

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2015

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ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2015

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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, 2015, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Noted 1.J, 6 and 13 to the financial statements, during the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 04, 2015, 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 04, 2015
Milwaukee, Wisconsin

**ELKHORN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS STATEMENT
June 30, 2015**

The discussion and analysis of the Elkhorn Area School District's financial performance provides an overall review of financial activities for the 2013-2014 and 2014-2015 fiscal years.

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 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 position, increased by \$ 3,890,617

Total governmental funds revenues for the 2014-2015 fiscal year were \$39,417,395; including \$19,127,740 of property taxes, \$14,415,294 of general state and federal aids, \$5,874,361 of charges for services, local revenues, and operating grants. Total governmental funds expenditures

were 36,752,597; including \$21,868,961 for direct instruction, \$14,883,636 for instructional support and other support services. The District's financial status, as reflected in total net assets, increased by \$ 2,664,798

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.

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 information on a District-wide basis.

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

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

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

Required supplementary information further explains and supports the financial statements by

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

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 position ▪ 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 position ▪ Statement of changes in fiduciary net position.
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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

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).

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.

There are three types 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
 - *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
 - *Proprietary funds*—The District has no proprietary funds
- 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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

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, 2015. Total net position reflects an increase of \$8,336,749. 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
	2014	2015	2014-2015
Current and other assets	\$ 11,781,622	\$ 22,603,580	39.59
Capital assets	36,164,153	35,231,533	-2.57
Total assets	47,945,775	57,835,113	20.62
Deferred outflows of resources	---	2,655,253*	---
Long-term debt obligations	14,064,764	20,570,673	46.25
Current liabilities	6,747,939	4,432,320	-34.31
Total liabilities	20,812,703	25,002,993	20.13
Deferred inflows of resources	---	17,552*	---
Net position			
Invested in capital assets, net of related debt	20,992,171	22,902,256	9.09
Restricted	1,072,028	6,867,518*	540.57
Unrestricted	5,068,873	5,700,047	212.47
Total net position	\$ 27,133,072	\$ 35,469,821	30.72

*As a result of implementing GASB 68 items related to the WRS pension were added to the statement of net position for fiscal year 2015. These items were not included for fiscal year 2014 therefore, the two years are not comparable.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

Table 2			
Changes in Net Position from Operating Results			
	Governmental Activities		Total % Change
	<u>2014</u>	<u>2015</u>	<u>2014-2015</u>
REVENUES			
Charges for services	\$ 2,409,597	\$ 2,688,852	11.58
Operating grants & contributions	3,124,434	3,185,509	1.95
Property taxes	18,643,943	19,127,740	2.59
State and federal aids	14,154,866	14,191,664	.02
Other revenues	151,924	223,630	47.68
Total Revenues	<u>38,484,764</u>	<u>39,417,395</u>	2.42
EXPENSES			
Instruction	20,895,983	21,868,961	4.66
Pupil & instructional services	2,449,078	2,729,680	-58
Administration	2,665,882	3,093,971	24.16
Business services	6,309,064	6,206,930	7.83
Interest (long-term debt)	528,775	508,930	-1.63
Food Service	1,331,105	1,259,243	-55
Depreciation-unallocated	1,104,917	1,084,406	-5.40
Non-program transactions	35,243	476	n/a
Total Expenditures	<u>35,320,048</u>	<u>36,752,597</u>	4.05
 Increase (Decrease) in net position	 <u>\$ 3,164,717</u>	 <u>\$ 2,664,798</u>	 -15.80

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

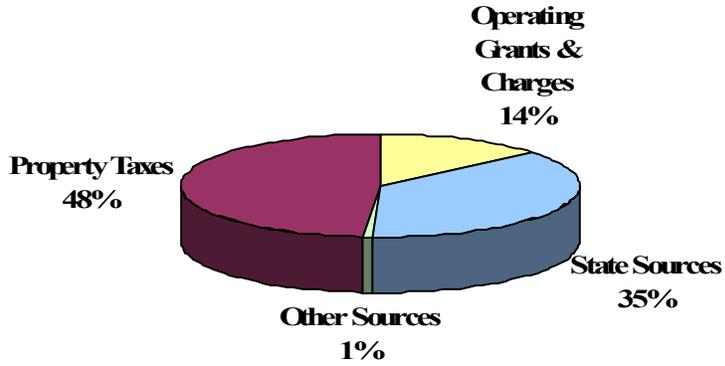
grants, charges for services, and other sources totaling 14% to fund governmental activities.

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

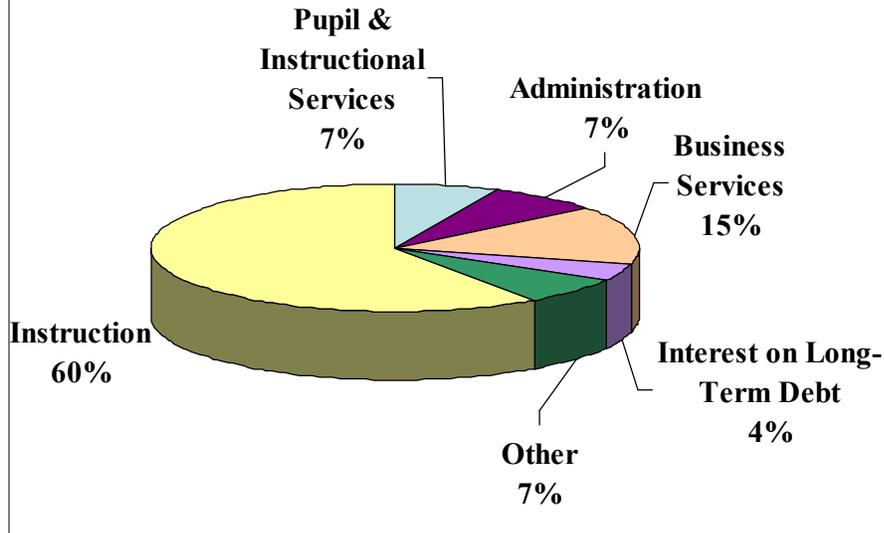
ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

