ 6,620,941</u>

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**
Year Ended June 30, 2012

Total net change in fund balances - governmental funds \$ (3,868,585)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. The amount by which depreciation expense exceeds capital outlays is as follows:

Depreciation expense	\$ (1,407,589)	
Capital outlays	<u>512,477</u>	(895,112)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (159)

Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (6,605,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Promissory Notes	590,000	
Bonds payable	13,780,000	
State trust fund loan payable	70,000	
Capital leases	21,854	
Unfunded pension liability	<u>589,525</u>	15,051,379

Amortization reduces the balance of the respective liability. The amortization is an expenditure in the statement of net assets, but is not shown in the governmental funds.

Unamortized deferred loan costs	(3,407)	
Unamortized premium on issuance	<u>17,769</u>	14,362

In the statement of activities post-retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.) 280,540

Bond issuance costs are recorded as an expense in the governmental funds, but these are amortized over the life of the bonds in the statement of activities. 50,425

Bond premiums are recorded as a revenue in the governmental funds, but these are amortized over the life of the bonds in the statement of activities. (262,978)

Miscellaneous revenue in the statement of activities differs from the amount reported in the governmental funds because interest subsidies are recognized as revenue in the funds when it is received. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (872)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.) 423

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 91,006

Change in net assets of governmental activities \$ 3,855,429

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Fiduciary Net Assets

June 30, 2012

	<u>Private</u>	<u>Employee</u>	<u>Agency</u>
	<u>Purpose Trusts</u>	<u>Benefit Trusts</u>	<u>Fund</u>
ASSETS			
Cash	\$ 5,405	\$ 608,582	\$ 47,020
Investments	134,608	---	---
Total assets	<u>\$ 140,013</u>	<u>\$ 608,582</u>	<u>\$ 47,020</u>
LIABILITIES AND NET ASSETS			
Due to student groups	\$ ---	\$ ---	\$ 47,020
Net assets:			
Non-spendable corpus	66,010	---	---
Restricted	74,003	608,582	---
Total liabilities and net assets	<u>\$ 140,013</u>	<u>\$ 608,582</u>	<u>\$ 47,020</u>

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2012

	<u>Private</u>	<u>Employee</u>
	<u>Purpose Trusts</u>	<u>Benefit Trusts</u>
ADDITIONS		
Net investment income	\$ 10,426	\$ 393
District contributions	---	1,295,080
Plan member contributions	---	10,504
Total additions	<u>10,426</u>	<u>1,305,977</u>
DEDUCTIONS		
Trust fund disbursements	<u>9,500</u>	<u>1,205,585</u>
Change in net assets	926	100,392
Net assets - beginning of year	<u>139,086</u>	<u>508,190</u>
Net assets - end of year	<u>\$ 140,012</u>	<u>\$ 608,582</u>

The accompanying notes to financial statements
are an integral part of these statements.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

A. Introduction

The Elkhorn Area School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Elkhorn Area School District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

District-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

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

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund. The District accounts for fiduciary activities for employee post-retirement benefits in an employee benefit trust fund.

D. Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange 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 ninety days after the end of the fiscal year. Ninety days is used for governmental grant contracts due to delays in receiving governmental reimbursements on those contracts. Using ninety days minimizes the likelihood that any of those funds will unnecessarily reflect a deficit fund balance. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The District's cash equivalents 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 and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt services 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.

F. Receivables and Payables

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, Walworth County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

All accounts receivable are shown 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 such allowance would not be material.

G. Interfund Transactions

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2012 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Transfers:</u>			
Support Package Coop	Package Coop	General	\$ 135,521
<u>Due to/from:</u>			
Capital Projects	General	Capital Projects	70,000

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value 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 and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 15,000	Straight-line	50 years
Land improvements	15,000	Straight-line	20 years
Furniture and equipment	1,000	Straight-line	5 - 20 years
Computer and related technology	1,000	Straight-line	5 - 10 years

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balances

The Government Accounting Standards Board (GASB) has issued statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable*-amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted*-amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislations or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed*-amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. Fund Balances (continued)

- *Assigned*-amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.
- *Unassigned*-all other spendable amounts.

The District has not adopted a policy addressing the order in which classifications will be used when fund balance is spent down.

