

**EAST TROY COMMUNITY
SCHOOL DISTRICT**

**AUDITED FINANCIAL
STATEMENTS**

JUNE 30, 2014



JAMES R. FRECHETTE

CERTIFIED PUBLIC ACCOUNTANT

EAST TROY COMMUNITY SCHOOL DISTRICT
June 30, 2014
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Independent Auditor's Report

To the School Board
East Troy Community School District
East Troy, Wisconsin

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Troy Community School District, Wisconsin as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in 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.

Auditor 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 of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Troy Community School District, Wisconsin's basic financial statements. The combining nonmajor fund financial statements and the schedule of student activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State of Wisconsin Single Audit Guidelines, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014, on our consideration of the East Troy Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Troy Community School District's internal control over financial reporting and compliance.

November 28, 2014



JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

BASIC FINANCIAL STATEMENTS

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and Investments	\$ 4,323,547
Taxes Receivable	4,009,707
Accounts Receivable	20,531
Due from Other Governments	500,676
Prepayments	5,186
Noncurrent Assets:	
Capital Assets	26,772,654
Less: Accumulated Depreciation	(13,283,511)
Total Assets	22,348,790
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term Notes Payable	\$ 4,000,000
Vouchers Payable	53,512
Accrued Salaries and Benefits	482,359
Accrued Interest Payable	83,413
Bonds and State Trust Fund Loans - Current	1,017,798
Noncurrent Liabilities:	
HRA Deposits	824,707
General Obligation Bonds Payable	2,228,485
Net Pension Obligations Payable	(55,708)
Net OPEB Obligations Payable	1,380,599
Total Liabilities	10,015,165
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Summer School Fees	6,781
Food Service Fees	17,111
Total Deferred Inflows of Resources	23,892
Total Liabilities and Deferred Inflows	10,039,057
<u>NET POSITION</u>	
Net Investment in Capital Assets	10,242,860
Restricted for:	
Debt Service	196,932
Food Service	52,590
Special Revenue	18,222
Community Service	16,846
Unrestricted	1,782,283
Total Net Position	\$ 12,309,733

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 7,793,166	\$ 622,824	\$ 265,566	\$ (6,904,776)
Vocational Instruction	584,413			(584,413)
Special Education	1,433,744	26,718	776,683	(630,343)
Other Instruction	876,827	39,600		(837,227)
Total Instruction	<u>10,688,150</u>	<u>689,142</u>	<u>1,042,249</u>	<u>(8,956,759)</u>
Support Services:				
Pupil Services	663,491	17,684		(645,807)
Libraries & Instructional Support	973,193		54,865	(918,328)
Administration	1,594,713			(1,594,713)
Operation and Maintenance	2,470,036			(2,470,036)
Pupil Transportation	842,191	28,289	46,779	(767,123)
Food Service	744,288	320,333	318,537	(105,418)
Other Support Services	1,328,988			(1,328,988)
Interest on Debt	257,166			(257,166)
Community Services	88,965	12,704		(76,261)
Total Support Services	<u>8,963,031</u>	<u>379,010</u>	<u>420,181</u>	<u>(8,163,840)</u>
Totals	<u>\$ 19,651,181</u>	<u>\$ 1,068,152</u>	<u>\$ 1,462,430</u>	<u>(17,120,599)</u>
General Revenues:				
Property Taxes				14,332,206
State Aids - Unrestricted				3,936,585
Interest on Investments				13,362
Mobile Home Fees				19,963
Other				76,831
Total General Revenues				<u>18,378,947</u>
Change in Net Position				1,258,348
Net Position - Beginning of Year				11,051,385
Net Position - End of Year				<u>\$ 12,309,733</u>

The notes to the financial statements are an integral part of this report.