2014-15 Revenues



2014-15 Expenditures



ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

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.

until property taxes are collected in the second half of the subsequent year.

20014-2015

The District completed the year with a total governmental fund balance of \$ 18,246,742 up from last year's ending fund balance of \$8,274,437. Most of this change was due to the issuance of \$10,000,000 in bonds for the upcoming school construction and renovation project

- The general fund had an increase in fund balance of \$111,890. 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 an increase of \$ 18,694. 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
- The food service program increased its fund balance in the amount of \$10,171 due primary to increased program participation and continued participation in a co-op purchasing group.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

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.

2014-2015

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 expenses would exceed revenues, the actual results for the year showed an increase in fund balance of \$111,890. The general fund balance, as a percentage of operating expenses, represented 21.74% 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 2015, the District had invested \$58,225,326 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation on these

assets totaled \$22,993,793. Asset acquisitions for governmental activities totaled \$368,527. The District recognized depreciation expense of \$1,301,146.

Table 4			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Percentage Change 2014-2015
	<u>2014</u>	<u>2015</u>	
Land (not depreciated)	\$ 668,548	\$ 668,548	0.00
Site improvements	1,969,140	2,198,895	11.61
Buildings & building improvements	49,915,562	49,928,251	0.00
Furniture & equipment	5,305,000	5,429,632	2.33
Accumulated depreciation	(21,694,097)	(22,993,793)	5.98
Total	<u>\$ 36,164,153</u>	<u>\$ 35,231,533</u>	-2.57

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Management Discussion and Analysis
June 30, 2015
(continued)

Long-Term Debt

At year-end, the District had \$ 22,106,777 in general obligation bonds and other general obligation debt outstanding. Our current debt limit per Wisconsin statutes is \$175,098,005. The District retired \$ 3,140,690 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 28-29) to the financial statements.

	Total School District		Percentage Change
	<u>2014</u>	<u>2015</u>	<u>2014-2015</u>
General obligation debt	\$ 15,130,000	\$ 22,106,777	46.10
Post Retirement Liability	1,792,848	1,296,328	-27.69
Capital leases	<u>41,982</u>	<u>14,515</u>	<u>-37.74</u>
Total Long-term Oblig.	<u>\$ 16,964,830</u>	<u>\$ 23,417,620</u>	<u>38.03</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, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 12,730,517
Taxes receivable	6,028,569
Accounts receivable	98,182
Due from other governments	482,986
Inventory	26,483
Prepaid expense	135,899
Total current assets	19,502,636
Noncurrent assets	
Net pension asset	3,100,944
Capital assets	
Nondepreciable	668,548
Depreciable, net of accumulated depreciation	34,562,985
Total capital assets	35,231,533
Total assets	57,835,113
Deferred outflows of resources	
Deferred outflows related to pensions	2,655,253
Liabilities	
Current liabilities	
Accounts payable	240,762
Withholdings and related fringes payable	663,941
Accrued interest	112,883
Accrued payroll	233,342
Deposits payable	63,327
Health benefit claims payable	28,446
Unearned revenues	21,717
Current portion of long-term debt	3,067,902
Total current liabilities	4,432,320
Noncurrent liabilities	
Long-term debt	19,053,390
Unamortized premium	220,955
Post-retirement liability	1,296,328
Total noncurrent liabilities	20,570,673
Total liabilities	25,002,993
Deferred inflows of resources	
Deferred inflows related to pensions	17,552
Net Position	
Net investment in capital assets	22,902,256
Restricted for:	
Debt service	325,415
Food service	561,287
Capital projects	491
WRS pension	5,738,645
Other	241,680
Unrestricted	5,700,047
Total net position	\$ 35,469,821

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, 2015

	Program Revenues			Net
Expenses	Charges for	Services	Operating	(Expenses)
			Grants and	Revenues and
			Contributions	Changes in
				Net Position
Governmental activities:				
Instruction:				
Regular instruction	\$ 16,324,711	\$ 2,007,217	\$ 996,777	\$ (13,320,717)
Special education instruction	2,950,342	27,859	1,311,070	(1,611,413)
Vocational instruction	925,846	---	---	(925,846)
Other instruction	1,668,062	52,671	---	(1,615,391)
Total instruction	21,868,961	2,087,747	2,307,847	(17,473,367)
Support services:				
Pupil services	1,567,108	---	---	(1,567,108)
Instructional staff services	1,162,572	---	113,677	(1,048,895)
Administration services	3,093,971	---	---	(3,093,971)
Operation and maintenance of plant	3,320,536	7,486	---	(3,313,050)
Pupil transportation	1,584,300	---	61,207	(1,523,093)
Central services	482,130	---	---	(482,130)
Other support services	695,541	---	---	(695,541)
Community services	124,423	2,586	---	(121,837)
Food service	1,259,243	591,033	702,778	34,568
Interest	508,930	---	---	(508,930)
Non-program transactions	476	---	---	(476)
Unallocated depreciation**	1,084,406	---	---	(1,084,406)
Total support services	14,883,636	601,105	877,662	(13,404,869)
Total school district	\$ 36,752,597	\$ 2,688,852	\$ 3,185,509	(30,878,236)