K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The Elkhorn Area School District's twelve-month employees are granted vacation in varying amounts, based on length of service, accumulating to a maximum of 120 hours. Upon retirement or termination of employment, the employee is entitled to payment in cash.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, employee handbooks or individual employment contracts. The District does not pay for accumulated sick days upon retirement or termination of employment.

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

L. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Other Assets

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extended beyond June 30th and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

N. Subsequent Events

Management has evaluated all subsequent events for possible inclusion as a disclosure in the financial statements through the date the financial statements were ready to be distributed (October 12, 2012). Subsequent events are explained in detail in footnote 14.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

2. Cash and Investments

Cash and equivalents and investments as shown on the District's statement of net assets are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Demand deposits	302,224	Custodial risk – deposits
Bonds	32,737	Interest rate risk
Unit trusts	5,124	Interest rate risk
Mutual funds	96,747	Interest rate risk
Local government investment pool	5,653,597	Custodian risk - deposits
Wisconsin Investment Series Cooperative	1,319,413	Interest rate and credit
Total cash and equivalents	\$ 7,409,842	

The District's cash and equivalents are reported in the financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 6,614,227
Statement of fiduciary net assets:	
Cash	661,007
Investment	134,608
Total cash and equivalents	\$ 7,409,842

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

2. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution. Deposits in the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee fund in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insured against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits were \$302,224 at June 30, 2012 and the bank's carrying value was \$304,304, of which \$304,304 was fully insured and \$0 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

Custodial Risk – Investment: Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2012 are as follows:

<u>Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u>
<u>June 30, 2011</u>						<u>June 30, 2012</u>
\$ 4,500,000	\$	5,000,000	\$	(4,500,000)	\$	5,000,000

The note was dated August 26, 2011 due August 22, 2012, with an interest rate of .80%. Interest for the year ended June 30, 2012 was \$47,777. The note is for general district operation.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated					
Sites	\$ 668,548	\$ ---	\$ ---	\$ ---	\$ 668,548
Capital assets being depreciated					
Land improvements	2,154,822	165,819	---	(780,000)	1,540,641
Buildings and improvements	48,979,060	73,128	---	780,000	49,832,188
Equipment	4,745,027	273,530	24,114	---	4,994,443
Total capital assets being depreciated	55,878,909	512,477	24,114	---	56,367,272
Less accumulated depreciation	17,580,987	1,407,589	23,955	---	18,964,621
	<hr/>				<hr/>
Total capital assets being depreciated, net of accumulated depreciation	38,297,922	(895,112)	(159)	---	37,402,651
Governmental activities capital assets, net of accumulated depreciation	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 38,966,470	\$ (895,112)	\$ (159)	\$ ---	\$ 38,071,199

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,157,163
Regular instruction	146,770
Food service	17,680
Pupil transportation	6,162
Operation and maintenance	10,019
Administration services	69,795
Total depreciation for governmental activities	<u>\$ 1,407,589</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2011	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2012	Amounts due within <u>one year</u>
G.O. Bonds	\$ 24,730,000	\$ 6,605,000	\$ (13,780,000)	\$ 17,555,000	\$ 2,225,000
G.O. Promissory Notes	3,925,000	---	(590,000)	3,335,000	615,000
State Trust Fund Loan	630,000	---	(70,000)	560,000	70,000
Capital Lease	112,865	---	(21,854)	91,011	23,581
Compensated absences	2,855	---	(423)	2,432	---
Prior service liability - WRS	589,525	---	(589,525)	---	---
Total	\$ 29,990,245	\$ 6,605,000	\$ (15,051,802)	\$ 21,543,443	\$ 2,933,581

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2012 on long-term liabilities was \$1,311,099 and \$1,220,093.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The capital leases are secured by equipment and improvements. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2012 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	Balance June 30, <u>2012</u>
State Trust fund Loan	08/10/10	4.25%	03/15/20	\$ 560,000
G.O. Promissory Note	05/23/07	3.75 to 4.00%	04/01/17	3,335,000
G.O. Refunding Bond	11/01/06	4.00	04/01/18	4,950,000
G.O. Refunding Bond	12/15/04	3.00 to 4.00	04/01/17	3,165,000
G.O. Refunding Bond	01/30/12	1.5 to 2.0	04/01/18	6,525,000
G.O. Refunding Bond	09/15/02	2.00 to 4.50	04/01/17	2,915,000
Total				\$ 21,450,000

