

**SCHOOL DISTRICT OF PEWAUKEE**  
Pewaukee, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2014

# SCHOOL DISTRICT OF PEWAUKEE

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**INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
School District of Pewaukee  
Pewaukee, 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 School District of Pewaukee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee'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 over financial reporting relevant to the School District of Pewaukee'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 School District of Pewaukee'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.

To the Board of Education  
School District of Pewaukee

### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note I, the School District of Pewaukee adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, and schedule of employer contributions 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. These reporting standards limit the disclosure of condensed financial statements and other information in the management's discussion and analysis. Management has elected to include more information in the management's discussion and analysis than is required by these standards. 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Pewaukee's basic financial statements. The combining and individual fund financial statements and the schedules of expenditures of federal and state awards as required by *Office of Management and Budget Circular A-133* and the *State Single Audit Guidelines*, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 combining and individual fund financial statements and the schedules of expenditures of federal and state awards as required by *Office of Management and Budget Circular A-133* and the *State Single Audit Guidelines*, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Board of Education  
School District of Pewaukee

**Other Reporting Required by *Government Auditing Standards***

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

*Baker Tilly Virchow Krause, LLP*

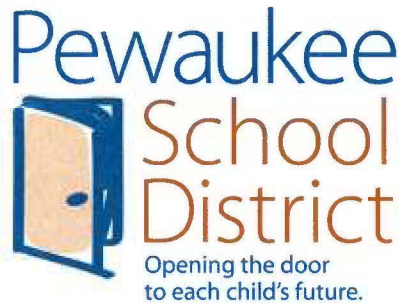
Milwaukee, Wisconsin  
November 3, 2014

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

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2014 (Unaudited)**

The following discussion and analysis of the Pewaukee School District financial performance provides an overall review of financial activities for the fiscal year and focuses on School District financial performance as a whole.

### **FINANCIAL HIGHLIGHTS**

#### **Review of Funds:**

The General Fund (Fund 10) balance increased by \$557.1K from \$4.577M to \$5.134M. The fund balance is approximately 18.54% of General Fund expenditures. The original and final budgets for 2013-14 were adopted with an expected surplus of approximately \$100,000. The budget surplus beyond this plan was primarily driven as a result of reduced cost of personnel in the district and reductions in the cost of providing special education programming. Personnel costs account for nearly eighty percent of the overall operating budget.

Pewaukee School District served as the fiscal agent in the development of the Waukesha Area Health Insurance Purchasing Cooperative. This group formed to create buying power for the smaller groups within individual districts generating premium savings for all members of the coop. Seven (7) districts participated in the initial offering. The members of the cooperative began their insurance coverage through United Health Care in September 2007 with their first renewal date on July 1, 2008. As of September 1, 2013 the membership in the Cooperative had grown to eleven school districts.

Financial activity resulted in an increase in fund balance in the Food Service Fund (Fund 50) of \$40,042. Revenues of \$976,588 exceeded expenditures of \$936,546, resulting in a total fund balance of \$210,720 at June 30, 2014. The increase in fund balance was driven by controlling the cost of food and managing the program to optimize participation.

Capital assets have been reported at \$63,438,602 and accumulated depreciation of \$19,154,885 for a net capital asset book value of \$44,283,717. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories were conducted in Spring 2002, Spring 2003, Spring 2005, Spring 2009, Spring 2011 and Spring 2013 while a book review was conducted in Spring 2004, and once again in the Spring of 2006, Spring 2007, Spring 2008, Spring 2010 and Spring 2014. Capital assets were assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements.

The resident student full-time equivalent (FTE) count, which is a major variable in the District's revenue limit calculation, increased by 142 students from September 2012 to September 2013.

Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. The count increased from 2,430 full-time equivalent resident students to 2572, full-time equivalent resident students. This population growth was the largest increase we have seen in recent years. We anticipate that the rate of growth will slow in the near future as many of the developments are reaching the full build out stage.

Total revenues from Governmental Funds were \$33,748,423. This amount includes \$28,445,921 of local revenues, \$2,561,229 of state revenues, and \$2,741,273 from other sources. Local revenues represent 84.29% of all revenue. State revenues represent 7.59% of all revenue. The State of Wisconsin Legislative Fiscal Bureau estimated that, for 2012-13, Pewaukee School District ranked 413<sup>th</sup> of 424 school districts in the percentage of the total school budget supported by state revenues.

The District's overall financial status, as reflected in total net assets of \$21,340,992, improved by \$532,221 reflecting the decrease in long-term liabilities as construction debt payments were made, offset by increases to the total asset base.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report consists of four parts:

1. Management's Discussion and Analysis
2. Basic Financial Statements (District-wide and Fund Statements)
3. Notes to the Financial Statements
4. Required and Additional Supplementary Information

The basic financial statements consist of District-wide Financial Statements and Fund Financial Statements that present different views of the District's financial activities.



## **District-wide Financial Statements**

The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2013-14 fiscal year.

The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the District.

The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net assets for the District from the previous year.

## **Fund Financial Statements**

The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements and support the *Statement of Net Position*.

The *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* is required supplementary information, which further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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.

*Supplementary Information* provides information specific to non-major governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in Table 1.

**Table 1 – Major Features of District-wide and Fund Financial Statements**

	District-wide Statements	Governmental Fund Statements	Proprietary Fund Statements	Fiduciary Fund Statements
<b>Scope</b>	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.	An activity the District operates similar to private businesses. <b><u>The District does not report any program for this designation.</u></b>	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.
<b>Required Financial Statements</b>	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and changes in Fund Balance	Statement of Net Position  Statement of Revenues, Expenses and changes in Net Position  Statement of Cash Flows	Statement of Fiduciary Net Position  Changes in Fiduciary Net Position
<b>Basis of Accounting and Measurement Focus</b>	Accrual accounting  Economic resources focus	Modified accrual accounting  Current financial resources focus	Accrual accounting  Economic resources focus	Accrual accounting  Economic resources focus
<b>Type of Asset and Liability Information</b>	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. <b><u>The District's fiduciary funds do not currently contain capital assets.</u></b>
<b>Type of Inflow and Outflow Information</b>	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 liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**Table 2 – Condensed Statement of Net Position**

	<b><u>Restated</u></b>	
	<b><u>6/30/2013</u></b>	<b><u>6/30/2014</u></b>
<b><u>Assets</u></b>		
Current Assets	\$12,313,772	\$13,747,860
Non Current Assets	47,408,136	44,283,717
<b>Total Assets</b>	<b><u>\$59,721,908</u></b>	<b><u>\$58,031,577</u></b>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized Loss on Refunding	<b><u>\$ 492,333</u></b>	<b><u>\$ 424,425</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 9,634,983	\$ 9,382,473
Non-Current Liabilities	29,770,487	27,732,537
<b>Total Liabilities</b>	<b><u>\$39,405,470</u></b>	<b><u>\$37,115,010</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	\$18,372,341	\$17,215,768
Restricted	495,398	482,767
Unrestricted	1,941,032	3,642,457
<b>Total Net Position</b>	<b><u>\$20,808,771</u></b>	<b><u>\$21,340,992</u></b>

**Statement of Net Position: (Table 2)**

As of June 30, 2014, the District reported total assets of \$58.03M, deferred outflows of resources of \$.42M and total liabilities of \$37.12M. Net position amounted to \$21.34M. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