EAST TROY COMMUNITY SCHOOL DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Investments	\$ 4,298,106	\$ 196,932	\$ (171,491)	\$ 4,323,547
Taxes Receivable	4,009,707			4,009,707
Accounts Receivable	10,606		9,925	20,531
Due From Other Governments	232,328		268,348	500,676
Prepayments	5,186			5,186
TOTAL ASSETS	\$ 8,555,933	\$ 196,932	\$ 106,782	\$ 8,859,647
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>				
Liabilities:				
Short-Term Notes Payable	\$ 4,000,000	\$ 0	\$ 0	\$ 4,000,000
Vouchers Payable	51,499		2,013	53,512
Accrued Salaries and Fringes	482,359			482,359
HRA Deposits	824,707			824,707
Deferred Revenue	6,781		17,111	23,892
Accrued Interest Payable	10,617			10,617
Total Liabilities	5,375,963	0	19,124	5,395,087
Deferred Inflows of Resources:				
Summer School Fees	6,781	0	0	6,781
Food Services Fees	0	0	17,111	17,111
Total Deferred Inflows of Resources	6,781	0	17,111	23,892
Fund Balances:				
Nonspendable:				
Prepaid Expenses	5,186			5,186
Restricted:				
Debt Service		196,932		196,932
Food Service			52,590	52,590
Special Revenue			18,222	18,222
Community Service			16,846	16,846
Unassigned	3,174,784			3,174,784
Total Fund Balances	3,179,970	196,932	87,658	3,464,560
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,555,933	\$ 196,932	\$ 106,782	\$ 8,859,647

EAST TROY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
As Of June 30, 2014

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

Total Fund Balances - Governmental Funds	\$	3,464,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This includes:		
Capital Assets		26,772,654
Accumulated Depreciation		(13,283,511)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These include:		
Notes and Bonds Payable		(3,246,283)
Accrued Interest on Long-Term Debt		(72,796)
Net OPEB Obligation		(1,380,599)
Net Pension Obligation		55,708
Net Position of Governmental Activities	\$	<u><u>12,309,733</u></u>

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 12,666,779	\$ 1,829,734	\$ 434,609	\$ 14,931,122
Interdistrict Payments	478,561		35,803	514,364
Intermediate Sources	11,732		21,786	33,518
State Sources	4,048,469		382,324	4,430,793
Federal Sources	293,794		623,607	917,401
Other Sources	82,332			82,332
TOTAL REVENUES	17,581,667	1,829,734	1,498,129	20,909,530
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	7,786,625			7,786,625
Vocational Instruction	584,413			584,413
Special Education	95,985		1,337,759	1,433,744
Other Instruction	870,297			870,297
Support Services:				
Pupil Services	454,822		208,669	663,491
Libraries & Instr. Support	820,599		148,289	968,888
Administration	1,592,929		1,784	1,594,713
Operation and Maintenance	1,958,311		19,874	1,978,185
Pupil Transportation	769,190		99,510	868,700
Food Service			731,212	731,212
Other Support Services	1,533,192			1,533,192
Debt Service:				
Principal		1,893,791		1,893,791
Interest and Other	18,284	379,466		397,750
Community Service			88,965	88,965
TOTAL EXPENDITURES	16,484,647	2,273,257	2,636,062	21,393,966
Excess of Revenues Over (Under) Expenditures	1,097,020	(443,523)	(1,137,933)	(484,436)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long_term Debt				0
Transfers In (Out)	(1,044,628)		1,044,628	0
Total Other Financing Sources (Uses)	(1,044,628)	0	1,044,628	0
Net Change in Fund Balances	52,392	(443,523)	(93,305)	(484,436)
Fund Balances - Beginning	3,127,578	640,455	180,963	3,948,996
Fund Balances - Ending	<u>\$ 3,179,970</u>	<u>\$ 196,932</u>	<u>\$ 87,658</u>	<u>\$ 3,464,560</u>

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
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

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

Net change in fund balances - total governmental funds	\$	(484,436)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays		160,106
Depreciation on Fixed Assets		(671,914)

The issuance of long-term debt provides current financial resources to governmental funds, but is recorded as an increase in long-term debt in the statement of net position and does not affect the statement of activities

0

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is recorded as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

1,893,791

Payment of interest on long-term debt is reported in the governmental funds as an expenditure when paid, but is recorded in the statement of activities as incurred.

Interest Paid on Long-Term Debt		259,015
Interest Incurred for the Year		(246,362)
Amortization of Debt Premium (Net)		127,930

Vested employee benefits are reported in the governmental funds as an expenditure when paid, but is recorded in the statement of activities when earned.