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,901,920,326. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,901,920,326)	\$ 190,192,033
Deduct long-term debt applicable to debt margin	(21,450,000)
Margin of indebtedness	<u>\$ 168,742,033</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt and capital leases on June 30, 2012 follow:

Year Ended June 30,	Principal	Interest	Interest Subsidy	Total
2013	\$ 2,933,581	\$ 722,407	\$ (23,800)	\$ 3,632,188
2014	3,025,445	628,868	(20,825)	3,633,488
2015	3,112,455	534,433	(17,850)	3,629,038
2016	3,199,530	437,671	(14,916)	3,622,285
2017	3,290,000	332,216	(11,900)	3,610,316
2018-2022	5,980,000	723,458	(17,858)	6,685,600
Totals	<u>\$ 21,541,011</u>	<u>\$ 3,379,053</u>	<u>\$ (107,149)</u>	<u>\$ 24,812,915</u>

During the year ended June 30, 2012, the District paid an outstanding G.O. Bond through a current refunding. The principal payments refinanced totaled \$6,745,000. As a result of the current refunding, the District decreased its total future debt service requirements by \$863,455, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of \$827,081.

6. Excess of Actual Expenditures Over Budget in Individual Funds

The following major fund functions had an excess of actual expenditures over budget for the year ended June 30, 2012:

General Fund:

Fund 10:

Physical curriculum	\$ 72,104
Central services	44,958
Other support services	499,131
Purchased instructional services	51,082
Other non-program transactions	2,836

Fund 27:

Pupil services	\$ 48,992
Other support services	24,330
Purchased instructional services	110,998

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

7. Fund Balances

As of June 30, 2012, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt service</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid expenses	\$ 11,385	\$ ---	\$ 112	\$ 11,497
Inventory	27,039	---	8,416	35,455
Restricted for:				
Debt Service	---	355,385	---	355,385
Food service	---	---	492,345	492,345
Special projects	---	---	218,849	218,849
Assigned for:				
Community service	---	---	48,425	48,425
Unassigned	5,458,985	---	---	5,458,985
Total	\$ 5,497,409	\$ 355,385	\$ 768,147	\$ 6,620,941

8. Employee Retirement Plans

All eligible District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (440 hours for teachers and 440 hours for Educational Support Staff) are eligible to participate in the WRS. As of December 31, 2010, covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.8% of their salary in 2011 and 5.9% of their salary in 2012 to the Plan. Employers generally made these contributions to the plan on behalf of employees through August 7, 2011. Thereafter, employees were required to fund their contribution, subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the WRS for the year ended June 30, 2012 was \$16,692,401; the employer's total payroll was \$17,283,113. The total required contribution for the year ended June 30, 2011 was \$2,190,969, which consisted of \$1,212,335, or 7.2% of payroll from the employer and \$978,639, or 5.9% of payroll from employees. Total contributions for the year ending June 30, 2011 and 2010 were \$2,182,700 and \$1,971,570, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings 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 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 retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested. Participants who initially become a WRS member on or after July 1, 2011 must accrue five years of credible service to be vested in the WRS.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

8. Employee Retirement Plans (continued)

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 which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

9. Post-Employment Benefits Trust

The Elkhorn Area School District Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's OPEB liability relating to medical and dental insurance. The trust does not require any employee or employer contributions. Employees participating in the OPEB benefit consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

Retirees	56
Active	<u>326</u>
Number of participating employees	<u><u>382</u></u>

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

Annual required contribution	\$ 996,140
Interest on net OPEB obligation	161,480
Adjustment to annual required contribution	<u>(143,080)</u>
Annual OPEB cost (expense)	1,014,540
Contributions made	<u>(1,295,080)</u>
Decrease in net OPEB obligation	(280,540)
Net OPEB obligation – beginning of year	<u>2,936,011</u>
Net OPEB obligation – end of year	<u><u>\$ 2,655,471</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 1,978,990	49.64%	\$ 1,955,803
6/30/11	1,978,990	50.66%	2,936,011
6/30/12	1,014,540	118.83%	2,655,471

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements

June 30, 2012

(Continued)

9. Post-Employment Benefits Trust (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedules of employer contributions presented as required supplementary information present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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 to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2011
Actuarial cost method	Unit credit
Amortization method	30 year open level dollar & level percent
Remaining amortization period	30 years
Asset valuation method	market value
Actuarial assumptions:	
Investment rate of return*	5.50%
Projected payroll increases	3.00%
Medical care trend*	10.00% decreasing by 1.00% per year down to 5.00%

* implicit in these rates is an assumed rate of inflation of 4.00%

10. Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is 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 referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

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; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage in the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

12. Litigation

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2012, are not likely to have a material adverse impact on the District's financial position.