**Table 3**  
**Statement of Activities**

<b><u>Revenues:</u></b>		<b><u>2012-13</u></b>	<b><u>2013-14</u></b>
<b>Program:</b>	Charges for Services	\$ 2,568,752	\$ 2,688,351
	Operating Grants & Cont.	2,069,404	2,028,073
<b>General:</b>	Property & Other Taxes	26,076,493	27,304,663
	General State Aid	1,814,806	1,642,623
	Other	87,762	84,713
	<b>Total Revenue</b>	<b><u>\$32,617,217</u></b>	<b><u>\$33,748,423</u></b>
<b><u>Expenses:</u></b>			
<b>Instruction:</b>	Regular	\$11,364,794	\$12,152,845
	Vocational	1,013,258	1,052,902
	Special Education	2,708,267	2,653,779
	Other Instruction	1,129,900	1,236,304
<b>Support:</b>	Pupil Services	1,050,876	1,048,615
	Instructional Support	1,395,382	1,862,722
	Administration	2,595,008	2,507,791
	Buildings & Grounds	3,022,020	4,176,909
	Pupil Transportation	1,169,994	1,192,277
	Other Support Services	1,628,170	2,202,503
	Interest and Fees	1,228,163	1,340,866
	Food Service	882,748	912,473
	Depreciation		
	Unallocated	184,043	876,216
	<b>Total Expense</b>	<b><u>\$29,372,623</u></b>	<b><u>\$33,216,202</u></b>
	<b>Change in Net Position</b>	<b><u>\$ 3,244,594</u></b>	<b><u>\$ 532,221</u></b>

**Revenues**

- The District received \$33.75M in revenue for the 2013-14 fiscal year. Over eighty percent (80.91%) of the District's total revenue came from local school property tax and prior year tax charge backs. Four point eighty-seven percent (4.87%) of the total came from general state aid. The District receives approximately fifteen percent (14.22%) in the form of specific use State Grants, Federal Aid, and direct fees for services and other revenues. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$2.68M of the cost. Book and activity fees, admissions to athletic events, lunch fees, open enrollment tuition, and building rental fees are included as charges for services.

- Federal and State governments subsidized certain programs with grants and contributions of \$2.03M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$27.30M and general state aid for \$1.52M. Charges for services and operating grants and contributions total \$4.72M.

**Expenses**

- The District's total expenditures were \$33.21M for fiscal year 2013-14. Sixty percent (60.23%) of expenses were for direct instruction and instructional services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of direct instruction and instructional services expenditures. Support services account for \$13.21M or thirty-nine percent (39.77%) of total expenditures. These costs include administration, facility maintenance, pupil transportation, food service, central administration and risk management.
- The total cost of all governmental activities was \$33.21M.

**Table #4 – Net Cost of Governmental Activities**

	2012-13		2013-14	
	<b>Total Cost</b>	<b>Net Cost</b>	<b>Total Cost</b>	<b>Net Cost</b>
	<b>of Services</b>	<b>of Services</b>	<b>of Services</b>	<b>of Services</b>
Regular Instruction	11,364,794	9,684,635	12,152,845	10,330,245
Vocational Instruction	1,013,258	1,010,804	1,052,902	1,051,534
Special Education	2,708,267	1,391,220	2,653,779	1,468,812
Other Instruction	1,129,900	1,011,534	1,236,304	1,053,851
Pupil Services	1,050,876	986,862	1,048,615	1,019,703
Instructional Support	1,395,382	1,195,816	1,862,722	1,514,639
Administration	2,595,008	2,593,485	2,507,791	2,484,751
Buildings and Grounds	3,022,020	2,810,303	4,176,909	4,137,832
Pupil Transportation	1,169,994	1,066,904	1,192,277	1,086,326
Other Support Services	1,628,170	1,628,170	2,202,503	2,199,040
Interest and Fees	1,228,163	1,228,163	1,340,866	1,340,866
Food Service	882,748	(57,472)	912,473	(64,037)
Depreciation				
Unallocated	184,043	184,043	876,216	876,216
<b>Total</b>	<b>\$29,372,623</b>	<b>\$24,734,467</b>	<b>\$33,216,202</b>	<b>\$28,499,778</b>

- The net cost of governmental activities was \$28.50M. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

#### **General Fund Budgetary Comparison:**

The District adopts a preliminary budget in May for the subsequent year. Consistent with current state statutes and regulations, the preliminary budget is amended in October to reflect the actual revenue cap and state aid certification. Thereinafter the budget is referred to as the Original Budget.

- General Fund (Fund 10) was originally approved with an expected surplus of \$100,000. The final fiscal year operations resulted in a General Fund surplus of \$557,073. This surplus was the result of reduced expenditures in both the General Fund and the Special Education Fund expenditures related primarily to personnel costs in the amount of \$334,273 and revenues that exceeded General Fund budget by \$22,800 in addition to the planned \$100,000 surplus.

#### **Fund Balances:**

- The District shows a total for all fund balances of \$6,878,067 as of June 30, 2014. (See Note III-H. in the financial statements for the detail of total governmental fund balances.)
- \$5.13M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity. The Fund 10 balance is approximately 18.54% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$840K is in the Debt Service Fund (Fund 30), which is reserved to make the September interest payment on long-term debt.
- \$210K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$57.6K is in the Gift Fund (Fund 21), which represents donations to the District to be spent for a specific purpose.
- \$635K is in the Capital Projects Fund (Funds 41, 45 and 46) and will be used to complete construction projects approved in the November 2010 referendum on the Pewaukee School District campus.

**Governmental Activities:**

The District's current financial position can be credited to effective and conservative fiscal management.

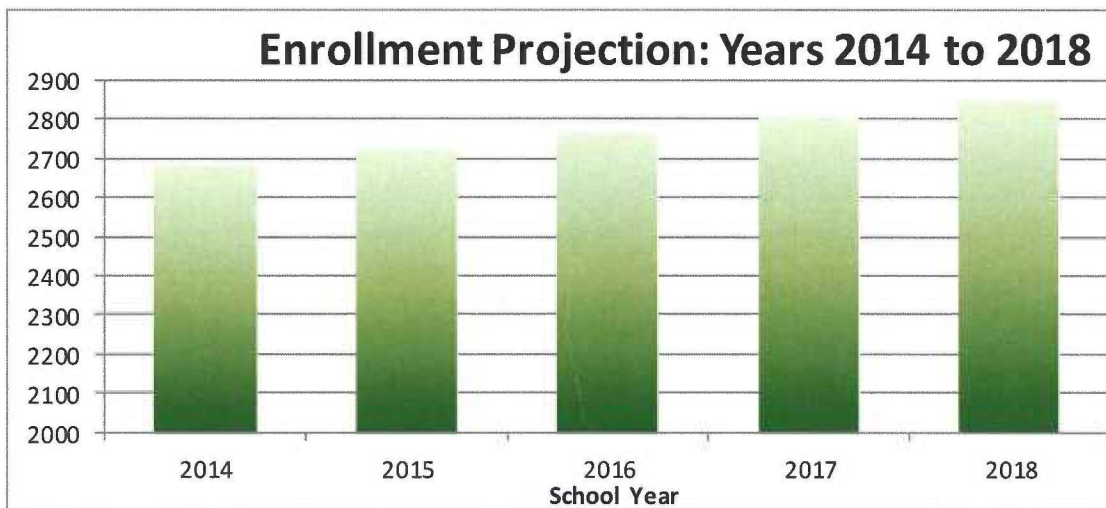
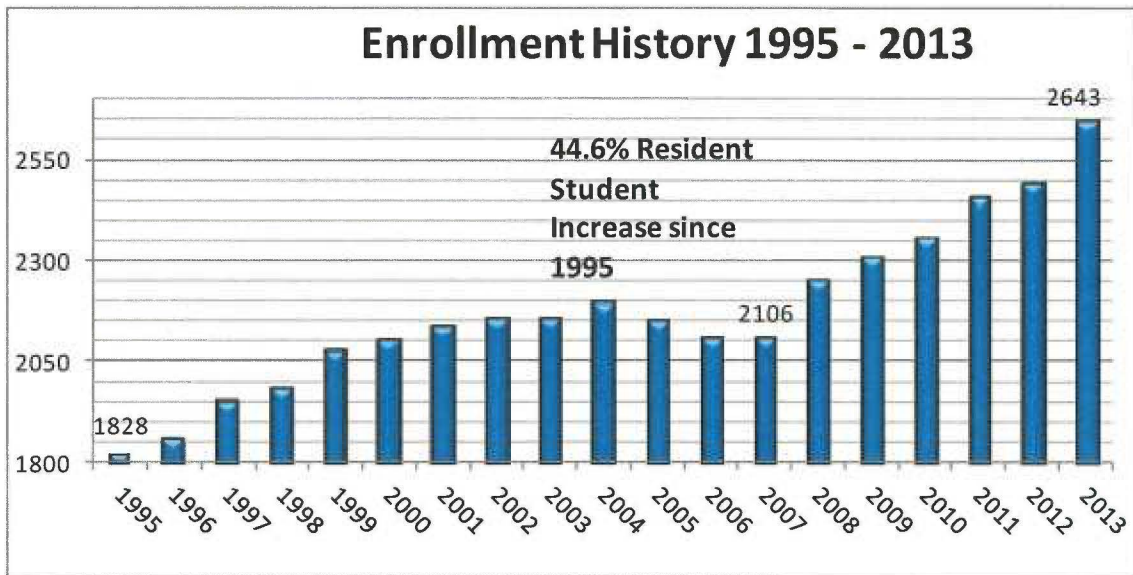
- It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure that the physical plants in the District are kept in excellent condition and that costly major repairs may be averted through timely facility maintenance. In the 2013-14 school year the Board of Education acted to combine their Five Year Capital Improvement plan and the Ten Year Campus Improvement Plan into a single Capital Improvement Plan. The Board also took action to create a long-term Capital Improvement Fund (Fund 46) to address future funding needs,
- Each year, detailed attention is paid to staffing levels. Class size levels are watched closely to ensure high quality instruction despite the constraints of the state-imposed revenue limit.