General revenues:

Taxes:	
Property taxes, levied for general purposes	15,473,396
Property taxes, levied for debt service	3,505,800
Property taxes, levied for specific purposes	135,453
Other taxes	13,091
Federal and state aid not restricted to specific purposes:	
General	14,129,966
Other	57,223
Interest and investment earnings	4,475
Miscellaneous	223,630
Change in net position	2,664,798
Net position - beginning of year	27,133,072
Adjustment due to change in accounting principle	5,671,951
Net position - beginning of year as adjusted	32,805,023
Net position - end of year	\$ 35,469,821

**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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,649,510	\$ 9,792,506	\$ 1,288,501	\$ 12,730,517
Taxes receivable	6,028,569	---	---	6,028,569
Accounts receivable	52,769	40,000	5,413	98,182
Due from other funds	89,523	---	---	89,523
Due from other governments	435,439	---	43,188	478,627
Inventory	14,398	---	12,085	26,483
Prepaid expense	124,842	---	11,057	135,899
Total assets	\$ 8,395,050	\$ 9,832,506	\$ 1,360,244	\$ 19,587,800
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 233,572	\$ ---	\$ 7,190	\$ 240,762
Withholdings and related fringes payable	608,257	---	55,684	663,941
Accrued payroll	229,235	---	4,107	233,342
Due to other funds	---	40,000	49,523	89,523
Deposits payable	59,465	---	3,862	63,327
Health benefit claims payable	28,446	---	---	28,446
Unearned revenues	---	---	21,717	21,717
Total liabilities	1,158,975	40,000	142,083	1,341,058
Fund Balances				
Nonspendable	139,240	---	12,479	151,719
Restricted	---	9,792,506	1,115,903	10,908,409
Assigned	---	---	89,779	89,779
Unassigned	7,096,835	---	---	7,096,835
Total fund balances	7,236,075	9,792,506	1,218,161	18,246,742
Total liabilities and fund balances	\$ 8,395,050	\$ 9,832,506	\$ 1,360,244	\$ 19,587,800

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, 2015

Total fund balances - governmental funds \$ 18,246,742

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	\$ 58,225,326	
Accumulated depreciation	<u>(22,993,793)</u>	35,231,533

The District's proportionate share of the net pension asset at the WRS exceeds its obligation. This is reported as an asset on the statement of net position, but is not reported in the governmental funds. 3,100,944

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 2,655,253

Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. (17,552)

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. (1,296,328)

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	20,260,000	
Promissory notes	1,496,777	
State trust fund loan	350,000	
Unamortized premium	220,955	
Capital leases payable	<u>14,515</u>	
		(22,342,247)

Accrued interest subsidy is not receivable in the current period and therefore is not reported as an asset in the governmental funds. 4,359

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. (112,883)

Total net position - governmental activities \$ 35,469,821

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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 15,746,602	\$ 391	\$ 4,586,674	\$ 20,333,667
Interdistrict payments within Wisconsin	1,471,633	---	389,768	1,861,401
Intermediate sources	10,157	---	---	10,157
State	15,059,772	---	25,108	15,084,880
Federal	1,185,759	---	720,858	1,906,617
Other	106,350	---	114,323	220,673
Total revenues	33,580,273	391	5,836,731	39,417,395
Expenditures:				
Instruction:				
Current	20,527,707	---	731,461	21,259,168
Interdistrict	810,671	---	---	810,671
Capital outlay	280,279	---	7,360	287,639
Support Services:				
Current	11,571,866	297,985	1,566,794	13,436,645
Capital outlay	28,884	---	52,004	80,888
Debt service	50,611	---	3,667,322	3,717,933
Total expenditures	33,270,018	297,985	6,024,941	39,592,944
Excess (deficiency) of revenues over (under) expenditures	310,255	(297,594)	(188,210)	(175,549)
Other Financing Sources (uses):				
Operating transfers in	---	100	198,265	198,365
Operating transfers out	(198,365)	---	---	(198,365)
Face value of bonds issued	---	10,090,000	---	10,090,000
Premium on issuance of bonds	---	---	57,854	57,854
Total other financing sources (uses)	(198,365)	10,090,100	256,119	10,147,854
Net change in fund balances	111,890	9,792,506	67,909	9,972,305
Fund Balances - Beginning of year	7,124,185	---	1,150,252	8,274,437
Fund Balances - End of year	\$ 7,236,075	\$ 9,792,506	\$ 1,218,161	\$ 18,246,742

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, 2015

Total net change in fund balances - governmental funds \$ 9,972,305

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.

Depreciation expense	\$	(1,301,146)
Capital outlays		368,527

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. (10,090,000)

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		673,223
Bonds payable		2,370,000
State trust fund loan payable		70,000
Capital leases		27,467
		3,140,690

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		69,286
--	--	--------

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension asset is measured six months before the District's report date. Pension expense, which is the change in net pension asset adjusted for changes in deferred outflows of resources related to pension, is reported in the statement of activities.