13. Related Party Transactions

The spouse of a District school board member works for a legal firm which provides various legal services to the District. Based upon the recommendation of other legal counsel, the District has implemented procedures to avoid potential conflict of interest issues.

14. Act 10

In September 2012, Act 10 was overturned in county court. The State of Wisconsin plans to appeal this decision. Management is uncertain as to the effects this will have on this District.

15. Self-Funded Insurance Program

The District has a self-funded dental benefit plan for its employees. The Plan administrators, Delta Dental, Inc. (administrator), are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30, 2012.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2012, the District has reported a liability of \$62,878, which represents reported and unreported dental claims which were incurred on or before June 30, 2012 but were not paid by the District as of that date. This amount consists of \$23,909 of claims which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were determined by the plan administrator.

16. Risks and Uncertainties

The District has investments in various investment securities which are exposed to various risks of loss including, but not limited to, interest rates, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets in future periods.

REQUIRED SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2012

	<u>Fund 10 Budget</u>		<u>Fund 27 Budget</u>		<u>Combined Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Original</u>	<u>Final</u>	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:								
Local	\$ 15,631,142	\$ 15,631,142	\$ ---	\$ ---	\$ 15,631,142	\$ 15,631,142	\$ 15,641,444	\$ (10,302)
Interdistrict payments	888,000	888,000	48,636	48,636	936,636	936,636	884,600	52,036
Intermediate sources	---	---	431,000	431,000	431,000	431,000	535,419	(104,419)
State	13,345,296	13,345,296	475,000	475,000	13,820,296	13,820,296	13,864,055	(43,759)
Federal	726,926	726,926	60,000	60,000	786,926	786,926	840,086	(53,160)
Other	27,000	27,000	---	---	27,000	27,000	76,594	(49,594)
Total revenues	<u>30,618,364</u>	<u>30,618,364</u>	<u>1,014,636</u>	<u>1,014,636</u>	<u>31,633,000</u>	<u>31,633,000</u>	<u>31,842,198</u>	<u>(209,198)</u>
Expenditures:								
Instruction:								
Current	18,078,847	18,078,847	1,656,567	1,656,567	19,735,414	19,735,414	18,658,102	1,077,312
Interdistrict	486,360	486,360	69,480	69,480	555,840	555,840	535,358	20,482
Capital outlay	98,584	98,584	4,750	4,750	103,334	103,334	224,625	(121,291)
Support Services:								
Current	9,735,854	9,735,854	1,081,898	1,081,898	10,817,752	10,817,752	10,887,523	(69,771)
Capital outlay	37,169	37,169	---	---	37,169	37,169	189,566	(152,397)
Debt service	143,423	143,423	---	---	143,423	143,423	77,490	65,933
Total expenditures	<u>28,580,237</u>	<u>28,580,237</u>	<u>2,812,695</u>	<u>2,812,695</u>	<u>31,392,932</u>	<u>31,392,932</u>	<u>30,572,664</u>	<u>820,268</u>
Excess of revenues over expenditures	2,038,127	2,038,127	(1,798,059)	(1,798,059)	240,068	240,068	1,269,534	1,029,466
Other Financing Sources (uses):								
Operating transfers	(1,934,548)	(1,934,548)	1,798,059	1,798,059	(136,489)	(136,489)	(135,521)	968
Net change in fund balances	103,579	103,579	---	---	103,579	103,579	1,134,013	1,030,434
Fund Balances - Beginning of year	<u>4,363,396</u>	<u>4,363,396</u>	<u>---</u>	<u>---</u>	<u>4,363,396</u>	<u>4,363,396</u>	<u>4,363,396</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 4,466,975</u>	<u>\$ 4,466,975</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 4,466,975</u>	<u>\$ 4,466,975</u>	<u>\$ 5,497,409</u>	<u>\$ 1,030,434</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2007	\$ 31,007	\$ 15,419,396	\$ 15,388,389	0.20%	13,602,000	113.13%
July 1, 2009	266,777	17,115,257	16,848,480	1.56%	15,668,000	107.53%
July 1, 2011	508,169	10,382,512	9,874,343	4.89%	15,896,000	62.12%

1. The District is required to present the above information for the three most recent actuarial studies. The above-referenced studies were performed as of July 1, 2007, July 1, 2009 and July 1, 2011.

