

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2014

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ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2014

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Independent Auditors' Report

To the School Board
Elkhorn Area School District
Elkhorn, Wisconsin

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 District as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are 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 the *State Single Audit Guidelines*, and is also not a required part of the financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

November 3, 2014
Milwaukee, Wisconsin

**ELKHORN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS STATEMENT
For the Year Ended June 30, 2014**

The discussion and analysis of the Elkhorn Area School District's financial performance provides an overall review of financial activities for the 2012-2013 and 2013-2014 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 2012-2013 fiscal year were \$37,900,217; including \$18,756,110 of property taxes, \$13,450,765 of general state and federal aids, \$5,693,342 of charges for services, local revenues, and operating grants. Total governmental funds

expenditures were \$ 34,009,598 including \$19,927,772 for direct instruction, \$ 14,081,826 for instructional support and other support services. The District's financial status, as reflected in total net assets, increased by \$ 3,890,619

Total governmental funds revenues for the 2013-2014 fiscal year were \$38,484,764; including \$18,643,943 of property taxes, \$14,154,866 of general state and federal aids, \$5,685,955 of charges for services, local revenues, and operating grants. Total governmental funds expenditures were 35,320,047; including

\$20,895,983 for direct instruction, \$14,424,064 for instructional support and other support services. The District's financial status, as reflected in total net assets, increased by \$ 3,164,717

Overview of the Financial Statements

This section of the comprehensive annual financial report 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.

information on a District-wide basis. 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 Position and Statement of Activities* provide

- 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	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.	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 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>
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. 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 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 Position reports all assets and liabilities available to support District activities. The two District-wide statements report the District's *net position* and how they have changed. Net position, 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 position 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 position for the year ended June 30, 2014. Total net position reflects an increase of \$3,164,717. The calculation of net position 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 % Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
Current and other assets	11,943,526	11,781,622	-1.36
Capital assets	37,189,678	36,164,153	-2.76
Total assets	49,133,204	47,945,775	-2.42
Long-term debt obligations	17,863,283	14,064,764	-21.26
Current liabilities	7,038,534	6,747,939	-4.13
Total liabilities	24,901,817	20,812,703	-16.42
Net assets			
Invested in capital assets, net of related debt	18,642,248	20,992,171	12.61
Restricted	1,119,895	1,072,028	-4.27
Unrestricted	4,206,212	5,068,873	20.51
Total net position	23,968,355	27,133,072	13.22
Note: totals may not add due to rounding			

Table 2			
Changes in Net Position from Operating Results			
	Governmental Activities		Total % Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
REVENUES			
Charges for services	2,484,521	2,409,597	-3.02
Operating grants & contributions	3,066,839	3,124,434	1.89
Property taxes	18,756,110	18,643,943	-.60
State and federal aids	13,450,765	14,154,866	5.23
Other revenues	142,432	151,924	6.66
Total Revenues	37,900,217	38,484,764	1.54
EXPENSES			
Instruction	19,927,772	20,895,983	4.86
Pupil & instructional services	2,463,281	2,449,078	-.58
Administration	2,634,041	2,665,882	1.21
Business services	5,851,074	6,309,064	7.83
Interest (long-term debt)	698,977	528,775	-24.35
Food Service	1,323,870	1,331,105	.55
Depreciation-unallocated	1,121,922	1,104,917	-1.52
Non-program transactions	(11,339)	35,243	n/a
Total Expenditures	34,009,598	35,320,048	3.85
Increase (Decrease) in net position	3,890,619	3,164,717	-18.66
Note: totals may not add due to rounding			

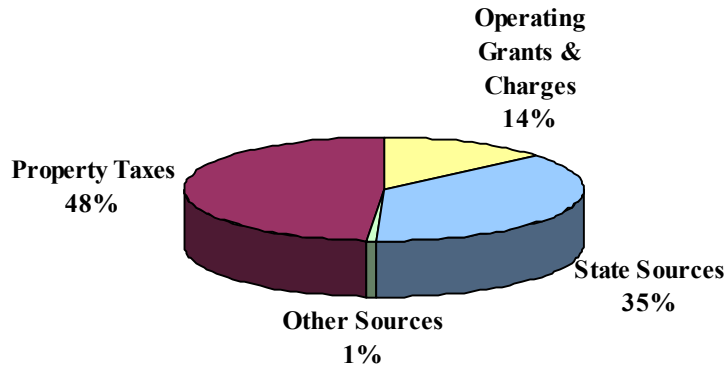
Table 2 provides summarized operating results and their impact on net position.

The District relies primarily on property taxes 49%, state & federal aid 37%, and operating