Pension expense		(1,142,699)
District pension contributions		1,209,393
		66,694

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as a revenue in the funds when it is receivable, and as an expenditure in the funds when it is due, and thus is a source or use of current financial resources. In the statements of activities, however, interest revenue or expenditure is recognized as the interest accrues, regardless of when it is due.

Accrued interest receivable		(870)
Accrued interest payable		646
		(224)

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. 496,520

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. (57,854)

Change in net position of governmental activities \$ 2,664,798

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, 2015

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
ASSETS			
Cash and investments	\$ 153,166	\$ 710,854	\$ 60,117
LIABILITIES AND NET POSITION			
Due to student groups	\$ ---	\$ ---	\$ 60,117
Net position:			
Non-spendable corpus	66,010	---	---
Restricted	87,156	710,854	---
Total liabilities and net position	<u>\$ 153,166</u>	<u>\$ 710,854</u>	<u>\$ 60,117</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
ADDITIONS		
Net investment income	\$ 4,092	\$ 720
District contributions	---	918,982
Plan member contributions	---	22,342
Total additions	<u>4,092</u>	<u>942,044</u>
DEDUCTIONS		
Trust fund disbursements	<u>9,458</u>	<u>941,324</u>
Change in net position	(5,366)	720
Net position - beginning of year	<u>158,532</u>	<u>710,134</u>
Net position - end of year	<u>\$ 153,166</u>	<u>\$ 710,854</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, 2015

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 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, 2015
(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.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or facility improvements.

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, 2015
(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, 2015 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	\$ 187,694
Payment of debt	Debt Service	General	10,571
Operations	Capital Projects	General	100
<u>Due to/from:</u>			
Capital Projects	General	Capital Projects	40,000
Support Package Coop	General	Package Co-op	49,523

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(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 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 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.

J. Adoption of New Accounting Guidance

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. See footnotes 6 and 13 for additional information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements

June 30, 2015

(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. 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, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows and Inflows of Resources

In accordance with GASB, 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 reports deferred outflows of resources related to the pension.

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 reports deferred inflows of resources related to the pension.

M. 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.

N. 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.

O. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS's fiduciary net position have been determined on the same basis as they are reported to WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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 04, 2015). See note 3 for information on subsequent short-term notes payable payoff and issuance. In July 2015, the District entered into a loan agreement with the State Trust Fund for \$420,000. See footnote 5 for additional information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

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	292,941	Custodial risk – deposits
Bonds	4,240	Interest rate risk
Unit trusts	4,522	Interest rate risk
Mutual funds	139,634	Interest rate risk
Local government investment pool	980,242	Custodial risk – deposits
Wisconsin Investment Series Cooperative	<u>12,232,075</u>	Custodial risk – deposits
 Total cash and equivalents	 \$ <u>13,654,654</u>	

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

Statement of net position:	
Cash and investments	\$ 12,730,517
Statement of fiduciary net position:	
Cash and investments	<u>924,137</u>
Total cash and equivalents	<u>\$ 13,654,654</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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

2. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. 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.

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 \$1,273,183 at June 30, 2015 and the bank's carrying value was \$1,274,020, of which \$689,975 was fully insured and \$580,242 was uninsured and uncollateralized. The entire \$12,232,075 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	\$ 4,240	\$ ---	\$ ---	\$ 4,240
Unit trusts	4,522	4,522	---	---
Mutual funds	139,634	139,634	---	---
	<u>\$ 148,396</u>	<u>\$ 144,156</u>	<u>\$ ---</u>	<u>\$ 4,240</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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

3. Short-Term Notes Payable

Short-term debt payable at June 30, 2015 is as follows:

<u>Balance</u> <u>July 01, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
\$ 2,500,000	\$ 2,975,000	\$ (5,475,000)	\$ ---

A line of credit was dated September 2, 2014 due August 28, 2015, with a prime variable rate of interest not to exceed 18%. Interest for the year ended June 30, 2015 was \$19,926. The line of credit is for general district operation. Subsequent to year end, the District renewed the Line of Credit 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.

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated				
Sites	\$ 668,548	\$ ---	\$ ---	\$ 668,548
Capital assets being depreciated				
Land improvements	1,969,140	229,755	---	2,198,895
Buildings and improvements	49,915,561	12,690	---	49,928,251
Equipment	5,305,000	126,082	1,450	5,429,632
Total capital assets being depreciated	57,189,701	368,527	1,450	57,556,778
Less accumulated depreciation	21,694,097	1,301,146	1,450	22,993,793
Total capital assets being depreciated, net of accumulated depreciation	35,495,604	(932,619)	---	34,562,985
Governmental activities capital assets, net of accumulated depreciation	\$ 36,164,152	\$ (932,619)	\$ ---	\$ 35,231,533

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,084,406
Regular instruction	101,933
Food service	21,307
Pupil transportation	1,541
Operation and maintenance	23,425
Administration services	68,534
Total depreciation for governmental activities	\$ 1,301,146

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2014	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2015	Amounts due within one year
G.O. Bonds	\$ 12,630,000	\$ 10,000,000	\$ 2,370,000	\$ 20,260,000	\$ 2,280,000
G.O. Promissory Notes	2,080,000	90,000	673,223	1,496,777	703,387
State Trust Fund Loan	420,000	---	70,000	350,000	70,000
Capital Lease	41,982	---	27,467	14,515	14,515
Total	<u>\$ 15,171,982</u>	<u>\$ 10,090,000</u>	<u>\$ 3,140,690</u>	<u>\$ 22,121,292</u>	<u>\$ 3,067,902</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2015 on long-term liabilities was \$460,815 and \$432,748, respectively.