2. The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

Schedule of Employer Contributions

Year Ended June 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2010	\$ 1,971,619	\$ 982,284	49.82%
2011	1,971,619	1,006,441	51.05%
2012	996,140	1,295,080	130.01%

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds					Total
	Special Revenue	Food Service	Package- Cooperative	Community Service	Capital Projects	
ASSETS						
Cash and investments	\$ 210,366	\$ 497,645	\$ 16,711	\$ 51,155	\$ ---	\$ 775,877
Accounts receivable	16,664	148	---	---	70,000	86,812
Due from other governments	---	20,131	---	---	---	20,131
Inventory	---	8,416	---	---	---	8,416
Prepaid expense	---	44	148	68	---	260
	<u>\$ 227,030</u>	<u>\$ 526,384</u>	<u>\$ 16,859</u>	<u>\$ 51,223</u>	<u>\$ 70,000</u>	<u>\$ 891,496</u>
Total assets						
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,559	\$ 1,408	\$ 3,688	\$ ---	\$ ---	\$ 7,655
Withholdings and related fringes payable	442	4,825	39	440	---	5,746
Accrued payroll	5,180	807	---	2,290	---	8,277
Due to other funds	---	---	---	---	70,000	70,000
Deposits payable	---	---	13,132	---	---	13,132
Deferred revenues	---	18,539	---	---	---	18,539
Total liabilities	8,181	25,579	16,859	2,730	70,000	123,349
Fund Balances						
Nonspendable	\$ ---	\$ 8,460	\$ ---	\$ 68	\$ ---	\$ 8,528
Restricted	218,849	492,345	---	---	---	711,194
Assigned	---	---	---	48,425	---	48,425
Total fund balances	218,849	500,805	---	48,493	---	768,147
Total liabilities and fund balances	\$ 227,030	\$ 526,384	\$ 16,859	\$ 51,223	\$ 70,000	\$ 891,496

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2012

	<u>Special Revenue Funds</u>					
	<u>Special</u>	<u>Food</u>	<u>Package-</u>	<u>Community</u>	<u>Capital</u>	
	<u>Revenue</u>	<u>Service</u>	<u>Cooperative</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>
Revenues:						
Local	\$ 364,587	\$ 686,023	\$ 4,189	\$ 150,722	\$ ---	\$ 1,205,521
Interdistrict payments within Wisconsin	---	---	380,749	---	---	380,749
State	---	27,983	---	---	---	27,983
Federal	---	664,720	---	---	---	664,720
Total revenues	<u>364,587</u>	<u>1,378,726</u>	<u>384,938</u>	<u>150,722</u>	<u>---</u>	<u>2,278,973</u>
Expenditures:						
Instruction:						
Current	312,373	---	358,093	---	---	670,466
Capital outlay	32,520	---	---	---	---	32,520
Support Services:						
Current	13,591	1,265,767	162,366	152,317	---	1,594,041
Capital outlay	500	65,266	---	---	---	65,766
Total expenditures	<u>358,984</u>	<u>1,331,033</u>	<u>520,459</u>	<u>152,317</u>	<u>---</u>	<u>2,362,793</u>
Excess (deficiency) of revenues over expenditures	5,603	47,693	(135,521)	(1,595)	---	(83,820)
Other Financing Sources (uses):						
Operating transfers in	---	---	135,521	---	---	135,521
Net change in fund balances	5,603	47,693	---	(1,595)	---	51,701
Fund Balances - Beginning of year	<u>213,246</u>	<u>453,112</u>	<u>---</u>	<u>50,088</u>	<u>---</u>	<u>716,446</u>
Fund Balances - End of year	<u>\$ 218,849</u>	<u>\$ 500,805</u>	<u>\$ ---</u>	<u>\$ 48,493</u>	<u>\$ ---</u>	<u>\$ 768,147</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2011

	<u>Balance</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u>
	<u>7/1/11</u>						<u>06/30/12</u>
ASSETS							
Cash	\$ 65,991	\$	244,911	\$	263,882	\$	47,020
LIABILITIES AND NET ASSETS							
Elkhorn High School	\$ 60,801	\$	230,326	\$	251,451	\$	39,676
Jackson Elementary	1,801		1,289		300		2,790
Middle School	238		6,043		4,720		1,561
Tibbets	1,383		5,571		5,786		1,168
West Side Elementary	521		1,669		1,561		629
Due to student groups - unallocated interest	1,247		13		64		1,196
Total liabilities	\$ 65,991	\$	244,911	\$	263,882	\$	47,020