Vested Employee Benefits Earned		(514,766)
Vested Employee Benefits Paid		734,984

Change in net position of governmental activities	\$	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">1,258,348</td> </tr> </table>	1,258,348
1,258,348			

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended June 30, 2014

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>REVENUES</u>				
Local Sources	\$ 12,640,842	\$ 12,640,842	\$ 12,666,779	\$ 25,937
Interdistrict Payments	480,217	480,217	478,561	(1,656)
Intermediate Sources	4,409	4,409	11,732	7,323
State Sources	4,045,854	4,045,854	4,048,469	2,615
Federal Sources	250,000	250,000	293,794	43,794
Other Sources	58,600	58,600	82,332	23,732
TOTAL REVENUES	<u>17,479,922</u>	<u>17,479,922</u>	<u>17,581,667</u>	<u>101,745</u>
<u>EXPENDITURES</u>				
Instruction:				
Undifferentiated Curriculum	2,889,881	2,934,349	2,931,290	3,059
Regular Curriculum	3,764,439	3,737,971	3,709,580	28,391
Vocational Curriculum	595,596	595,596	584,413	11,183
Physical Curriculum	491,396	491,396	488,065	3,331
Co-Curricular Activities	406,184	406,184	382,232	23,952
Other Special Needs	99,567	99,567	95,985	3,582
Support Services:				
Pupil Services	483,827	483,827	454,822	29,005
Instructional Staff Services	811,618	823,618	820,599	3,019
General Administration	479,345	429,345	415,222	14,123
School Building Administration	884,202	884,202	877,692	6,510
Business Administration	3,098,947	3,048,947	3,027,518	21,429
Central Services	565,282	655,282	643,329	11,953
Insurance and Judgments	165,596	165,596	152,186	13,410
Debt Services	40,000	20,000	18,284	1,716
Other Support Services	752,668	752,668	736,370	16,298
Non-Program Transactions:				
Purchased Instructional Services	1,248,034	1,248,034	1,145,754	102,280
Other Non-Program Transactions	4,000	4,000	1,306	2,694
TOTAL EXPENDITURES	<u>16,780,582</u>	<u>16,780,582</u>	<u>16,484,647</u>	<u>295,935</u>
Excess of Revenues Over (Under) Expenditures	<u>699,340</u>	<u>699,340</u>	<u>1,097,020</u>	<u>397,680</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from Long-Term Debt	0	0	0	0
Operating Transfer In (Out)	<u>(1,104,127)</u>	<u>(1,104,127)</u>	<u>(1,044,628)</u>	<u>59,499</u>
Total Other Financing Sources (Uses)	<u>(1,104,127)</u>	<u>(1,104,127)</u>	<u>(1,044,628)</u>	<u>59,499</u>
Net Change in Fund Balances	(404,787)	(404,787)	52,392	457,179
Fund Balance - Beginning	3,127,578	3,127,578	3,127,578	0
Fund Balance - Ending	<u>\$ 2,722,791</u>	<u>\$ 2,722,791</u>	<u>\$ 3,179,970</u>	<u>\$ 457,179</u>

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2014

	Private- Purpose Trust Fund	Agency Fund
<u>ASSETS</u>		
Cash and Investments	\$ 147,150	\$ 218,992
Total Assets	147,150	218,992
<u>LIABILITIES</u>		
Due to Student Organizations	\$ 0	\$ 218,992
<u>NET POSITION</u>		
Held for Scholarships	\$ 147,150	\$ 0

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

		<u>Private- Purpose Trust Fund</u>
<u>ADDITIONS</u>		
Gifts and Contributions	\$	12,360
Interest Income		<u>0</u>
Total Additions		<u>12,360</u>
<u>DEDUCTIONS</u>		
Scholarships Awarded		<u>5,850</u>
Total Deductions		<u>5,850</u>
Change in Net Position		6,510
Net Position - Beginning		<u>140,640</u>
Net Position - Ending	\$	<u><u>147,150</u></u>

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The East Troy Community School District is organized as a common school district. The District, governed by a five member elected school board, operates grades K-12 and is comprised of all or parts of seven taxing districts. The District is not a component unit of another reporting entity nor does it have any component units.

The financial statements of the East Troy Community School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

This report includes all of the funds of the East Troy Community School District.

B. Government-wide and Fund Financial Statements

Government-wide statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support.

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 clearly identifiable with a specific function or segment. 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 properly included among program revenues are reported instead as general revenues.

Fund Financial statements

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

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. The district reports the following major governmental and business-type funds:

Governmental Funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

The *Special Education Fund* accounts for the activities of the district's special education instruction and transportation. The fund received a substantial portion of the inflows reported in the fund from various state and federal grants that are to be used for special education purposes.