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 cost of assets purchased with capital lease is \$123,185. 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, 2015 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	Balance <u>June 30, 2015</u>
State Trust fund Loan	08/10/10	4.25%	03/15/20	\$ 350,000
G.O. Promissory Note	05/23/07	3.75 to 4.00%	04/01/17	1,415,000
G.O. Promissory Note	09/01/14	1.99%	04/01/24	81,777
G.O. Bond	06/15/15	2.00 to 3.00%	04/01/32	10,000,000
G.O. Refunding Bond	11/01/06	4.00%	04/01/18	4,900,000
G.O. Refunding Bond	3/17/14	2.00 to 3.00%	10/01/17	975,000
G.O. Refunding Bond	01/30/12	1.5 to 2.0%	04/01/18	3,195,000
G.O. Refunding Bond	2/27/13	1.00 to 2.00%	04/01/17	1,190,000
Total				<u>\$ 22,106,777</u>

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,750,980,046. The legal debt limit and margin of indebtedness as of June 30, 2015, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,750,980,046)	\$ 175,098,005
Deduct long-term debt applicable to debt margin	(22,106,777)
Margin of indebtedness	<u>\$ 152,991,228</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

5. Long-Term Liabilities (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt and capital leases on June 30, 2015 follow:

Year Ended June 30,	Principal	Interest	Interest Subsidy	Total
2016	\$ 3,067,902	\$ 608,640	\$ (14,916)	\$ 3,661,626
2017	3,068,554	585,310	(11,900)	3,641,964
2018	1,008,724	507,565	(8,925)	1,507,364
2019	1,223,897	485,417	(5,950)	1,703,364
2020	1,264,075	436,473	(2,983)	1,697,565
2021-2025	2,618,140	1,577,070	---	4,195,210
2026-2030	6,840,000	1,062,075	---	7,902,075
2031-2032	3,030,000	137,100	---	3,167,100
Totals	<u>\$ 22,121,292</u>	<u>\$ 5,399,650</u>	<u>\$ (44,674)</u>	<u>\$ 27,476,268</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.

The District has no defeased debt as of June 30, 2015.

Subsequent to year end, the District entered into a loan agreement with the State Trust Fund for \$420,000 at 3% interest. The loan requires three annual payments of \$146,978 and will mature in March 2018.

6. Defined Benefit Pension Plan

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or before July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable services is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions are required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees 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.

During the reporting period, the WRS recognized \$1,209,393 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense and Deferred Outflows of Resources

At June 30, 2015, the District reported an asset of \$3,100,944 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.1262%, which was a decrease of 0.0001% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,142,699.

At June 30, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 449,540	\$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	1,501,627	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	17,552
Employer contributions subsequent to the measurement date	704,086	---
Total	\$ 2,655,253	\$ 17,552

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources (continued)

The amount of \$704,086 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 383,787	\$ (3,259)
2017	383,787	(3,259)
2018	383,787	(3,259)
2019	383,787	(3,259)
2020	383,787	(3,259)
Thereafter	32,232	(1,257)

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (continued)

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	-20

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
District's proportionate share of the net pension asset	\$8,748,295	\$ (3,100,944)	\$ (12,458,993)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the pension plan at June 30, 2015 were \$8,052. This represents contributions earned as of June 30, 2015, but for which payment was not remitted to the pension plan until subsequent to year-end.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

7. Fund Balances

As of June 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid expenses	\$ 124,842	\$ ---	\$ 394	\$ 125,236
Inventory	14,398	---	12,085	26,483
Restricted for:				
Debt Service	---	---	325,415	325,415
Food service	---	---	548,808	548,808
Special projects	---	---	241,680	241,680
Capital Projects	---	9,792,506	---	9,792,506
Assigned for:				
Community service	---	---	89,779	89,779
Unassigned	7,096,835	---	---	7,096,835
Total	<u>\$ 7,236,075</u>	<u>\$ 9,792,506</u>	<u>\$ 1,218,161</u>	<u>\$ 18,246,742</u>

8. 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 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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 520,504
Interest on net OPEB obligation	98,607
Adjustment to annual required contribution	<u>(196,649)</u>
Annual OPEB cost	422,462
Contributions made	<u>(918,982)</u>
Decrease in net OPEB obligation	(496,520)
Net OPEB obligation – beginning of year	<u>1,792,848</u>
Net OPEB obligation – end of year	<u><u>\$ 1,296,328</u></u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

8. Post-Employment Benefits Trust (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three fiscal years 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>
6/30/13	\$ 1,012,782	100.17%	\$ 2,350,030
6/30/14	453,107	222.96%	1,792,848
6/30/15	422,462	217.53%	1,296,328

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

The schedules of employer contributions presented as required supplementary information present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB. 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%

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

9. 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

10. 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.

11. 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, 2015 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.

12. 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; \$6,142 was paid to this law firm during the year ended June 30, 2015. Based upon the recommendation of other legal counsel, the District has implemented procedures to avoid potential conflict of interest issues.