**Staffing Table**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Change</u>
Teachers	164.08	166.29	165.76	166.25	171.16	4.91
Administrators	10.00	10.00	10.00	12.00	12.00	0.00
Aides	25.07	25.50	25.84	23.43	24.10	0.67
Custodians	20.82	20.28	19.82	18.94	18.31	-0.63
Secretaries	9.81	9.87	10.12	12.08	13.04	0.96
Technology Staff	4.00	5.00	5.00	5.00	5.00	0.00
District Assistants*	5.75	6.00	6.00	11.40	10.95	-0.45
District Support **	4.60	4.60	4.60	4.60	4.60	0.00
Grand Total	244.13	247.54	247.14	253.70	259.16	5.46

- The District keeps a close watch on enrollment projections and plans personnel decisions accordingly. Projections are outsourced every three years using the Applied Population Laboratory from the University of Wisconsin – Madison. Due to a slowing of residential development, the District has experienced a decline in enrollment during the 2005-06 and the 2006-07 fiscal years. Enrollment stabilized temporarily in 2007-08 then increased in 2008-09 and 2009-10. We anticipate enrollment to increase to 2,700 total students within five years due to the development of multiple new residential subdivisions within the District. Enrollments have increased annually, with the exception of two years, since the mid 1980's.





Capital Asset and Debt Administration

**Capital Assets**

- In order to comply with GASB 34, the District retains an independent appraisal firm to perform a comprehensive physical inventory every other year (and a book review in each off-year) of all capital assets over \$5,000 and calculates both annual and accumulated depreciation on all applicable capital assets. Due to development of new programs in the district, the physical inventory was completed in the 2012-13 fiscal year (Note III-C in the Financial Statements details capital assets).

**Long Term Debt**

- As of June 30, 2014 the District had \$29.89M in long-term obligations, which includes promissory notes, general obligation bonds, capital leases, and accrued compensated absences (Note III-F in the Financial Statements details the long-term obligations).



General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the Board of Education at the time of issuance. Wisconsin State Statutes require that the first property tax receipts be segregated for use for annual debt service payment. The Pewaukee School District complies with all these statutory requirements.

### **Decisions that Will Impact the Future of the District**

- One of the most important variables in the District's financial future is controlling the cost of health insurance for its employees. The cost of health benefits for all District employees is increasing at a long-term average rate of 8-12% per year. If these rates continue, the cost of health benefits will have a detrimental impact on the instructional services of the District. District administration has been implementing various employee cost-sharing and cost-saving measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge. Through the continuous improvement efforts of the district, there has been a robust wellness program developed and implemented within the district.
- It is important that the District continues to be able to complete capital improvement projects. The unique campus setting of the Pewaukee School District is an important asset which helps attract and retain students and staff. It is one of the Board of Education's strategic goals and an annual budget priority to continue to upgrade and maintain the physical plants of the District. Space for the growing resident population will be monitored closely. Planning for meeting the facility needs of the future is reviewed annually.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 82 students leaving the District and 240 students entering the District. This produces a revenue gain of approximately \$1,002K per year.
- Pewaukee School District continues to benefit from very strong growth in the local tax base and increases in residential construction. These trends should have a beneficial effect upon District finances for the next 2-3 years. The construction pace has increased during the 2013-14 fiscal year which we anticipate will change for the upcoming year. The commercial tax base will also increase due to the addition of retail developments in the Village of Pewaukee.

### **Contacting the District's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, 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 regarding this report or need additional financial information, please contact:

John Gahan, Assistant Superintendent  
Pewaukee School District  
404 Lake Street  
Pewaukee, WI 53072  
Phone: (262) 695-5038  
[gahajoh@pewaukeeschools.org](mailto:gahajoh@pewaukeeschools.org)

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## **BASIC FINANCIAL STATEMENTS**

# SCHOOL DISTRICT OF PEWAUKEE

## STATEMENT OF NET POSITION

As of June 30, 2014

### ASSETS

#### CURRENT ASSETS

Cash and investments	\$	5,610,213
Taxes receivable		6,946,985
Due from fiduciary funds		451,269
Due from other governments		334,170
Accounts receivable		14,437
Prepaid items		390,786
Total Current Assets		<u>13,747,860</u>

#### NONCURRENT ASSETS

Land		1,449,282
Other capital assets		61,989,320
Less: Accumulated depreciation		<u>(19,154,885)</u>
Net Capital Assets		<u>44,283,717</u>
Total Assets		<u>58,031,577</u>

### DEFERRED OUTFLOW OF RESOURCES

Unamortized loss on refunding		<u>424,425</u>
-------------------------------	--	----------------

### LIABILITIES

#### CURRENT LIABILITIES

Short-term debt		6,400,000
Accounts payable and accrued expenses		827,043
Current portion of long-term obligations		<u>2,155,430</u>
Total Current Liabilities		9,382,473

#### NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations		<u>27,732,537</u>
Total Liabilities		<u>37,115,010</u>

### NET POSITION

Net investment in capital assets		17,215,768
Restricted for debt service		482,767
Unrestricted		<u>3,642,457</u>
Total Net Position	\$	<u>21,340,992</u>

**SCHOOL DISTRICT OF PEWAUKEE**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Instruction</b>				
Regular	\$ 12,152,845	\$ 1,732,555	\$ 90,045	\$ (10,330,245)
Special education	2,653,779	-	1,184,967	(1,468,812)
Vocational	1,052,902	-	1,368	(1,051,534)
Other	1,236,304	182,453	-	(1,053,851)
Total Instruction	<u>17,095,830</u>	<u>1,915,008</u>	<u>1,276,380</u>	<u>(13,904,442)</u>
<b>Support Services</b>				
Pupil services	1,048,615	-	28,912	(1,019,703)
Instructional support services	1,862,722	-	348,083	(1,514,639)
Administration	2,507,791	1,686	21,354	(2,484,751)
Buildings and grounds	4,176,909	39,077	-	(4,137,832)
Pupil transportation	1,192,277	-	105,951	(1,086,326)
Other support services	2,202,503	3,463	-	(2,199,040)
Interest and fees	1,340,866	-	-	(1,340,866)
Food service	912,473	729,117	247,393	64,037
Total Support Services	<u>15,244,156</u>	<u>773,343</u>	<u>751,693</u>	<u>(13,719,120)</u>
Depreciation - unallocated *	<u>876,216</u>	<u>-</u>	<u>-</u>	<u>(876,216)</u>
Total Activities	<u>\$ 33,216,202</u>	<u>\$ 2,688,351</u>	<u>\$ 2,028,073</u>	<u>(28,499,778)</u>
<b>General Revenues</b>				
Taxes				
Property taxes:				
General purposes				23,853,586
Debt service				3,451,077
State and federal aids not restricted to specific functions				
General				1,521,890
Other				120,733
Investment Income				5,524
Miscellaneous				79,189
Total General Revenues				<u>29,031,999</u>
<b>Change in Net Position</b>				532,221
NET POSITION - BEGINNING OF YEAR				<u>20,808,771</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 21,340,992</u>