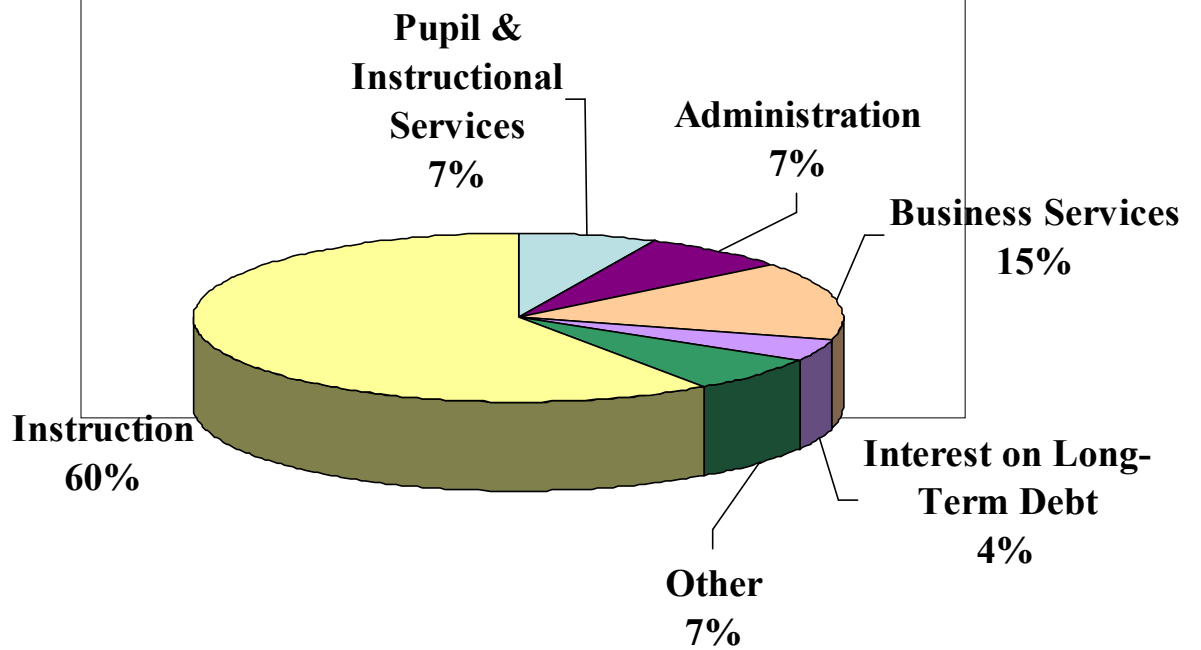
grants, charges for services, and other sources totaling 14% to fund governmental activities.

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

2013-14 Revenues



2013-14 Expenditures



Financial Aspects of the District's Funds

20013-2014

The District completed the year with a total governmental fund balance of \$ 8,274,437 up from last year's ending fund balance of \$8,075,290 .

- The general fund had an increase in fund balance of \$236,985. This increase was partially due to additional, handicapped aid, Medicaid reimbursement, other one time revenues and lower than expected short term borrowing costs.
- The debt service fund had a decrease of \$ 46,490. 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 year.
- The food service program increased its fund balance in the amount of \$5,944 due primary to increased program participation and continued participation in a co-op purchasing group.

20012-2013

The District completed the year with a total governmental fund balance of \$ 8,075,290 up from last year's ending fund balance of \$6,620,941 .

- The general fund had an increase in fund balance of \$1,389,791. 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 short term borrowing costs.
- The debt service fund had a decrease of \$ 2,174. 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 year.
- The food service program increased its fund balance in the amount of \$44,367 due primary to increased program participation and continued participation in a co-op purchasing group.

General Fund Budgetary Highlights

2013-2014

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 expenditures would exceed revenues, the actual results for the year showed an increase in fund balance of \$236,985. The general fund balance, as a percentage of operating expenses, represented 22.22% for the fiscal year.

2012-2013

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 equal expenditures, the actual results for the year showed an increase in fund balance of \$1,389,791. The general fund balance, as a percentage of operating expenses, represented 22.56% for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had invested \$57,858,250 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation

on these assets totaled \$21,694,097. Asset acquisitions for governmental activities totaled \$331,175. The District recognized depreciation expense of \$1,356,700.

At the end of fiscal year 2013, the District had invested \$57,528,575 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation

on these assets totaled \$20,338,897. Asset acquisitions for governmental activities totaled \$498,015. The District recognized depreciation expense of \$1,377,536.

<i>Table 4</i>			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
Land (not depreciated)	668,548	668,548	0.00
Site improvements	1,751,162	1,969,140	12.45
Buildings & building improvements	49,915,562	49,915,562	0.00
Furniture & equipment	5,193,303	5,305,000	2.15
Accumulated depreciation	(20,338,897)	(21,694,097)	6.66
Total	37,189,678	36,164,153	-2.76
Note: totals may not add due to rounding			

Long-Term Debt

At year-end, the District had \$ 15,130,000 in general obligation bonds and other general obligation debt outstanding. Our current debt limit per Wisconsin statutes is \$177,254,421. The District retired \$ 3,350,000 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		Percentage
	School District		Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
General obligation debt	18,480,000	15,130,000	-18.13
Post Retirement Liability	2,350,030	1,792,848	-23.71
Capital leases	67,430	41,982	-37.74
Compensated Absences	1,268	0	N/A
Prior Service Liability	0	0	N/A
Total Long-term Oblig.	<u>20,898,728</u>	<u>16,964,830</u>	<u>-18.82</u>

Factors Bearing on the District's Future

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

- None at this time.

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 Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 4,944,706
Taxes receivable	5,913,595
Accounts receivable	72,484
Due from other governments	663,150
Inventory	37,165
Prepaid expense	150,522
Total current assets	11,781,622
Capital assets	
Nondepreciable	668,548
Depreciable, net of accumulated depreciation	35,495,605
Total capital assets	36,164,153
Total assets	47,945,775
Liabilities	
Current liabilities	
Short-term notes payable	2,500,000
Accounts payable	315,583
Withholdings and related fringes payable	479,967
Accrued interest	123,253
Accrued salaries and related items	103,414
Deposits payable	44,987
Health benefit claims payable	28,446
Unearned revenues	19,834
Current portion of long-term debt	3,132,455
Total current liabilities	6,747,939
Noncurrent liabilities	
Long-term debt	12,039,527
Unamortized premium	232,389
Post-retirement liability	1,792,848
Total noncurrent liabilities	14,064,764
Total liabilities	20,812,703
Net Position	
Net investment in capital assets	20,992,171
Restricted for:	
Debt service	306,721
Food service	551,116
Other	214,191
Unrestricted	5,068,873
Total net position	\$ 27,133,072