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2012

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued or (Deferred) Revenue at July 1, 2011	Receipts	State Disbursements/ Expenditures	Accrued or (Deferred) Revenue at June 30, 2012
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 506,277	\$ 506,277	\$ ---
State school lunch	255.102	---	15,274	15,274	---
Common school fund library aid	255.103	---	105,008	105,008	---
Bilingual/bicultural aid	255.106	---	27,433	27,433	---
Pupil transportation	255.107	---	50,954	50,954	---
School day milk program	255.109	---	1,381	1,381	---
Equalization aids	255.201	253,073	11,795,421	11,762,665	220,317
Special adjustment aid	255.203	---	1,736,551	1,736,551	---
Alternative education					
School breakfast program	255.344	---	8,353	11,328	2,975
Mentoring grants for initial educators	255.355	---	6,285	6,285	---
Total WI Dept. of Public Instruction		<u>253,073</u>	<u>14,252,937</u>	<u>14,223,156</u>	<u>223,292</u>
WI Dept. of Military Affairs					
FEMA	465.305	---	1,949	1,949	---
Total WI Dept. of Military Affairs		<u>---</u>	<u>1,949</u>	<u>1,949</u>	<u>---</u>
Total		<u>\$ 253,073</u>	<u>\$ 14,254,886</u>	<u>\$ 14,225,105</u>	<u>\$ 223,292</u>

** Total DPI aidable expenditures for the year ended June 30, 2012 were \$2,210,471

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Awarding Agency	Federal	Accrued or		Federal	Accrued or
Pass-Through Agency	Catalog	(Deferred)		Disbursements/	(Deferred)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>
		<u>July 1, 2011</u>			<u>June 30, 2012</u>
U.S. Department of Agriculture					
<i>Child Nutrition Cluster</i>					
Passed through Wisconsin Department of Public Instruction:					
Food Service Aid - Breakfast	10.553	5,109	119,007	117,870	3,972
Donated Commodities	10.555	---	94,424	94,424	---
Food Service Aid - Lunch	10.555	18,217	457,458	452,425	13,184
Total U.S. Department of Agriculture - Child Nutrition Cluster		23,326	670,889	664,719	17,156
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
<i>Title I, Part A Cluster</i>					
ESEA Title I-A Basic	84.010	72,770	403,878	533,858	202,750
ARRA-ESEA Title I-A	84.389	117,250	117,841	591	---
Total Title I, Part A Cluster		190,020	521,719	534,449	202,750
<i>Special Education Cluster (IDEA)</i>					
ARRA-IDEA Flow Through	84.391	91,754	96,346	4,592	---
Passed through Walworth County:					
IDEA Flow Through	84.027	112,888	545,064	535,418	103,242
Total Special Education Cluster (IDEA)		204,642	641,410	540,010	103,242
Educational Technology State Grants Cluster					
Title II-D Technology	84.318	3,104	3,104	---	---
Total Educational Technology State Grants Cluster		3,104	3,104	---	---
Title 4 AODA	84.186	572	572	---	---
ESEA Title III-A English Language	84.365	10,852	23,610	20,598	7,840
ESEA Title II-A Teacher Principal Training	84.367	38,212	86,623	78,774	30,363
Passed through Lake Geneva School District:					
Carl Perkins	84.048	---	1,900	1,900	---
Passed through Wisconsin Department of Administration:					
Education Jobs Fund	84.410	314,948	330,601	15,653	---
Total U.S. Department of Education		762,350	1,609,539	1,191,384	344,195
U.S. Department of Health and Human Services					
Passed through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	19,250	185,826	180,176	13,600
U.S. Department of Homeland Security					
Passed through Wisconsin Department of Military Affairs					
FEMA	97.036	---	5,845	5,845	---
U.S. Library of Congress					
Passed through Illinois State University					
Teaching with Primary Sources	Unknown	6,944	6,944	---	---
Total		<u>\$ 811,870</u>	<u>\$ 2,473,198</u>	<u>\$ 2,036,279</u>	<u>\$ 374,951</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2012

1. General

The accompanying schedule of expenditures of state and federal awards represent the activity of all state and federal financial awards programs of the District. All state and federal awards received directly from state and federal agencies as well as state and federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying schedules of expenditures of state and federal awards are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Steven C. Barney
Steven R. Volz
Daniel R. Brophrey
Thomas G. Wieland
Michael W. Van Wagenen



David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert

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

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elkhorn Area School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.