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

**SCHOOL DISTRICT OF PEWAUKEE**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2014

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 3,849,935	\$ -	\$ 840,017	\$ 635,494	\$ 284,767	\$ 5,610,213
Taxes receivable	6,946,985	-	-	-	-	6,946,985
Due from other funds	107,662	-	-	-	-	107,662
Due from fiduciary funds	451,269	-	-	-	-	451,269
Due from other governments	175,506	150,891	-	-	7,773	334,170
Accounts receivable	9,986	4,451	-	-	-	14,437
Prepaid items	390,786	-	-	-	-	390,786
<b>TOTAL ASSETS</b>	<b>\$ 11,932,129</b>	<b>\$ 155,342</b>	<b>\$ 840,017</b>	<b>\$ 635,494</b>	<b>\$ 292,540</b>	<b>\$ 13,855,522</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Short-term notes payable	\$ 6,400,000	\$ -	\$ -	\$ -	\$ -	\$ 6,400,000
Accounts payable	34,960	349	-	-	21,343	56,652
Accrued payroll and related liabilities	306,492	47,331	-	-	2,851	356,674
Accrued interest payable	56,467	-	-	-	-	56,467
Due to other funds	-	107,662	-	-	-	107,662
Total Liabilities	<u>6,797,919</u>	<u>155,342</u>	<u>-</u>	<u>-</u>	<u>24,194</u>	<u>6,977,455</u>
Fund Balances						
Nonspendable	390,786	-	-	-	-	390,786
Restricted	-	-	840,017	-	-	840,017
Committed	-	-	-	635,494	268,346	903,840
Unassigned	4,743,424	-	-	-	-	4,743,424
Total Fund Balances	<u>5,134,210</u>	<u>-</u>	<u>840,017</u>	<u>635,494</u>	<u>268,346</u>	<u>6,878,067</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,932,129</b>	<b>\$ 155,342</b>	<b>\$ 840,017</b>	<b>\$ 635,494</b>	<b>\$ 292,540</b>	

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 in the funds. See Note III.C.	44,283,717
Unamortized losses on refundings are deferred outflows of resources and therefore are not reported in the funds.	424,425
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(357,250)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. See Note III.F.	<u>(29,887,967)</u>
<b>NET POSITION</b>	<b>\$ 21,340,992</b>

**SCHOOL DISTRICT OF PEWAUKEE**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local	\$ 24,081,187	\$ -	\$ 3,451,552	\$ 125,225	\$ 787,957	\$ 28,445,921
Interdistrict	1,547,030	56,013	-	-	1,686	1,604,729
Intermediate	5,352	-	-	-	-	5,352
State	1,814,766	736,893	-	-	9,570	2,561,229
Federal	294,141	516,136	-	-	237,822	1,048,099
Other	81,833	-	-	-	1,260	83,093
<b>Total Revenues</b>	<b>27,824,309</b>	<b>1,309,042</b>	<b>3,451,552</b>	<b>125,225</b>	<b>1,038,295</b>	<b>33,748,423</b>
<b>EXPENDITURES</b>						
Instruction						
Regular	10,874,668	-	-	-	-	10,874,668
Special education	72,969	2,343,780	-	-	-	2,416,749
Vocational	1,047,114	1,368	-	-	-	1,048,482
Other	1,220,832	-	-	-	2,637	1,223,469
<b>Total instruction</b>	<b>13,215,583</b>	<b>2,345,148</b>	<b>-</b>	<b>-</b>	<b>2,637</b>	<b>15,563,368</b>
Support Services						
Pupil services	680,384	368,270	-	-	-	1,048,654
Instructional support services	1,551,488	311,318	-	-	-	1,862,806
Administration	2,562,458	2,640	-	-	31,207	2,596,305
Buildings and grounds	3,133,525	-	-	455,804	134,945	3,724,274
Pupil transportation	977,436	214,841	-	-	-	1,192,277
Other support services	2,169,196	-	-	-	-	2,169,196
Debt service						
Principal retirement	336,277	-	2,340,000	-	-	2,676,277
Interest and fiscal charges	39,043	-	1,150,400	-	-	1,189,443
Food service	-	-	-	-	907,194	907,194
<b>Total support services</b>	<b>11,449,807</b>	<b>897,069</b>	<b>3,490,400</b>	<b>455,804</b>	<b>1,073,346</b>	<b>17,366,426</b>
Non Program	638,191	255,702	-	-	-	893,893
<b>Total Expenditures</b>	<b>25,303,581</b>	<b>3,497,919</b>	<b>3,490,400</b>	<b>455,804</b>	<b>1,075,983</b>	<b>33,823,687</b>
Excess (deficiency) of revenues over expenditures	2,520,728	(2,188,877)	(38,848)	(330,579)	(37,688)	(75,264)
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease issued	425,391	-	-	-	-	425,391
Transfers in	-	2,188,877	-	200,000	169	2,389,046
Transfers out	(2,389,046)	-	-	-	-	(2,389,046)
<b>Net Change in Fund Balances</b>	<b>557,073</b>	<b>-</b>	<b>(38,848)</b>	<b>(130,579)</b>	<b>(37,519)</b>	<b>350,127</b>
FUND BALANCES - BEGINNING OF YEAR	4,577,137	-	878,865	766,073	305,865	6,527,940
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,134,210</b>	<b>\$ -</b>	<b>\$ 840,017</b>	<b>\$ 635,494</b>	<b>\$ 268,346</b>	<b>\$ 6,878,067</b>

## SCHOOL DISTRICT OF PEWAUKEE

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	350,127
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	1,155,372	
Depreciation expense reported in the statement of activities	(2,526,979)	
Net book value of assets retired	(735,476)	(2,107,083)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt paid		2,676,277
Debt issued		(425,391)
<p>Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses). However, in the statement of net position, these are deferred and reported as other assets or as deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as amortization expense.</p>		
Net amortization of debt premiums and refunding losses		52,268
Amortization of debt issue costs		(229,908)
Change in other post-employment benefit and pension obligation		189,154
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences		560
Accrued interest on debt		26,217
CHANGE IN NET POSITION	\$	532,221



**SCHOOL DISTRICT OF PEWAUKEE**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
As of June 30, 2014

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	Employee Benefit Trust Fund	Agency Fund
	<u>Post-Retirement Health Benefits</u>	<u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 856,759	\$ 256,772
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 256,772
Due to general fund	451,269	-
Total liabilities	451,269	\$ 256,772
<b>NET POSITION - Held in trust for employee benefits</b>	<u>405,490</u>	
Total liabilities and net position	<u>\$ 856,759</u>	

# SCHOOL DISTRICT OF PEWAUKEE

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the Year Ended June 30, 2014

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	Employee Benefit Trust Fund
	<u>Post-Retirement Health Benefits</u>
<b>ADDITIONS</b>	
District Contributions	\$ 800,000
Member Contributions	33,951
Interest	277
Other	<u>3,463</u>
Total additions	837,691
<b>DEDUCTIONS</b>	
Benefits paid	<u>757,797</u>
<b>Change in Net Position</b>	79,894
NET POSITION - BEGINNING OF YEAR	<u>325,596</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 405,490</u>

# SCHOOL DISTRICT OF PEWAUKEE

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

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# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies of the School District of Pewaukee, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the School District of Pewaukee. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

#### **B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective July 1, 2013.

#### ***District-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### *B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)*

#### *Fund Financial Statements (cont.)*

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Education Fund - Special Revenue Fund - used to account for and report grants and local revenues that are restricted or committed to expenditures used to provide special education services to district students.