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, 2014

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Net Position	
Governmental activities:				
Instruction:				
Regular instruction	\$ 15,862,652	\$ 1,709,346	\$ 968,459	\$ (13,184,847)
Special education instruction	2,412,329	23,614	1,258,404	(1,130,311)
Vocational instruction	861,411	---	---	(861,411)
Other instruction	1,759,591	56,361	---	(1,703,230)
Total instruction	20,895,983	1,789,321	2,226,863	(16,879,799)
Support services:				
Pupil services	1,346,050	---	---	(1,346,050)
Instructional staff services	1,103,028	---	98,576	(1,004,452)
Administration services	2,665,882	---	---	(2,665,882)
Operation and maintenance of plant	3,248,759	8,865	---	(3,239,894)
Pupil transportation	1,621,587	---	64,092	(1,557,495)
Central services	554,909	---	---	(554,909)
Other support services	754,423	---	---	(754,423)
Community services	129,386	9,026	---	(120,360)
Food service	1,331,105	602,385	734,903	6,183
Interest	528,775	---	---	(528,775)
Non-program transactions	35,243	---	---	(35,243)
Unallocated depreciation**	1,104,917	---	---	(1,104,917)
Total support services	14,424,064	620,276	897,571	(12,906,217)
Total school district	\$ 35,320,047	\$ 2,409,597	\$ 3,124,434	(29,786,016)

General revenues:

Taxes:	
Property taxes, levied for general purposes	14,689,438
Property taxes, levied for debt service	3,819,052
Property taxes, levied for specific purposes	135,453
Other taxes	17,294
Federal and state aid not restricted to specific purposes:	
General	14,097,994
Other	56,872
Interest and investment earnings	6,528
Miscellaneous	128,102
Change in net position	3,164,717
Net position - beginning of year	23,968,355
Net position - end of year	\$ 27,133,072

**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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 3,729,871	\$ 306,721	\$ 908,114	\$ 4,944,706
Taxes receivable	5,913,595	---	---	5,913,595
Accounts receivable	21,135	---	51,349	72,484
Due from other funds	67,441	---	---	67,441
Due from other governments	630,972	---	26,946	657,918
Inventory	25,942	---	11,223	37,165
Prepaid expense	143,478	---	7,044	150,522
Total assets	\$ 10,532,434	\$ 306,721	\$ 1,004,676	\$ 11,843,831
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term notes payable	\$ 2,500,000	\$ ---	\$ ---	\$ 2,500,000
Accounts payable	291,109	---	24,474	315,583
Withholdings and related fringes payable	438,382	---	41,585	479,967
Accrued interest	9,722	---	---	9,722
Accrued payroll	99,465	---	3,949	103,414
Due to other funds	---	---	67,441	67,441
Deposits payable	41,125	---	3,862	44,987
Health benefit claims payable	28,446	---	---	28,446
Unearned revenues	---	---	19,834	19,834
Total liabilities	3,408,249	---	161,145	3,569,394
Fund Balances				
Nonspendable	169,420	---	14,536	183,956
Restricted	---	306,721	750,840	1,057,561
Assigned	---	---	78,155	78,155
Unassigned	6,954,765	---	---	6,954,765
Total fund balances	7,124,185	306,721	843,531	8,274,437
Total liabilities and fund balances	\$ 10,532,434	\$ 306,721	\$ 1,004,676	\$ 11,843,831

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 Position**

June 30, 2014

Total fund balances - governmental funds \$ 8,274,437

Amounts reported for governmental activities in the statement of net position 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	\$ 57,858,250	
Accumulated depreciation	<u>(21,694,097)</u>	
		36,164,153

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.

(1,792,848)

Long-term debt and related items are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term debt and related items at year-end consist of:

Bonds payable	12,630,000	
Promissory notes	2,080,000	
State trust fund loan	420,000	
Unamortized premium	232,389	
Capital leases payable	<u>41,983</u>	
		(15,404,372)

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

5,232

Accrued interest payable on long-term obligations is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.

(113,530)

Total net position - governmental activities \$ 27,133,072

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 14,922,327	\$ 3,819,052	\$ 1,164,838	\$ 19,906,217
Interdistrict payments within Wisconsin	1,240,354	---	367,653	1,608,007
Intermediate sources	23,686	---	---	23,686
State	14,896,603	---	25,018	14,921,621
Federal	1,173,169	---	727,679	1,900,848
Other	73,549	51,708	---	125,257
Total revenues	<u>32,329,688</u>	<u>3,870,760</u>	<u>2,285,188</u>	<u>38,485,636</u>
 Expenditures:				
Instruction:				
Current	19,600,792	---	777,567	20,378,359
Interdistrict	787,895	---	---	787,895
Capital outlay	152,834	---	11,654	164,488
Support Services:				
Current	11,193,136	---	1,633,635	12,826,771
Capital outlay	145,892	---	20,795	166,687
Debt service	43,540	5,574,433	---	5,617,973
Total expenditures	<u>31,924,089</u>	<u>5,574,433</u>	<u>2,443,651</u>	<u>39,942,173</u>
Excess (deficiency) of revenues over expenditures	405,599	(1,703,673)	(158,463)	(1,456,537)
 Other Financing Sources (uses):				
Operating transfers in	---	1,499	167,115	168,614
Operating transfers out	(168,614)	---	---	(168,614)
Face value of refunding bond	---	1,625,000	---	1,625,000
Premium on issuance of refunding bond	---	30,684	---	30,684
Total other financing sources (uses)	<u>(168,614)</u>	<u>1,657,183</u>	<u>167,115</u>	<u>1,655,684</u>
Net change in fund balances	236,985	(46,490)	8,652	199,147
 Fund Balances - Beginning of year	 <u>6,887,200</u>	 <u>353,211</u>	 <u>834,879</u>	 <u>8,075,290</u>
 Fund Balances - End of year	 <u>\$ 7,124,185</u>	 <u>\$ 306,721</u>	 <u>\$ 843,531</u>	 <u>\$ 8,274,437</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, 2014

Total net change in fund balances - governmental funds \$ 199,147

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 outlay is as follows:

Depreciation expense	\$	(1,356,700)	
Capital outlays		<u>331,175</u>	(1,025,525)

Proceeds received for the issuance of debt is classified as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (1,625,000)

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 position.