13. Adjustment due to Change in Accounting Principle

As a result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide statement of net position, effectively increasing net position as of July 1, 2014 by \$5,671,951. The increase results from recording the July 1, 2014 balance of the District's WRS net asset and deferred outflows related to pensions.

14. 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, 2015.

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.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

14. Self-Funded Insurance Program (Continued)

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

At June 30, 2015, the District has reported a liability of \$87,911, which represents reported and unreported dental claims which were incurred on or before June 30, 2015 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 year ended June 30, 2015 are as follows:

	Year Ended June 30, 2015
Estimated claims outstanding July 1	\$ 69,571
Current year claims and changes in estimates	428,170
Claim payments	<u>(409,830)</u>
Estimated claims outstanding June 30	<u>\$ 87,911</u>

15. 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.

16. Construction Commitment

The District entered into two contracts during the year ended June 30, 2015 related to the \$20,420,000 referendum for the school building and improvement program which will address core capacity and classroom space, technical education, safety and security and capital maintenance projects. An architectural firm and a separate construction manager were retained for the purpose of completing design, construction documents, bidding specification sheets and managing construction of the projects. 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, 2015

	<u>Fund 10 Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Local	\$ 15,669,984	\$ 15,669,984	\$ 15,746,602	\$ 76,618
Interdistrict payments	1,602,400	1,602,400	1,443,774	(158,626)
State	14,334,823	14,334,823	14,430,938	96,115
Federal	548,154	548,154	597,680	49,526
Other	34,000	34,000	106,350	72,350
Total revenues	<u>32,189,361</u>	<u>32,189,361</u>	<u>32,325,344</u>	<u>135,983</u>
Expenditures:				
Instruction:				
Current	18,580,260	18,580,260	18,196,814	383,446
Interdistrict	836,010	836,010	810,671	25,339
Capital outlay	170,159	170,159	275,407	(105,248)
Support Services:				
Current	10,237,156	10,237,156	10,252,049	(14,893)
Capital outlay	113,350	113,350	28,884	84,466
Debt service	60,112	60,112	50,611	9,501
Total expenditures	<u>29,997,047</u>	<u>29,997,047</u>	<u>29,614,436</u>	<u>382,611</u>
Excess of revenues over (under) expenditures	2,192,314	2,192,314	2,710,908	(246,628)
Other Financing Sources (uses):				
Operating transfers	(2,623,314)	(2,623,314)	(2,599,018)	24,296
Net change in fund balances	<u>(431,000)</u>	<u>(431,000)</u>	<u>111,890</u>	<u>(270,924)</u>
Fund Balances - Beginning of year	<u>7,124,185</u>	<u>7,124,185</u>	<u>7,124,185</u>	<u>---</u>
Fund Balances - End of year	<u>\$ 6,693,185</u>	<u>\$ 6,693,185</u>	<u>\$ 7,236,075</u>	<u>\$ 542,890</u>

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2015

	<u>Fund 27 Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Interdistrict payments	\$ ---	\$ ---	\$ 27,859	\$ 27,859
Intermediate sources	---	---	10,157	10,157
State	601,609	601,609	628,834	27,225
Federal	714,815	714,815	588,079	(126,736)
Total revenues	<u>1,316,424</u>	<u>1,316,424</u>	<u>1,254,929</u>	<u>(61,495)</u>
Expenditures:				
Instruction:				
Current	2,262,881	2,262,881	2,330,893	(68,012)
Interdistrict	10,000	10,000	---	10,000
Capital outlay	4,545	4,545	4,872	(327)
Support Services:				
Current	<u>1,475,376</u>	<u>1,475,376</u>	<u>1,319,817</u>	<u>155,559</u>
Total expenditures	<u>3,752,802</u>	<u>3,752,802</u>	<u>3,655,582</u>	<u>97,220</u>
Excess of revenues over (under) expenditures	(2,436,378)	(2,436,378)	(2,400,653)	35,725
Other Financing Sources (uses):				
Operating transfers	<u>2,436,378</u>	<u>2,436,378</u>	<u>2,400,653</u>	<u>(35,725)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset
Year Ended June 30, 2015

Wisconsin Retirement System
Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension asset	0.1262%
District's proportionate share of the net pension asset	3,100,944
District's covered-employee payroll	17,276,953
Net pension asset as a percentage of covered payroll	17.95%
Plan fiduciary net position as a percentage of total pension asset	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

GASB Pronouncement 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Employer Contributions
June 30, 2015

Wisconsin Retirement System
Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contributions	1,209,393
Contributions in relation to the contractually required contributions	1,209,393
Contribution deficiency (excess)	---
District's covered-employee payroll	17,276,953
Contributions as a percentage of covered-employee payroll	7.00%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

GASB Pronouncement 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2015

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, 2015

Actuarial Valuation Date	Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
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 and Accompanying
Notes to Required Supplementary Information

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Notes to Required Supplementary Information

June 30, 2015

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 accounting principles generally accepted in the United States of America. 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)	\$ 32,325,344	\$ 1,254,929
Reclassification of special education	1,254,929	(1,254,929)
Total revenues (GAAP)	<u>33,580,273</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	29,614,436	3,655,582
Reclassification of special education	3,655,582	(3,655,582)
Total expenditures (GAAP)	<u>33,270,018</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,710,908	(2,400,653)
Reclassification of special education	(2,400,653)	2,400,653
Excess of revenues over (under) expenditures (GAAP)	<u>310,255</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,599,018)	2,400,653
Reclassification of special education	2,400,653	(2,400,653)
Total other financing sources (uses) (GAAP)	<u>(198,365)</u>	<u>---</u>
Net Changes in Fund Balance		
Actual amounts (budgetary basis and GAAP)	111,890	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis and GAAP)	<u>7,124,185</u>	<u>---</u>
Fund Balance - End of Year		
Actual amounts (budgetary basis and GAAP)	<u>\$ 7,236,075</u>	<u>\$ ---</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Required Supplementary Information
June 30, 2015
(Continued)