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures, for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Food Service Fund  
Trust Fund  
Package Cooperative Program Fund

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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### ***B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***Fund Financial Statements (cont.)***

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Funds - used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Post Retirement Health Benefits Fund

Agency Funds - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Pupil Activity Fund

### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

#### ***District-Wide Financial Statements***

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

#### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenues.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

#### ***Fund Financial Statements (cont.)***

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

#### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY**

#### ***1. Deposits and Investments***

Investment of District funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

#### *1. Deposits and Investments (cont.)*

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk

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. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2014, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.



# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

#### **2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the District, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district.

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1.

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

#### **3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

#### **4. Capital Assets**

##### ***District-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Land Improvements	5-50 Years
Furniture, Equipment, and Vehicles	5-20 Years

##### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

#### **5. Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide statements.

#### **6. Compensated Absences**

The District's policy allows certain non-teacher employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees normally use their entire vacation during the fiscal year. In some instances, employees are not able to use their entire vacation during the fiscal year and the District allows them accumulate vacation time which is vested and payable upon retirement or termination.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

#### ***6. Compensated Absences (cont.)***

The District does allow certain non-teacher employees to accumulate sick pay benefits. If an employee attains 10 years of service, these benefits vest and are payable upon retirement or termination at 1/3 of the total accumulated benefits with a maximum pay-out of 22.5 days.

The payout of compensated absences for sick and vacation is recorded as an expenditure in the fiscal year that the payment is made for the governmental fund statements. Vested accumulated benefits for sick and vacation are recorded as an expense and liability when earned in the district-wide statements.

The District also allows early retirement elections. Under this program health and dental insurance benefits are paid in future fiscal years. These benefits, though related to services currently received, are recorded as expenditures of the governmental funds in the period in which they are paid rather than the period in which the early retirement occurs. See Note IV. D.

#### ***7. Long-Term Obligations***

All long-term obligations to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes and bonds payable, net OPEB and pension obligations and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

#### *8. Equity Classifications*

##### *Government-Wide Statements*

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

##### *Fund Statements*

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District's Board of Education . This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District's Board of Education that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Assistant Superintendent to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

#### *8. Equity Classifications (cont.)*

##### *Fund Statements (cont.)*

- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

Fiduciary fund equity is classified as held in trust for on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

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## NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### *A. LIMITATIONS OF DISTRICT REVENUES*

Wisconsin statutes limit the amount of revenues that School District's may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

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

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

**SCHOOL DISTRICT OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The District's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 4,414,932	\$ 5,099,251	Custodial credit risk
LGIP	2,305,694	2,305,694	Credit risk
Athletic cash box funds	1,400	-	N/A
Petty cash	1,718	-	N/A
 Total Deposits and Investments	 \$ 6,723,744	 \$ 7,404,945	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 5,610,213		
Per statement of net position - fiduciary funds			
Employee Benefit Trust Fund	856,759		
Agency Fund	256,772		
 Total Deposits and Investments	 \$ 6,723,744		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2014, the banks had pledged various government securities in the amount of \$4,835,933 to secure the District's deposits.

***Custodial Credit Risk***

**Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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### A. DEPOSITS AND INVESTMENTS (cont.)

#### *Custodial Credit Risk* (cont.)

#### Deposits (cont.)

As of June 30, 2014, \$4,849,251 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,317
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the District's name	<u>4,835,934</u>
Total	<u>\$ 4,849,251</u>

#### Investments

For an investment, custodial credit risk 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 any investments exposed to custodial credit.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District held investments in the following external pools which are not rated:

Wisconsin Local Government Investment Pool

See Note I.D.1. for further information on deposit and investment policies.

### B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.



## SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,449,282	\$ -	\$ -	\$ 1,449,282
Construction in progress	335,176	-	335,176	-
Total Capital Assets Not Being Depreciated	1,784,458	-	335,176	1,449,282
Capital assets being depreciated				
Buildings	56,798,814	320,461	735,476	56,383,799
Land Improvements	3,260,074	1,150,932	-	4,411,006
Furniture, equipment & vehicles	1,193,010	19,155	17,650	1,194,515
Total Capital Assets Being Depreciated	61,251,898	1,490,548	753,126	61,989,320
Total Capital Assets	63,036,356	1,490,548	1,088,302	63,438,602
Less: Accumulated depreciation for				
Buildings	(14,117,204)	(2,332,488)	-	(16,449,692)
Land Improvements	(1,662,796)	(142,088)	-	(1,804,884)
Furniture, equipment & vehicles	(865,556)	(52,403)	17,650	(900,309)
Total Accumulated Depreciation	(16,645,556)	(2,526,979)	17,650	(19,154,885)
Net Capital Assets Being Depreciated	44,606,342	(1,036,431)	735,476	42,834,435
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 46,390,800	\$(1,036,431)	\$ 1,070,652	\$ 44,283,717

Depreciation expense was charged to District functions as follows:

Instruction	
Regular instruction	\$ 761,474
Special education	4,420
Other instructions	12,874
Support services	
Buildings and grounds	850,904
Food service	5,324
Other support services	15,767
Unallocated	876,216
Total Depreciation Expense	\$ 2,526,979



**SCHOOL DISTRICT OF PEWAUKEE**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

***D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS***

***Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Special Education Fund	\$ <u>107,662</u>
Total - Fund Financial Statements		\$ <u><u>107,662</u></u>

All amounts are due within one year.

The principal purpose of these interfunds is to temporarily finance expenditures until all revenue sources are received. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Special Education Fund	General Fund	\$ 2,188,877	Operating subsidy
Package Cooperative Program Fund	General Fund	169	Expenses for consulting/legal for the health insurance consortium
Capital Projects	General Fund	<u>200,000</u>	Use of capital projects in the future
Total - Fund Financial Statements		\$ <u><u>2,389,046</u></u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## SCHOOL DISTRICT OF PEWAUKEE

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

#### **NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

##### ***E. TAX AND REVENUE ANTICIPATION NOTES PAYABLE***

The District issues tax and revenue anticipation notes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January. The District's short-term debt activity for the year ending June 30, 2014, is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note	\$ 5,600,000	\$ 6,400,000	\$ 5,600,000	\$ 6,400,000
Totals	\$ 5,600,000	\$ 6,400,000	\$ 5,600,000	\$ 6,400,000

The current tax and revenue anticipation note is due on September 30, 2014 and has an interest rate of 1.000%. Total short-term interest expended during the year was \$27,660

##### ***F. LONG-TERM OBLIGATIONS***

Long-term obligations activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 28,525,000	\$ -	\$ 2,340,000	\$ 26,185,000	\$ 1,910,000
(Discounts)/Premiums	1,003,128	-	120,176	882,952	-
Sub-total	29,528,128	-	2,460,176	27,067,952	1,910,000
Other Liabilities					
Vested compensated absences	111,893	-	560	111,333	-
Capital leases	448,436	425,391	336,277	537,550	245,430
Net OPEB obligation	2,052,977	471,254	800,000	1,724,231	-
Net pension obligation	307,309	139,592	-	446,901	-
Total Other Liabilities	2,920,615	1,036,237	1,136,837	2,820,015	245,430
Total Long-Term Liabilities	\$ 32,448,743	\$ 1,036,237	\$ 3,597,013	\$ 29,887,967	\$ 2,155,430

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2014, was \$230,577,643. Total general obligation debt outstanding at year end was \$26,185,000.

## SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the District. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2014
General Obligation Debt	7/1/05	3/1/21	5-5.25%	\$ 13,945,000	\$ 10,465,000
General Obligation QSCP Notes	11/16/09	9/15/19	0%	500,000	335,000
General Obligation Promissory Notes	4/8/10	3/1/19	2-3.75%	1,515,000	760,000
General Obligation Debt Refunding Bonds	7/6/11	3/1/31	4%	10,000,000	10,000,000
General Obligation Debt Refunding Bonds	11/14/11	3/1/24	3%	2,425,000	2,425,000
General Obligation Promissory Notes	3/5/12	3/1/22	1.5-2%	4,025,000	<u>2,200,000</u>
Total General Obligation Debt					<u>\$ 26,185,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2015	\$ 1,910,000	\$ 1,071,750
2016	1,996,000	992,325
2017	2,071,000	911,825
2018	2,161,000	827,350
2019	1,881,000	738,375
2020-2024	6,886,000	2,546,775
2025-2029	6,320,000	1,373,000
2030-2031	<u>2,960,000</u>	<u>179,000</u>
Totals	<u>\$ 26,185,000</u>	<u>\$ 8,640,400</u>

##### **Capital Leases**

Refer to Note III. G.