Promissory Notes		640,000	
Bonds payable		4,265,000	
State trust fund loan payable		70,000	
Capital leases		<u>25,448</u>	5,000,448

Amortization of premium from the issuance of debt reduces the balance of the respective item in the statement of net position. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

Current period amortization of premium on issuance 61,327

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. 557,182

Bond premiums are recorded as an other financing source in the governmental funds, but these are amortized over the life of the bonds in the statement of activities. (30,684)

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 they are received. (869)

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. 1,268

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. 27,423

Change in net position of governmental activities \$ 3,164,717

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private</u>		<u>Employee</u>		<u>Agency</u>
	<u>Purpose Trusts</u>		<u>Benefit Trusts</u>		<u>Fund</u>
ASSETS					
Cash	\$ 4,829	\$	710,134	\$	46,342
Investments	153,703		---		---
Total assets	<u>\$ 158,532</u>	\$	<u>710,134</u>	\$	<u>46,342</u>
LIABILITIES AND NET POSITION					
Due to student groups	\$ ---	\$	---	\$	46,342
Net position:					
Non-spendable corpus	66,010		---		---
Restricted	92,522		710,134		---
Total liabilities and net position	<u>\$ 158,532</u>	\$	<u>710,134</u>	\$	<u>46,342</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	<u>Private</u>		<u>Employee</u>
	<u>Purpose Trusts</u>		<u>Benefit Trusts</u>
ADDITIONS			
Net investment income	\$ 21,859	\$	585
District contributions	---		1,010,289
Plan member contributions	---		12,849
Total additions	<u>21,859</u>		<u>1,023,723</u>
DEDUCTIONS			
Trust fund disbursements	<u>9,500</u>		<u>1,023,138</u>
Change in net position	12,359		585
Net position - beginning of year	<u>146,173</u>		<u>709,549</u>
Net position - end of year	<u>\$ 158,532</u>	\$	<u>710,134</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, 2014

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 District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

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 position 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, 2014
(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 sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(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. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid, by the collecting municipalities, its proportionate share of tax collections received through the last day of the preceding month. 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.

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 has no 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, 2014 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	\$ 167,115
Payment of debt	Debt Service	General	1,499
<u>Due to/from:</u>			
Capital Projects	General	Capital Projects	50,000
Support Package Coop	Package Coop	General	17,441

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(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 Position

The Government Accounting Standards Board (GASB) has established standards for reporting deferred outflows and inflows of resources and net position. Under GASB, the District classifies net position in the government-wide financial statements as follows:

- Net Investment in Capital Assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. Fund Balances

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Non-spendable* - amounts that cannot be spent, either because they are not in spendable form and cannot be converted to cash 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.
- *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 minimum goal of the Board of Education is to have an end of year general fund balance amount sufficient that short-term borrowing for cash flow needs in the ensuing fiscal year could be minimized or avoided. Beyond the short-term cash flow needs, the Board of Education will also utilize the end of year fund balance to set aside sufficient assets to realize its longer-range goals and meet its unfunded financial obligations.

Use of the Fund Balance is limited to the following:

- One-time start-up expenses of new academic programs.
- The one-time cost of a capital expenditure.
- Other one-time expenditures advantageous to the long-range goals of the District.
- Previously planned strategic uses.

Except where the Board expressly directs a different order of expenditure of fund balance amounts in connection with approving a specific expense or payment, fund balance resources shall be spent in the following order when various sources are available for a particular purpose: (1) Committed fund balances; (2) Assigned fund balances; (3) Unassigned fund balances; and (4) Restricted fund balances.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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. Beginning with the year ending June 30, 2014 employees are not allowed to accumulate vacation days beyond the fiscal year end.

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.

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 (November 3, 2014). See note 3 for information on subsequent short-term notes payable payoff and issuance.

2. Cash and Investments

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

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Petty cash	\$ 1,000	
Demand deposits	303,345	Custodial risk – deposits
Bonds	7,420	Interest rate risk
Unit trusts	4,796	Interest rate risk
Mutual funds	141,487	Interest rate risk
Local government investment pool	1,016,862	Custodial risk – deposits
Wisconsin Investment Series Cooperative	<u>4,384,804</u>	Custodial risk – deposits
Total cash and equivalents	\$ <u>5,859,714</u>	

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

2. Cash and Investments (Continued)

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

Statement of net position:	
Cash and investments	\$ 4,944,706
Statement of fiduciary net position:	
Cash	761,305
Investments	153,703
Total cash and equivalents	\$ <u>5,859,714</u>

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.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Deposits in local banks and the Wisconsin Local Government Investment Pool (LGIP) 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