We noted certain other matters that we reported to management of Elkhorn Area School District in a separate letter dated October 12, 2012.

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

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

October 12, 2012
Milwaukee, Wisconsin

Steven C. Barney
Steven R. Volz
Daniel R. Brophy
Thomas G. Wieland
Michael W. Van Wagenen



David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE
AUDIT GUIDELINES**

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

Compliance

We have audited Elkhorn Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *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, 2012. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines*, which is described in the accompanying schedule of findings and questioned costs as item FY2012-1.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A *deficiency* in internal 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 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.

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

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

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

October 12, 2012
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Prior Audit Findings

Year Ended June 30, 2012

FY2011-1 State #255.107 General Transportation Aid for Public and Non-Public School Pupils – Claim transportation costs for special education students on regular transportation routes.

Criteria: The Wisconsin Public School District audit manual for Pupil Transportation Aid 255.107 states “Special education pupils riding regular home to school routes are also included in the regular transportation or summer school tables UNLESS the pupils’ Individualized Education Program (IEP) REQUIRES A MODIFICATION of home to school transportation. (Special education only route).

Condition: During our testing of we noted that the District listed all special education students on the regular routes.

Questioned Costs: Not applicable as aid is based on the number of students transported.

Effect: Special education transportation costs are claimed under both the Special Education and School Age Parents program and the General Transportation Aid program.

Recommendation: The District should put in place appropriate internal controls to ensure that pupils claimed for special education transportation under the special education program are not also claimed for general transportation aid.

District Response: The District has implemented procedures to ensure that the Special Education students are not included with the regular transportation. This was completed prior to completing the final state transportation aid report.

Status: This condition has been corrected as of June 30, 2012

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 1 - Summary of Auditors Results

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiencies identified not considered to be material weakness(es)? | No |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiencies identified not considered to be material weakness(es)? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	<u>Child Nutrition Cluster</u>
10.555	Food Service Aid-Breakfast Food Service Aid-Lunch
84.027	<u>Special Education Cluster (IDEA)</u>
84.391	IDEA Flow Through ARRA-IDEA Flow Through

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

A. Summary of Auditors Results (continued)

State Awards

10. Internal control over financial reporting:
- A. Material weakness(es) identified? No
 - B. Significant deficiencies identified not considered to be material weakness(es)? No
11. Type of auditor's report issued on compliance for major programs: Unqualified
12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? Yes
13. Identification of major state programs:

<u>State ID</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.107	General Transportation Aid
255.201	Equalization Aid
255.203	Special Adjustment Aid

Section II - Financial Statement Findings

No matters were reported

Section III - Federal and State Award Findings and Questioned Costs

FY2012-1 State #255.107 General Transportation Aid for Public and Non-Public School Pupils – Claim transportation costs for special education students on regular transportation routes.

Criteria: The Wisconsin Public School District audit manual for Pupil Transportation Aid 255.107 states "Distance is measured from the pupil's residence to the school attended along the usually traveled route. This requires the district to have a system for identifying pupils, days enrolled, distance from residence to school attended using most direct route and any changes during the year."

Condition: During our testing of we noted that the District estimated the mileage for summer school transportation.

Questioned Costs: Not applicable as aid is based on the number of students transported.

Effect: Summer school transportation reporting is inaccurate.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

C. Federal and State Award Findings and Questioned Costs (continued)

Section III - Federal and State Award Findings and Questioned Costs (continued)

FY2012-1 (continued)

Recommendation: The District should apply to same internal controls for identifying pupils transported, days enrolled, distances of students from residence to school attended and any changes during the year to the students attending the summer school program as to the regular school year students.

District Response: The District has implemented procedures to improve the accuracy of mileage for summer school transportation.

Section IV – Other Issues

- | | |
|--|-----------------------|
| 1. Does the auditor's report or the notes to the financial statements include disclosures with regard to substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. , material noncompliance , nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :

Department of Public Instruction | Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | <hr/> Carrie A. Gindt |
| 5. Date of Report | October 12, 2012 |