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

### **NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

#### ***F. LONG-TERM OBLIGATIONS (cont.)***

##### ***Other Debt Information***

Estimated payments of other long-term liabilities are not included in the debt service requirement schedules. The other liabilities future payments are attributable to governmental activities and will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

#### ***G. LEASE DISCLOSURES***

##### ***Lessee - Capital Leases***

In September 2011, September 2012, and September 2013, the District acquired assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$999,349, which are not included in capital assets in the governmental activities because the value of each individual asset is below the District's capitalization threshold. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2014, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2015	\$ 245,430	\$ 13,102	\$ 258,532
2016	184,839	7,627	192,466
2017	107,281	2,632	109,913
Totals	\$ 537,550	\$ 23,361	\$ 560,911

#### ***H. NET POSITION/FUND BALANCES***

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

##### ***Governmental Activities***

Net Investment in Capital Assets	
Land	\$ 1,449,282
Other capital assets, net of accumulated depreciation	42,834,437
Less: Long-term debt outstanding	(27,067,951)
Total Net Investment in Capital Assets	17,215,768

## SCHOOL DISTRICT OF PEWAUKEE

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

#### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

##### **H. NET POSITION/FUND BALANCES (cont.)** **Governmental Activities (cont.)**

Restricted	
Debt Service	482,767
Total Restricted	482,767
Unrestricted	3,642,457
Total Governmental Activities Net Position	\$ 21,340,992

##### **Governmental Funds**

Governmental fund balances reported on the fund financial statements at June 30, 2014, include the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 390,786	\$ -	\$ -	\$ -	\$ 390,786
<b>Restricted for:</b>					
Debt Service	-	840,017	-	-	840,017
<b>Committed to:</b>					
Capital Projects	-	-	635,494	-	635,494
Food Service	-	-	-	210,720	210,720
Track and field improvements	-	-	-	57,626	57,626
<b>Unassigned:</b>	4,743,424	-	-	-	4,743,424
<b>Total Fund Balances</b>	\$ 5,134,210	\$ 840,017	\$ 635,494	\$ 268,346	\$ 6,878,067

#### NOTE IV - OTHER INFORMATION

##### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for the year ended June 30, 2014 are:

	<u>Employee</u>	<u>Employer</u>
July 1, 2013 - December 31, 2013	6.65%	6.65%
January 1, 2014 - June 30, 2014	7.00%	7.00%

The payroll for District employees covered by the WRS for the year ended June 30, 2014 was \$14,806,107; the employer's total payroll was \$15,451,873. The total required contribution for the year ended June 30, 2014 was \$2,058,402 or 13.9% of covered payroll. Total contributions for the years ending 2013 and 2012 were \$1,826,531 and \$1,631,198, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of June 30, 2014 there was no pension related debt for the District.

The District administers a single-employer defined benefit pension plan ("the plan"). The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments (COLAs) to plan members and beneficiaries. Benefit provisions are established through collective bargaining agreements. The plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for the plan. That report may be obtained by writing or calling the plan.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

## NOTE IV - OTHER INFORMATION (cont.)

### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The contribution requirements of plan members and the District are established and may be amended by the District. Plan members are required to contribute - percent of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is - percent of annual covered payroll.

The District's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$	165,224
Interest on net pension obligation		12,200
Adjustment to annual required contribution		<u>(37,832)</u>
 Annual pension cost		 139,592
Contributions made		<u>-</u>
Change in net pension obligation		139,592
 Net Pension Obligation - Beginning of Year		 <u>307,309</u>
 Net Pension Obligation - End of Year	\$	 <u><u>446,901</u></u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for June 30, 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2012	\$ 160,341	0%	\$ 160,341
June 30, 2013	146,968	0%	307,309
June 30, 2014	139,592	0%	446,901

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The funded status of the plan as of July 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	1,181,648
Actuarial value of plan assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>1,181,648</u>
Funded ratio (actuarial value of plan assets/AAL)		-%
Covered payroll (active plan members)	\$	12,214,792
UAAL as a percentage of covered payroll		10%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and projected salary increases ranging from to 0 percent per year. Both rates include a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2014, was 30 years.

#### B. 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. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

#### C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.



# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE IV - OTHER INFORMATION (cont.)

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### *C. COMMITMENTS AND CONTINGENCIES (cont.)*

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

### *D. OTHER POSTEMPLOYMENT BENEFITS*

#### *Plan Description*

The District administers a single-employer defined benefit healthcare plan. The District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

#### *Summary of Significant Accounting Policies*

*Basis of Accounting.* The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Investments are reported at fair value, which is determined by the mean of the most recent bid and asked provides as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the plan board of trustees, with the assistance of a valuation service.

#### *Plan Contribution Information*

Member of the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	38
Active plan members	<u>218</u>
Total	<u><u>256</u></u>

#### *Contribution Requirements*

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the District and the union. Administrative costs of the plan are financed through investment earnings.

# SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2014

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## NOTE IV - OTHER INFORMATION (cont.)

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### *D. OTHER POSTEMPLOYMENT BENEFITS (cont.)*

#### *Annual OPEB Cost and Net OPEB Obligation*

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (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 plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	504,905
Interest on net OPEB obligation		92,384
Adjustment to annual required contribution		<u>(126,035)</u>
Annual OPEB cost		471,254
Contributions made		<u>(800,000)</u>
Change in net OPEB obligation		(328,746)
Net OPEB Obligation - Beginning of Year		<u>2,052,977</u>
Net OPEB Obligation - End of Year	\$	<u><u>1,724,231</u></u>

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

### NOTE IV - OTHER INFORMATION (cont.)

#### *D. OTHER POSTEMPLOYMENT BENEFITS (cont.)*

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 787,050	105%	\$ 2,080,970
June 30, 2013	787,050	104%	2,052,977
June 30, 2014	471,254	170%	1,724,231

#### *Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,870,044
Actuarial value of plan assets	<u>256,944</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,613,100</u>
Funded ratio (actuarial value of plan assets/AAL)	5%
Covered payroll (active plan members)	\$ 12,214,792
UAAL as a percentage of covered payroll	38%

#### *Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates for 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. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2014

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### NOTE IV - OTHER INFORMATION (cont.)

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#### ***D. OTHER POSTEMPLOYMENT BENEFITS*** (cont.)

The accompanying schedules of employer contributions 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 Statement No. 43. 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 benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 1% after 5 years. Both rates include a 3% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2014, was 30 years.