2. Cash and Investments (Continued)

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 and the LGIP was \$1,320,207 at June 30, 2014 and the bank's carrying value was \$1,317,535, of which \$700,673 was fully insured and \$616,862 was uninsured and uncollateralized. The entire \$4,384,804 of the Wisconsin Investment Series Cooperative is uninsured. 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: Is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as the means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	<1 year	1-5 Years	6-10 years
Bonds	\$ 7,420	\$ ---	\$ ---	\$ 7,420
Unit trusts	4,796	4,796	---	---
Mutual funds	141,487	141,487	---	---
	<u>\$ 153,703</u>	<u>\$ 146,283</u>	<u>\$ ---</u>	<u>\$ 7,420</u>

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, 2014 are as follows:

Balance July 01, 2013	Additions	Reductions	Balance June 30, 2014
\$ 3,000,000	\$ 2,500,000	\$ (3,000,000)	\$ 2,500,000

The note was dated August 28, 2013 due August 21, 2014, with an interest rate of .46%. Interest for the year ended June 30, 2014 was \$13,825. The note is for general district operation. Subsequent to year end this note was paid off. The District elected to open a Line of Credit in lieu of a short term note in an amount not to exceed \$2,000,000 to cover future short-term cash flow needs. Interest will be the prime variable rate which will adjust monthly on the 1st day of the month. At no time during the loan term shall the interest rate exceed 18%. In no event will the interest rate exceed that permitted by any applicable law. Interest shall be payable from the day any amount is drawn on the Taxable Revolving Line of Credit.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

4. Capital Assets

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

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated				
Sites	\$ 668,548	\$ ---	\$ ---	\$ 668,548
Capital assets being depreciated				
Land improvements	1,751,162	217,978	---	1,969,140
Buildings and improvements	49,915,562	---	---	49,915,562
Equipment	5,193,303	113,197	1,500	5,305,000
Total capital assets being depreciated	56,860,027	331,175	1,500	57,189,702
Less accumulated depreciation	20,338,897	1,356,700	1,500	21,694,097
Total capital assets being depreciated, net of accumulated depreciation	36,521,130	(1,025,525)	---	35,495,605
Governmental activities capital assets, net of accumulated depreciation	\$ 37,189,678	\$ (1,025,525)	\$ ---	\$ 36,164,153

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,104,917
Regular instruction	131,112
Food service	20,317
Pupil transportation	3,081
Operation and maintenance	23,168
Administration services	74,105
Total depreciation for governmental activities	\$ <u>1,356,700</u>

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

Type	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
G.O. Bonds	\$ 15,270,000	\$ 1,625,000	\$ 4,265,000	\$ 12,630,000	\$ 2,370,000
G.O. Promissory Notes	2,720,000	---	640,000	2,080,000	665,000
State Trust Fund Loan	490,000	---	70,000	420,000	70,000
Capital Lease	67,430	---	25,448	41,982	27,455
Compensated Absences	1,268	---	1,268	---	---
Total	\$ 18,548,698	\$ 1,625,000	\$ 5,001,716	\$ 15,171,982	\$ 3,132,455

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2014 on long-term liabilities was \$569,868 and \$542,445, respectively.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

5. Long-Term Liabilities (continued)

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, 2014 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2014</u>
State Trust fund Loan	08/10/10	4.25%	03/15/20	\$ 420,000
G.O. Promissory Note	05/23/07	3.75 to 4.00%	04/01/17	2,080,000
G.O. Refunding Bond	11/01/06	4.00	04/01/18	4,920,000
G.O. Refunding Bond	3/17/14	2.00 to 3.00%	10/01/17	1,625,000
G.O. Refunding Bond	01/30/12	1.5 to 2.0	04/01/18	4,315,000
G.O. Refunding Bond	2/27/13	1.00 to 2.00	04/01/17	1,770,000
Total				<u>\$ 15,130,000</u>

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,772,544,208. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,772,544,208)	\$ 177,254,421
Deduct long-term debt applicable to debt margin	(15,130,000)
Margin of indebtedness	<u>\$ 162,124,421</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt and capital leases on June 30, 2014 follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
2015	\$ 3,132,455	\$ 458,810	\$ (17,850)	\$ 3,573,415
2016	2,999,527	379,841	(14,916)	3,364,452
2017	3,060,000	299,100	(11,900)	3,347,200
2018	1,000,000	221,525	(8,925)	1,212,600
2019	1,215,000	199,550	(5,950)	1,408,600
2020-2024	3,765,000	302,383	(2,983)	4,064,400
Totals	<u>\$ 15,171,982</u>	<u>\$ 1,861,209</u>	<u>\$ (62,524)</u>	<u>\$ 16,970,667</u>

The interest subsidy column indicates reimbursements received from the IRS in connection with the 2010 State Trust Fund loan issued as Build America Bonds.

During the year ended June 30, 2014, the District paid an outstanding G.O. Bond through a current refunding. The principal payments refinanced totaled \$1,625,000. As a result of the current refunding, the District decreased its total future debt service requirements by \$100,444, 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 \$37,213. The District has no defeased debt as of June 30, 2014.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

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, 2014:

General Fund:

Fund 10:

Physical curriculum	\$		78,425
Co-Curricular activities			2,795
Other retiree payments			423,001
Other non-program transactions			35,243

Fund 27:

Other retiree payments	\$		60,854
Purchased instructional services			123,111

The excess expenditures were funded by current year revenues.

7. Fund Balances

As of June 30, 2014, 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	\$ 143,478	\$ ---	\$ 3,313	\$ 146,791
Inventory	25,942	---	11,223	37,165
Restricted for:				
Debt Service	---	306,721	---	306,721
Food service	---	---	536,649	536,649
Special projects	---	---	214,191	214,191
Assigned for:				
Community service	---	---	78,155	78,155
Unassigned	6,954,765	---	---	6,954,765
Total	\$ 7,124,185	\$ 306,721	\$ 843,531	\$ 8,274,437

8. Deferred Outflows and Deferred Inflows of Resources

In accordance with GASB, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources.