Note B - 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, 2015:

General Fund:

Fund 10:

Regular curriculum	\$	30,931
Physical curriculum		119,298
Instructional staff services		5,995
General administration		18,516
School building administration		36,680
Insurance and judgements		1,837
Termination benefits		228
Other retiree payments		136,987
Other non-program transactions		476

Fund 27:

Special education curriculum		45,226
Other retiree payments		31,760

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

Note C – WRS Information

There were no changes of benefit terms for any participating employee in the WRS. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2015

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special Revenue</u>	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	
ASSETS						
Cash and investments	\$ 244,647	\$ 623,866	\$ ---	\$ 94,573	\$ 325,415	\$ 1,288,501
Accounts receivable	1,516	---	3,897	---	---	5,413
Due from other governments	---	---	43,188	---	---	43,188
Inventory	---	12,085	---	---	---	12,085
Prepaid expense	---	394	10,663	---	---	11,057
Total assets	\$ 246,163	\$ 636,345	\$ 57,748	\$ 94,573	\$ 325,415	\$ 1,360,244
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,299	\$ 405	\$ 2,385	\$ 101	\$ ---	\$ 7,190
Withholdings and related fringes payable	13	51,287	543	3,841	---	55,684
Accrued payroll	171	1,649	1,435	852	---	4,107
Due to other funds	---	---	49,523	---	---	49,523
Deposits payable	---	---	3,862	---	---	3,862
Unearned revenues	---	21,717	---	---	---	21,717
Total liabilities	4,483	75,058	57,748	4,794	---	142,083
Fund Balances						
Nonspendable	---	12,479	---	---	---	12,479
Restricted	241,680	548,808	---	---	325,415	1,115,903
Assigned	---	---	---	89,779	---	89,779
Total fund balances	241,680	561,287	---	89,779	325,415	1,218,161
Total liabilities and fund balances	\$ 246,163	\$ 636,345	\$ 57,748	\$ 94,573	\$ 325,415	\$ 1,360,244

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, 2015

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special Revenue</u>	<u>Food Service</u>	<u>Package-Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	
Revenues:						
Local	\$ 348,395	\$ 591,033	\$ 3,407	\$ 138,039	\$ 3,505,800	\$ 4,586,674
Interdistrict payments within Wisconsin	---	---	389,768	---	---	389,768
State	---	25,108	---	---	---	25,108
Federal	---	677,670	43,188	---	---	720,858
Other	---	---	2,532	---	111,791	114,323
Total revenues	<u>348,395</u>	<u>1,293,811</u>	<u>438,895</u>	<u>138,039</u>	<u>3,617,591</u>	<u>5,836,731</u>
Expenditures:						
Instruction:						
Current	300,342	---	431,119	---	---	731,461
Capital outlay	3,912	---	3,448	---	---	7,360
Support Services:						
Current	16,652	1,231,636	192,022	126,484	---	1,566,794
Capital outlay	---	52,004	---	---	---	52,004
Debt service	---	---	---	---	3,667,322	3,667,322
Total expenditures	<u>320,906</u>	<u>1,283,640</u>	<u>626,589</u>	<u>126,484</u>	<u>3,667,322</u>	<u>6,024,941</u>
Excess (deficiency) of revenues over (under) expenditures	27,489	10,171	(187,694)	11,555	(49,731)	(188,210)
Other Financing Sources (uses):						
Operating transfers in	---	---	187,694	---	10,571	198,265
Premium on issuance of bonds	---	---	---	---	57,854	57,854
Total other financing sources	<u>---</u>	<u>---</u>	<u>187,694</u>	<u>---</u>	<u>68,425</u>	<u>256,119</u>
Net change in fund balances	27,489	10,171	---	11,555	18,694	67,909
Fund Balances - Beginning of year	<u>214,191</u>	<u>551,116</u>	<u>---</u>	<u>78,224</u>	<u>306,721</u>	<u>1,150,252</u>
Fund Balances - End of year	<u>\$ 241,680</u>	<u>\$ 561,287</u>	<u>\$ ---</u>	<u>\$ 89,779</u>	<u>\$ 325,415</u>	<u>\$ 1,218,161</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2015

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2015</u>
ASSETS				
Cash	\$ 46,342	\$ 241,369	\$ 227,594	\$ 60,117
LIABILITIES AND NET ASSETS				
Elkhorn High School	\$ 38,788	\$ 225,112	\$ 213,756	\$ 50,144
Jackson Elementary	2,277	4,250	1,724	4,803
Middle School	2,588	4,684	4,816	2,456
Tibbets Elementary	1,345	6,296	5,873	1,768
West Side Elementary	430	1,023	1,002	451
Due to student groups - unallocated interest	914	4	423	495
Total liabilities	\$ 46,342	\$ 241,369	\$ 227,594	\$ 60,117