#### ***E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB No. 68*

When they become effective, application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## SCHOOL DISTRICT OF PEWAUKEE

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local	\$ 24,044,452	\$ 24,073,252	\$ 24,081,187	\$ 7,935
Interdistrict	1,556,400	1,545,500	1,547,030	1,530
Intermediate	5,000	5,000	5,352	352
State	1,813,438	1,813,438	1,814,766	1,328
Federal	169,448	283,148	294,141	10,993
Other	55,871	81,171	81,833	662
Total Revenues	<u>27,644,609</u>	<u>27,801,509</u>	<u>27,824,309</u>	<u>22,800</u>
<b>EXPENDITURES</b>				
Instruction				
Regular	11,003,728	10,948,928	10,874,668	74,260
Special education	103,603	78,603	72,969	5,634
Vocational	1,043,150	1,054,750	1,047,114	7,636
Other	1,203,219	1,253,219	1,220,832	32,387
Total Instruction	<u>13,353,700</u>	<u>13,335,500</u>	<u>13,215,583</u>	<u>119,917</u>
Support Services				
Pupil services	684,884	678,884	680,384	(1,500)
Instructional support services	1,467,902	1,550,272	1,551,488	(1,216)
Administration	2,696,772	2,630,909	2,562,458	68,451
Buildings and grounds	3,109,446	3,109,447	3,133,525	(24,078)
Pupil transportation	1,000,000	1,000,000	977,436	22,564
Other support services	2,221,700	2,205,080	2,169,196	35,884
Debt service				
Principal retirement	336,277	348,860	336,277	12,583
Interest and fiscal charges	39,044	26,461	39,043	(12,582)
Total Support Services	<u>11,556,025</u>	<u>11,549,913</u>	<u>11,449,807</u>	<u>100,106</u>
Non-Program				
General tuition payments	650,543	636,034	622,506	13,528
Other non-program	20,000	15,721	15,685	36
Total Non-Program	<u>670,543</u>	<u>651,755</u>	<u>638,191</u>	<u>13,564</u>
Total Expenditures	<u>25,580,268</u>	<u>25,537,168</u>	<u>25,303,581</u>	<u>233,587</u>
Excess of revenues over expenditures	2,064,341	2,264,341	2,520,728	256,387
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease issued	425,391	425,391	425,391	-
Transfers out	(2,389,732)	(2,589,732)	(2,389,046)	200,686
<b>Net Change in Fund Balances</b>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>557,073</u>	<u>\$ 457,073</u>
FUND BALANCES - BEGINNING OF YEAR			<u>4,577,137</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 5,134,210</u>	

## SCHOOL DISTRICT OF PEWAUKEE

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL SPECIAL EDUCATION FUND

For the Year Ended June 30, 2014

	Original and Final Budget Amounts	Actual	Variance with Final Budget
<b>REVENUES</b>			
Interdistrict	\$ 45,000	\$ 56,013	\$ 11,013
State	707,000	736,893	29,893
Federal	585,500	516,136	(69,364)
Total Revenues	<u>1,337,500</u>	<u>1,309,042</u>	<u>(28,458)</u>
<b>EXPENDITURES</b>			
Instruction			
Special education	2,431,293	2,343,780	87,513
Vocational	1,500	1,368	132
Total Instruction	<u>2,432,793</u>	<u>2,345,148</u>	<u>87,645</u>
Support Services			
Pupil services	353,485	368,270	(14,785)
Instructional support services	283,526	311,318	(27,792)
Administration	3,500	2,640	860
Buildings and grounds	-	-	-
Pupil transportation	235,500	214,841	20,659
Total Support Services	<u>876,011</u>	<u>897,069</u>	<u>(21,058)</u>
Non-Program			
General tuition payments	418,187	255,702	162,485
Total Expenditures	<u>3,726,991</u>	<u>3,497,919</u>	<u>229,072</u>
Excess (deficiency) of revenues over expenditures	(2,389,491)	(2,188,877)	200,614
<b>OTHER FINANCING SOURCES</b>			
Transfer from General Fund	2,389,491	2,188,877	(200,614)
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR		-	
<b>FUND BALANCES - END OF YEAR</b>		<u>\$ -</u>	

**SCHOOL DISTRICT OF PEWAUKEE**

SCHEDULE OF FUNDING PROGRESS  
As of June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>Postemployment Health Care Plan</b>						
7/1/08	\$ -	\$ 11,694,730	\$ 11,694,730	0%	\$ 13,417,628	87%
7/1/11	207,229	6,154,910	5,947,681	3%	13,843,558	43%
7/1/12	256,944	4,870,044	4,613,100	5%	12,214,792	38%
<b>Single Employer Defined Benefit Pension (Stipend) Plan</b>						
7/1/11	\$ -	\$ 1,522,650	\$ 1,522,650	0%	\$ 13,843,558	11%
7/1/12	-	1,181,648	1,181,648	0%	12,214,792	10%

Note: The District is required to present the above information for the three most recent actuarial studies. The first study for the Stipend Plan was performed as of July 1, 2011.

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
As of June 30, 2014

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
6/30/12	\$ 818,955	101%
6/30/13	818,955	100%
6/30/14	504,905	158%



# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2014

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### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes.

Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the General Fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

### ***FUNDING PROGRESS DATA***

The data presented in the Schedule of Funding Progress was taken from the report issued by the actuary.

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## **SUPPLEMENTARY INFORMATION**

## SCHOOL DISTRICT OF PEWAUKEE

### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
<b>ASSETS</b>				
Cash and investments	\$ 226,951	\$ 57,626	\$ 190	\$ 284,767
Due from other governments	<u>7,773</u>	<u>-</u>	<u>-</u>	<u>7,773</u>
<b>TOTAL ASSETS</b>	<u>\$ 234,724</u>	<u>\$ 57,626</u>	<u>\$ 190</u>	<u>\$ 292,540</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 21,153	\$ -	\$ 190	\$ 21,343
Accrued payroll and related liabilities	<u>2,851</u>	<u>-</u>	<u>-</u>	<u>2,851</u>
Total Liabilities	<u>24,004</u>	<u>-</u>	<u>190</u>	<u>24,194</u>
Fund Balances				
Committed	<u>210,720</u>	<u>57,626</u>	<u>-</u>	<u>268,346</u>
Total Fund Balances	<u>210,720</u>	<u>57,626</u>	<u>-</u>	<u>268,346</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 234,724</u>	<u>\$ 57,626</u>	<u>\$ 190</u>	<u>\$ 292,540</u>

## SCHOOL DISTRICT OF PEWAUKEE

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
<b>REVENUES</b>				
Local	\$ 727,957	\$ 60,000	\$ -	\$ 787,957
Interdistrict	-	-	1,686	1,686
State	9,570	-	-	9,570
Federal	237,822	-	-	237,822
Other	1,239	21	-	1,260
Total Revenues	<u>976,588</u>	<u>60,021</u>	<u>1,686</u>	<u>1,038,295</u>
<b>EXPENDITURES</b>				
Instruction				
Other	-	2,637	-	2,637
Total instruction	<u>-</u>	<u>2,637</u>	<u>-</u>	<u>2,637</u>
Support Services				
Administration	29,352	-	1,855	31,207
Buildings and grounds	-	134,945	-	134,945
Food service	907,194	-	-	907,194
Total support services	<u>936,546</u>	<u>134,945</u>	<u>1,855</u>	<u>1,073,346</u>
Total Expenditures	<u>936,546</u>	<u>137,582</u>	<u>1,855</u>	<u>1,075,983</u>
Excess (deficiency) of Revenues Over Expenditures	<u>40,042</u>	<u>(77,561)</u>	<u>(169)</u>	<u>(37,688)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	169	169
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>169</u>	<u>169</u>
<b>Net Change in Fund Balances</b>	40,042	(77,561)	-	(37,519)
FUND BALANCES - BEGINNING OF YEAR	<u>170,678</u>	<u>135,187</u>	<u>-</u>	<u>305,865</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 210,720</u>	<u>\$ 57,626</u>	<u>\$ -</u>	<u>\$ 268,346</u>

**SCHOOL DISTRICT OF PEWAUKEE**

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
PUPIL ACTIVITY AGENCY FUND  
For the Year Ended June 30, 2014

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	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
<b>ASSETS</b>				
Cash and investments	\$ 264,399	\$ 1,052,003	\$ 1,059,630	\$ 256,772
<b>LIABILITIES</b>				
Due to student organizations				
High School	\$ 184,874	\$ 735,616	\$ 745,240	\$ 175,250
Middle School	25,067	100,897	100,904	25,060
Horizon Elementary School	34,736	94,914	93,281	36,369
Lake Elementary School	19,722	120,576	120,205	20,093
<b>TOTAL LIABILITIES</b>	\$ 264,399	\$ 1,052,003	\$ 1,059,630	\$ 256,772