The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

9. Employee Retirement Plans

All eligible Elkhorn Area School District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and Educational Support Staff) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year (e.g. teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contribution rates for 2013 and 2014 are as follows:

	<u>2013</u>		<u>2014</u>	
	Employee	Employer	Employee	Employer
General (including Teachers)	6.65%	6.65%	7.00%	7.00%

The payroll for District employees covered by the WRS for the year ended June 30, 2014 was \$17,019,786; the employer's total payroll was \$17,866,196. The total required contribution for the year ended June 30, 2014 was \$2,332,954, which consisted of \$1,168,477, or 6.9% of payroll from the employer and \$1,166,477, or 6.9% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012 were \$2,148,038 and \$2,190,969, 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 on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 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.

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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

10. 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, 2013, the date of the latest actuarial valuation:

Retirees	60
Active	<u>330</u>
Number of participating employees	<u><u>390</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. 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	\$ 520,504
Interest on net OPEB obligation	129,252
Adjustment to annual required contribution	<u>(196,649)</u>
Annual OPEB cost (expense)	453,107
Contributions made	<u>(1,010,289)</u>
Decrease in net OPEB obligation	(557,182)
Net OPEB obligation – beginning of year	<u>2,350,030</u>
Net OPEB obligation – end of year	<u><u>\$ 1,792,848</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, 2014 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>
6/30/11	\$ 1,978,990	50.66%	\$ 2,936,011
6/30/12	1,014,540	118.83%	2,655,471
6/30/13	1,012,782	100.17%	2,350,030
6/30/14	453,107	222.96%	1,792,848

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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

10. Post-Employment Benefits Trust (continued)

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. 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 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 cost method	Unit credit
Amortization method	30 year level dollar
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.50%
Projected payroll increases	3.00%
Medical care trend*	7.50% decreasing by .50% per year down to 6.50%, then by .10% per year down to 5.0%, and level thereafter.

* implicit in these rates is an assumed rate of inflation of 3.00%

11. 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

12. 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

13. Commitments and Contingencies

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

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

14. Related Party Transactions

The spouse of a District school board member is a partner with a law firm which provides various legal services to the District; \$8,313 was paid to this law firm during the year ended June 30, 2014. Based upon the recommendation of other legal counsel, the District has implemented procedures to avoid potential conflict of interest issues.

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, 2014.

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, 2014, the District has reported a liability of \$69,571, which represents reported and unreported dental claims which were incurred on or before June 30, 2013 but were not paid by the District as of that date. This amount consists of \$28,446 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. Changes in the claims liability for the years ended June 30, 2014 and June 30, 2013 are as follows:

	Year Ended June 30, 2014
Estimated claims outstanding July 1	\$ 62,218
Current year claims and changes in estimates	413,948
Claim payments	<u>(406,595)</u>
Estimated claims outstanding June 30	\$ <u>69,571</u>

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 position in future periods.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

17. Construction Commitment

The District entered into a contract during the year ended June 30, 2014 to repair pavement at the Elkhorn High School at a cost of \$229,755. Construction began subsequent to year end. All costs were incurred and paid subsequent to year end.

REQUIRED SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2014

	<u>Fund 10 Budget</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local	\$ 14,883,996	\$ 14,883,996	\$ 14,922,327	\$ 38,331
Interdistrict payments	1,255,011	1,255,011	1,240,354	(14,657)
State	14,305,819	14,305,819	14,319,694	13,875
Federal	547,477	547,477	647,670	100,193
Other	34,000	34,000	73,549	39,549
Total revenues	<u>31,026,303</u>	<u>31,026,303</u>	<u>31,203,594</u>	<u>177,291</u>
Expenditures:				
Instruction:				
Current	18,274,001	18,274,001	17,709,036	564,965
Interdistrict	816,462	816,462	756,334	60,128
Capital outlay	79,976	79,976	152,834	(72,858)
Support Services:				
Current	9,982,080	9,982,080	10,023,432	(41,352)
Capital outlay	156,221	156,221	145,892	10,329
Debt service	80,900	80,900	43,540	37,360
Total expenditures	<u>29,389,640</u>	<u>29,389,640</u>	<u>28,831,068</u>	<u>558,572</u>
Excess of revenues over (under) expenditures	1,636,663	1,636,663	2,372,526	(381,281)
Other Financing Sources (uses):				
Operating transfers	(2,169,663)	(2,169,663)	(2,135,541)	34,122
Net change in fund balances	(533,000)	(533,000)	236,985	(415,403)
Fund Balances - Beginning of year	<u>6,887,200</u>	<u>6,887,200</u>	<u>6,887,200</u>	---
Fund Balances - End of year	<u>\$ 6,354,200</u>	<u>\$ 6,354,200</u>	<u>\$ 7,124,185</u>	<u>\$ 769,985</u>

See Independent Auditor's Report

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2014

	<u>Fund 27 Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive
				(Negative)
Revenues:				
Intermediate sources	\$ 20,000	\$ 20,000	\$ 23,686	\$ 3,686
State	545,000	545,000	576,909	31,909
Federal	687,035	687,035	525,499	(161,536)
Total revenues	<u>1,252,035</u>	<u>1,252,035</u>	<u>1,126,094</u>	<u>(125,941)</u>
Expenditures:				
Instruction:				
Current	1,918,021	1,918,021	1,891,756	26,265
Interdistrict	30,000	30,000	31,561	(1,561)
Support Services:				
Current	1,092,415	1,092,415	1,169,704	(77,289)
Capital outlay	217,007	217,007	---	217,007
Total expenditures	<u>3,257,443</u>	<u>3,257,443</u>	<u>3,093,021</u>	<u>164,422</u>
Excess of revenues over (under) expenditures	(2,005,408)	(2,005,408)	(1,966,927)	38,481
Other Financing Sources (uses):				
Operating transfers	2,005,408	2,005,408	1,966,927	(38,481)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Valuation of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
July 1, 2013	709,800	5,810,800	5,101,000	12.22%	16,239,000	31.41%