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2015

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, 2014</u>			<u>June 30, 2015</u>
WI Dept. of Public Instruction					
Special education and school-age parents**	255.101	\$ ---	\$ 628,834	\$ 628,834	\$ ---
State school lunch	255.102	---	14,842	14,842	---
Common school fund library aid	255.103	---	113,677	113,677	---
Bilingual/bicultural aid	255.106	---	25,462	25,462	---
Pupil transportation	255.107	---	61,207	61,207	---
School day milk program	255.109	---	1,311	1,311	---
Equalization aids	255.201	248,840	14,162,235	14,153,418	240,023
School breakfast program	255.344	---	8,955	8,955	---
Tuition payments by State (LEA) Fund 10	255.401	---	3,516	3,516	---
Educator Effective Eval Sys Grant Public	255.940	---	37,520	37,520	---
Career and Technical Education Incentive Grants	255.950	---	28,000	28,000	---
Per pupil adjustment aid	255.945	---	456,750	456,750	---
Total WI Dept. of Public Instruction		248,840	15,542,309	15,533,492	240,023
WI Dept. of Workforce Development					
Passed through Blackhawk Technical College					
Youth apprenticeship	445.107	1,200	1,200	---	---
Total WI Dept. of Military Affairs		1,200	1,200	---	---
Total		\$ 250,040	\$ 15,543,509	\$ 15,533,492	\$ 240,023

** Total DPI aidable expenditures for the year ended June 30, 2015 were \$2,871,938

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

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, 2014</u>			<u>June 30, 2015</u>
U.S. Department of Agriculture					
<i>Child Nutrition Cluster</i>					
Passed through Wisconsin Department of Public Instruction:					
Food Service Aid - Breakfast	10.553	\$ ---	\$ 141,779	\$ 141,779	\$ ---
Donated Commodities	10.555	---	83,135	83,135	---
Food Service Aid - Lunch	10.555	---	452,757	452,757	---
Total U.S. Department of Agriculture - Child Nutrition Cluster		---	677,671	677,671	---
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title I-A Basic	84.010	128,565	489,069	414,831	54,327
<i>Special Education Cluster (IDEA)</i>					
IDEA Flow Through	84.027	175,622	577,024	470,620	69,218
IDEA Seclusion and Restraint	84.027	7,931	13,082	5,955	804
IDEA Pre-school Entitlement	84.173	390	8,882	9,143	651
Total Special Education Cluster (IDEA)		183,943	598,988	485,718	70,673
ESEA Title III-A English Language	84.365	6,532	24,844	22,446	4,134
ESEA Title II-A Teacher Principal Training	84.367	23,702	86,118	76,401	13,985
Passed through Lake Geneva School District:					
Carl Perkins	84.048	---	1,843	1,843	---
Total U.S. Department of Education		342,742	1,200,862	1,001,239	143,119
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	43,188	43,188
Passed through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	3,870	157,942	186,362	32,290
Total U.S. Department of Health and Human Services		21,664	175,736	229,550	75,478
Total		\$ 364,406	\$ 2,054,269	\$ 1,908,460	\$ 218,597

See Independent Auditors' Report

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
June 30, 2015

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, 2015, 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 04, 2015.

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 04, 2015
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 Federal and State 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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal and state program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance the 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 04, 2015
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Prior Audit Findings

Year Ended June 30, 2015

None noted.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster</i>
84.027	IDEA Flow Through
84.027	IDEA Seclusion and Restraint
84,173	IDEA Preschool Entitlement

- | | |
|--|-----------|
| 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, 2015
(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? Yes
13. Identification of major state programs:

<u>State ID</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.103	Common School Library Fund
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

Reference Number: 2015-001
Description: Expenditures are less than revenue
Department: Wisconsin Department of Public Instruction
Program Name: Common School Fund
State ID #: 255.103

Criteria: The Wisconsin Department of Public Instruction requires that the total of eligible objects reported under function 222000 must be at least equal to common school fund revenue for library aid.

Condition: The District reported expenditures that were less than the library aid revenue received.

Effect: The District received funding in excess of eligible expenditures.

Cause: The District failed to perform a review of eligible library aid expenditures during the fiscal year to determine the availability of funds for additional library purchases.

Auditors' Recommendation: The District should review library aid expenditures monthly to determine available funds for library purchases.

District's Response: The District will implement procedures to ensure that all the common school funds are expended in the year received. Several items were back ordered and thus not delivered during the fiscal year.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

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

Reference Number: 2015-002
Description: Purchase of unallowable item
Department: Wisconsin Department of Public Instruction
Program Name: Common School Fund
State ID #: 255.103

Criteria: While the Wisconsin Department of Public Instruction allows for the purchase of computers and related software as eligible expenditures for library aid; they specifically disallow purchases of smartboards, printers, LCD projectors and scanners.

Condition: The District reported an expenditure for a LCD projector in the common school funds.

Questioned Cost: \$540

Effect: Eligible expenditures for common school fund are reduced.

Cause: The District did not review line items charged to the common school fund.

Auditors' Recommendation: The District should review library aid eligible expenditures to determine appropriate items for purchase.

District's Response: Our library media specialist will continue our current practice of obtaining written approval from the Department of Public Instruction prior to the purchase of unique items. This practice was used for the purchase of the LCD projector.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(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 | Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | <hr style="width: 100%; border: 0.5px solid black;"/> Carrie A. Gindt |
| 5. Date of Report | November 04, 2015 |