## **SINGLE AUDIT**

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**SCHOOL DISTRICT OF PEWAUKEE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Program or Award Amount	Accrued Receivable 7/1/2013	Expenditures		Receipts		Accrued Receivable 6/30/2014
					Grantor	Local	Grantor Reimbursements	Local Share	
<b>U.S. DEPARTMENT OF EDUCATION</b>									
<u>ESEA Title 1-A Basic Grant</u>									
84.010									
July 1, 2012 - June 30, 2013		WI DPI	\$ 163,604	\$ 46,631	\$ -	\$ -	\$ 46,631	\$ -	\$ -
July 1, 2013 - June 30, 2014		WI DPI	153,892	-	147,578	-	117,177	-	30,401
Special Education Cluster									
<u>PL 94-142 IDEA Flow Thru</u>									
84.027									
July 1, 2012 - June 30, 2013		WI DPI	592,381	85,312	-	-	85,312	-	-
July 1, 2013 - June 30, 2014		WI DPI	552,138	-	421,286	-	287,582	-	133,704
<u>PL 99-457 Preschool Entitlement</u>									
84.173									
July 1, 2012 - June 30, 2013		WI DPI	43,089	12,557	-	-	12,557	-	-
July 1, 2013 - June 30, 2014		WI DPI	29,593	-	28,479	-	17,226	-	11,253
Total Special Education Cluster				97,869	449,765	-	402,677	-	144,957
<u>ESEA Title II-A Teacher/Principal</u>									
84.367									
July 1, 2012 - June 30, 2013		WI DPI	33,543	6,591	-	-	6,591	-	-
July 1, 2013 - June 30, 2014		WI DPI	32,982	-	32,492	-	32,492	-	-
Total U.S. Department of Education				151,091	629,835	-	605,568	-	175,358

**SCHOOL DISTRICT OF PEWAUKEE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
For the Year Ended June 30, 2014

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	Federal Catalog Number	Pass Through Agency	Program or Award Amount	Accrued Receivable 7/1/2013	Expenditures		Receipts		Accrued Receivable 6/30/2014
					Grantor	Local	Grantor Reimbursements	Local Share	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
<u>Medical Assistance</u>	93.778								
July 1, 2013 - June 30, 2014		WI DHS	\$ 159,087	\$ 8,428	\$ 159,087	\$ -	\$ 161,580	\$ -	\$ 5,935
Total U.S. Department of Health and Human Services				8,428	159,087	-	161,580	-	5,935
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
<u>Donated Food Program</u>	10.555								
July 1, 2013 - June 30, 2014		WI DPI	59,355	-	59,355	-	59,355	-	-
<u>National School Lunch</u>	10.555								
July 1, 2012 - June 30, 2013		WI DPI	166,679	7,351	-	-	7,351	-	-
July 1, 2013 - June 30, 2014			178,468	-	178,468	698,723	170,694	698,723	7,774
Total U.S. Department of Agriculture				7,351	237,823	698,723	237,400	698,723	7,774
<b>U.S. DEPARTMENT OF COMMERCE</b>									
Malcolm Baldrige National Quality Award	11.013	N/A							
April 1, 2014 - June 30, 2014			35,000	-	21,354	-	21,354	-	-
Total Federal Awards				\$ 166,870	\$ 1,048,099	\$ 698,723	\$ 1,025,902	\$ 698,723	\$ 189,067

See accompanying notes to schedules of expenditures of federal and state awards.

# SCHOOL DISTRICT OF PEWAUKEE

## SCHEDULE OF EXPENDITURES OF STATE AWARDS For the Year Ended June 30, 2014

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<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Revenues</u>
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>		
<u>Entitlement Programs</u>		
Major Programs		
Special Education & School Age Parents	255.101	\$ 736,893
Equalization Aid (receivable of \$22,599)	255.201	1,259,473
Per Pupil Aid	255.945	<u>187,125</u>
Total Major Programs		<u>2,183,491</u>
Nonmajor Programs		
State School Lunch Aid	255.102	9,570
Common School Fund Library Aid	255.103	82,184
Pupil Transportation Aid	255.107	74,919
Special Adjustment Aid	255.203	75,292
Educator Effective Evaluation Systems	255.940	<u>15,040</u>
Total Nonmajor Programs		<u>257,005</u>
Total State Awards		<u>\$ 2,440,496</u>

See accompanying notes to schedules of expenditures of federal and state awards.

# SCHOOL DISTRICT OF PEWAUKEE

## NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2014

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### **NOTE 1 – REPORTING ENTITY**

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This Report on Federal and State Awards includes the federal and state awards of the School District of Pewaukee. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

The schedule includes only those programs required to be included in accordance with the *State Single Audit Guidelines*.

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### **NOTE 2 – BASIS OF PRESENTATION**

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The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the *State Single Audit Guidelines*.

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### **NOTE 3 – ELIGIBLE COSTS FOR SPECIAL EDUCATION**

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Eligible costs for special education under project 011 were \$2,916,998 for the year ended June 30, 2014.

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### **NOTE 4 – STATUS OF PRIOR YEAR FINDINGS**

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The District was required to have an audit conducted in accordance with OMB Circular A-133 in the prior year and had one finding. The finding identified in the June 30, 2013 Schedule of Findings and Questioned Costs as Finding 2013-001 was resolved.

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### **NOTE 5 – PASS-THROUGH AGENCIES**

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The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services

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*

Independent Auditors' Report

To the Board of Education  
School District of Pewaukee  
Pewaukee, 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 School District of Pewaukee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements and have issued our report thereon dated November 3, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School District of Pewaukee'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 School District of Pewaukee's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Pewaukee's internal control.

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

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

To the Board of Education  
School District of Pewaukee

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School District of Pewaukee'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.

*Baker Tilly Vinson Krane, LLP*

Milwaukee, Wisconsin  
November 3, 2014



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

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

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

We have audited the School District of Pewaukee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, that could have direct and material effect on each of the School District of Pewaukee's major federal and major state programs for the year ended June 30, 2014. The School District of Pewaukee's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District of Pewaukee's major federal and major 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, *OMB Circular A-133*, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the School District of Pewaukee'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 major state program. However, our audit does not provide a legal determination of the School District of Pewaukee's compliance.

To the School Board  
School District of Pewaukee

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

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

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

Management of the School District of Pewaukee is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School District of Pewaukee's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *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 School District of Pewaukee'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *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.

### ***Purpose of this Report***

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

*Bob Tilly Vireon Kraun, LLP*

Milwaukee, Wisconsin  
November 3, 2014



**SCHOOL DISTRICT OF PEWAUKEE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

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

*Financial Statements*

Type of auditor's report issued	Unmodified		
Internal control over financial reporting			
Material weakness(es) identified?	_____	yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____	yes	<u>  X  </u> none reported
Noncompliance material to the financial statements?	_____	yes	<u>  X  </u> no

*Federal and State Awards*

Internal control over compliance			
Material weakness(es) identified?	_____	yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____	yes	<u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_____	yes	<u>  X  </u> no
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Dollar threshold used to distinguish between Type A and Type B programs

Federal	\$300,000
State	\$100,000

Auditee qualified as low-risk auditee?	_____	yes	<u>  X  </u> no
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Identification of major federal programs:

**CFDA NUMBER (S)**

**Name of Federal Program or Cluster**

84.027  
84.173  
93.778

Special Education Cluster  
IDEA - PL 94-142 Flowthrough  
IDEA - PL 99-457 Preschool entitlement  
Medical Assistance Program

Identification of major state programs:

**State Identification Number**

**Name of State Program or Cluster**

255.101  
255.201  
255.945

Special Education & School Age Parents  
Equalization Aid  
Per Pupil Aid

**SCHOOL DISTRICT OF PEWAUKEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014

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**Section II: Financial Statement Findings**

There are no findings that are required to be reported.

**Section III: Federal and State Award Findings and Questioned Costs**

There are no findings that are required to be reported.

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

Section IV: Other Issues

- 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_ yes     X  no
  
- 2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*: Department of Public Instruction \_\_\_\_\_ yes     X  no
  
- 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  X  yes    \_\_\_\_\_ no

Name and signature of partner

  
\_\_\_\_\_

John A. Knepel, CPA, Partner

Date of report

November 3, 2014