1. The District is required to present the above information for the three most recent actuarial studies.

2. The data presented in this schedule was taken from the report issued by the actuary.

Schedule of Employer Contributions

Year Ended June 30, 2014

Actuarial Valuation Date	Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
July 1, 2007	2008	\$ 1,850,587	\$ 786,391	42.49%
July 1, 2009	2010	1,971,619	982,284	49.82%
July 1, 2011	2012	996,140	1,295,080	130.01%
July 1, 2013	2014	520,504	1,010,289	194.10%

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Notes to Required Supplementary Information

June 30, 2014

Note A - Budgetary Information

Budgetary information is derived from the annual budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary funds basis and a GAAP general fund basis is summarized below.

	<u>General Fund</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 31,203,594	\$ 1,126,094
Reclassification of special education	1,126,094	(1,126,094)
Total revenues (GAAP)	<u>32,329,688</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	28,831,068	3,093,021
Reclassification of special education	3,093,021	(3,093,021)
Total expenditures (GAAP)	<u>31,924,089</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,372,526	(1,966,927)
Reclassification of special education	(1,966,927)	1,966,927
Excess of revenues over (under) expenditures (GAAP)	<u>405,599</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,135,541)	1,966,927
Reclassification of special education	1,966,927	(1,966,927)
Total other financing sources (uses) (GAAP)	<u>(168,614)</u>	<u>---</u>
Net Changes in Fund Balance		
Actual amounts (budgetary basis and GAAP)	236,985	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis and GAAP)	<u>6,887,200</u>	<u>---</u>
Fund Balance - End of Year		
Actual amounts (budgetary basis and GAAP)	<u>\$ 7,124,185</u>	<u>\$ ---</u>

OTHER SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds					Total
	Special Revenue	Food Service	Package- Cooperative	Community Service	Capital Projects	
ASSETS						
Cash and investments	\$ 227,630	\$ 597,519	\$ ---	\$ 82,965	\$ ---	\$ 908,114
Accounts receivable	1,116	233	---	---	50,000	51,349
Due from other governments	---	---	26,946	---	---	26,946
Inventory	---	11,223	---	---	---	11,223
Prepaid expense	---	3,244	3,731	69	---	7,044
Total assets	\$ 228,746	\$ 612,219	\$ 30,677	\$ 83,034	\$ 50,000	\$ 1,004,676
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 11,764	\$ 1,754	\$ 9,374	\$ 1,582	\$ ---	\$ 24,474
Withholdings and related fringes payable	237	39,515	---	1,833	---	41,585
Accrued payroll	2,554	---	---	1,395	---	3,949
Due to other funds	---	---	17,441	---	50,000	67,441
Deposits payable	---	---	3,862	---	---	3,862
Unearned revenues	---	19,834	---	---	---	19,834
Total liabilities	14,555	61,103	30,677	4,810	50,000	161,145
Fund Balances						
Nonspendable	\$ ---	\$ 14,467	\$ ---	\$ 69	\$ ---	\$ 14,536
Restricted	214,191	536,649	---	---	---	750,840
Assigned	---	---	---	78,155	---	78,155
Total fund balances	214,191	551,116	---	78,224	---	843,531
Total liabilities and fund balances	\$ 228,746	\$ 612,219	\$ 30,677	\$ 83,034	\$ 50,000	\$ 1,004,676

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, 2014

Special Revenue Funds

	<u>Special Revenue</u>	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Total</u>
Revenues:					
Local	\$ 412,670	\$ 602,385	\$ 5,304	\$ 144,479	\$ 1,164,838
Interdistrict payments within Wisconsin	---	---	367,653	---	367,653
State	---	25,018	---	---	25,018
Federal	---	709,885	17,794	---	727,679
Total revenues	<u>412,670</u>	<u>1,337,288</u>	<u>390,751</u>	<u>144,479</u>	<u>2,285,188</u>
Expenditures:					
Instruction:					
Current	392,743	---	384,824	---	777,567
Capital outlay	10,135	---	1,519	---	11,654
Support Services:					
Current	17,113	1,310,549	171,523	134,450	1,633,635
Capital outlay	---	20,795	---	---	20,795
Total expenditures	<u>419,991</u>	<u>1,331,344</u>	<u>557,866</u>	<u>134,450</u>	<u>2,443,651</u>
Excess (deficiency) of revenues over (under) expenditures	(7,321)	5,944	(167,115)	10,029	(158,463)
Other Financing Sources (uses):					
Operating transfers in	---	---	167,115	---	167,115
Net change in fund balances	(7,321)	5,944	---	10,029	8,652
Fund Balances - Beginning of year	<u>221,512</u>	<u>545,172</u>	<u>---</u>	<u>68,195</u>	<u>834,879</u>
Fund Balances - End of year	<u>\$ 214,191</u>	<u>\$ 551,116</u>	<u>\$ ---</u>	<u>\$ 78,224</u>	<u>\$ 843,531</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2014

	Balance		Additions	Deductions	Balance
	<u>7/1/13</u>				<u>06/30/14</u>
ASSETS					
Cash	\$ 37,219	\$	185,208	\$ 176,085	\$ 46,342
LIABILITIES AND NET ASSETS					
Elkhorn High School	\$ 30,671	\$	168,540	\$ 160,423	\$ 38,788
Jackson Elementary	1,021		5,055	3,799	2,277
Middle School	1,336		5,455	4,203	2,588
Tibbets Elementary	2,194		5,151	6,000	1,345
West Side Elementary	961		1,001	1,532	430
Due to student groups - unallocated interest	1,036		6	128	914
Total liabilities	\$ 37,219	\$	185,208	\$ 176,085	\$ 46,342

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2014

Awarding Agency	State	Accrued or		State	Accrued or
Pass-Through Agency	I.D.	(Unearned)		Disbursements/	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>
		<u>July 1, 2013</u>			<u>June 30, 2014</u>
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 576,909	\$ 576,909	\$ ---
State school lunch	255.102	---	14,721	14,721	---
Common school fund library aid	255.103	---	98,576	98,576	---
Bilingual/bicultural aid	255.106	---	25,144	25,144	---
Pupil transportation	255.107	---	64,092	64,092	---
School day milk program	255.109	---	1,163	1,163	---
Equalization aids	255.201	243,339	14,264,776	14,270,277	248,840
School breakfast program	255.344	---	9,134	9,134	---
Tuition payments by State (LEA) Fund 10	255.401	---	4,513	4,513	---
Per pupil adjustment aid	255.945	---	229,650	229,650	---
Total WI Dept. of Public Instruction		<u>243,339</u>	<u>15,288,678</u>	<u>15,294,179</u>	<u>248,840</u>
WI Dept. of Workforce Development					
Passed through Blackhawk Technical College					
Youth apprenticeship	445.107	---	1,080	2,280	1,200
Total		<u>\$ 243,339</u>	<u>\$ 15,289,758</u>	<u>\$ 15,296,459</u>	<u>\$ 250,040</u>

** Total DPI aidable expenditures for the year ended June 30, 2014 were \$2,347,429

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Awarding Agency	Federal	Accrued or		Federal	Accrued or
Pass-Through Agency	Catalog	(Unearned)		Disbursements/	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>
		<u>July 1, 2013</u>			<u>June 30, 2014</u>
U.S. Department of Agriculture					
<i>Child Nutrition Cluster</i>					
Passed through Wisconsin Department of Public Instruction:					
Food Service Aid - Breakfast	10.553	\$ ---	\$ 138,715	\$ 138,715	\$ ---
Donated Commodities	10.555	---	92,907	92,907	---
Food Service Aid - Lunch	10.555	---	478,262	478,262	---
Total U.S. Department of Agriculture - Child Nutrition Cluster		---	709,884	709,884	---
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	163,597	434,572	399,540	128,565
<i>Special Education Cluster (IDEA)</i>					
IDEA Flow Through	84.027	172,037	455,504	459,089	175,622
IDEA Seclusion and Restraint	84.027	1,118	1,118	7,931	7,931
IDEA Pre-school Entitlement	84.173	---	5,164	5,554	390
Total Special Education Cluster (IDEA)		173,155	461,786	472,574	183,943
ESEA Title III-A English Language	84.365	6,862	20,430	20,100	6,532
ESEA Title II-A Teacher Principal Training	84.367	29,164	77,495	72,033	23,702
Passed through Lake Geneva School District:					
Carl Perkins	84.048	---	1,852	1,852	---
Total U.S. Department of Education		372,778	996,135	966,099	342,742
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Public Instruction:					
Support for Pregnant and Parenting Teens and Women	93.500	---	---	17,794	17,794
Passed through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	16,503	221,556	208,923	3,870
Total U.S. Department of Health and Human Services		16,503	221,556	226,717	21,664
Total		\$ 389,281	\$ 1,927,575	\$ 1,902,700	\$ 364,406

See Independent Auditor's Report

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards

June 30, 2014

1. General

The accompanying schedules 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 schedules.

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.

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

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

November 3, 2014
Milwaukee, Wisconsin

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE
SINGLE AUDIT GUIDELINES**

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

Report on Compliance for Each Major Program

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, 2014. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. 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 or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance

Opinion on Each Major Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal or state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

November 3, 2014
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Prior Audit Findings

Year Ended June 30, 2014

FY2013-1 – Special Tests and Provisions-Comparability

CFDA #84.010 Title I, Part A

US Department of Education

Criteria: The A-133 Compliance Supplement requires each LEA to develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records that are updated biennially documenting compliance with the comparability requirements.

Condition: During our testing we noted that the District was not preparing comparability reports as required during the current fiscal year.

Questioned Costs: Not applicable.

Cause and effect: The Wisconsin Department of Public Instruction discontinued its policy of requiring Districts to submit comparability reports on an annual basis. The effect of this change was to cause confusion regarding federal compliance requirements.

Recommendation: We recommend that the District reviews compliance requirements for each federal grant received to ensure compliance with federal requirements.

Status: This condition has been corrected as of June 30, 2014.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section 1 - Summary of Auditors Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 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: | Unmodified |
| 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: | |

CFDA Number(s)

Name of Federal Program or Cluster

10.553

Child Nutrition Cluster

School breakfast program

10.555

National school lunch program

93.778

School based services/Medicaid

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

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 auditors' report issued on compliance for major programs: Unmodified
12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? No
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
255.201	Equalization Aid
255.945	Per Pupil Adjustment Aid

Section II - Financial Statement Findings

No matters were reported

Section III - Federal and State Award Findings and Questioned Costs

None

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

Section IV – Other Issues

- | | |
|--|-----------------------|
| 1. Does the auditors' 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 | No |
| 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 | November 3, 2014 |