The *Food Service Fund* accounts for the activities of the district's school lunch program. The fund has a substantial amount of inflows from sale of meals and federal grants.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

The *Special Revenue Fund* accounts for various gifts, donations, and other special revenue sources received by the district.

The *Community Service Fund* accounts for the activities of the district that are not elementary or secondary educational programs but have the primary function of serving the community.

Additionally, the district reports the following fiduciary fund types that are not included in the government-wide financial statements:

The *Private-Purpose Trust Funds* account for resources legally held in trust for student scholarships.

The *Agency Fund* accounts for assets held by the district as an agent for student organizations.

C. Measurement Focus and Basis of Accounting

Government-wide statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recognized as receivables and deferred revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges between the district's governmental and business-type funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State general and categorical aids and other entitlements are recognized as revenue at the time of receipt or earlier if the measurable and available criteria are met. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue. Charges for services provided other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid settlements. All other revenue items are considered to be measurable and available only when cash is received by the district.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes permit the District to invest available cash balances not immediately needed in any of the following:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association if the deposits mature in no more than three years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government.
- Bonds or securities of any county, city, drainage district, technical college district, school district, town, or school district of the State of Wisconsin. Also included are bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, University of Wisconsin Hospitals and Clinic Authority, a local cultural arts district, and by the Wisconsin Aerospace Authority.
- The local government investment pool.
- Any security which matures within not more than seven years and having a rating which is the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust subject to various conditions.
- Repurchase agreements subject to certain conditions.

The State Treasurer's Local Government Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The Investment pool is managed by the State of Wisconsin Investment Board with oversight by a Board of Trustees as authorized in Wisconsin Statutes Chapter 25.

The District has not adopted a formal investment policy.

Investments are stated at fair value unless the difference between amortized costs and fair value are immaterial.

Receivables

The aggregate district property tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based upon the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the district is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the district for any remaining balance.

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since such allowance would not be material

Inventories and Prepayments

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land is not depreciated. Depreciable capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings and Improvements	7-45
Equipment	5-20

In the fund financial statements, governmental fund fixed assets are accounted for as capital outlay expenditures in the year purchased. No depreciation is recorded in the governmental fund financial statements. Fixed assets in the proprietary funds are accounted for the same way as in the government-wide statements.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds or notes using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as debt service expenses in the year incurred.

In the fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Equity Classifications

Equity in the government-wide financial statements is reflected in three components:

- Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, land contracts, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position with restrictions placed on their use either by external groups or state and federal law.
- Unrestricted net position – All other net position that do not meet the definition of the other two.

The Fund Balance amounts will be reported in conformance with generally accepted accounting principles and shall be reclassified not less than at the end of each fiscal year. The District shall report fund balances as either Nonspendable, Restricted, Committed, Assigned, or Unassigned.

- Nonspendable Fund Balance – This includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The district shall report inventories, prepaid items, long-term receivables, and other amounts legally or contractually required to be maintained intact as nonspendable.
- Restricted Fund Balance – This includes amounts limited by external parties, laws or regulations, constitutional provisions or enabling legislation. The district shall report amounts as restricted that can be spent only for specific purposes stipulated by constitution, external source providers, or through legislation. The fund balance for the spendable portion in the debt service funds, capital projects fund, food service fund, community service fund, and employee trust fund shall be classified as restricted. When both restricted and unrestricted resources are available for use, it is district policy to use unrestricted resources first, then restricted resources as they are needed.
- Committed Fund Balance – This includes amounts that are committed for specific purposes by formal action of the Board. Such action shall be made in resolution form and require the approval of a majority of the school board. Commitments of fund balance, once made, can only be modified or eliminated by a subsequent resolution.
- Assigned Fund Balance – The Board of Education authorizes the District Administrator to assign fund balance. Assigned fund balance are intended to be used by the district for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned Fund Balance – The fund balance is the residual classification for the district's General Fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

Fund Balance of a special revenue fund, where donations and contributions received from an individual or organization, shall be committed for the specific purpose identified by the individual, organization, or district administration.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget for the General Fund was adopted on a basis consistent with generally accepted accounting principles. The budget was adopted in compliance with all material state statutes.

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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The legally adopted budget and budgetary expenditure control is exercised at the two digit sub-function level for the General Fund and the function level for all other funds. Reported budget amounts are as originally adopted or amended by school board resolution. Once the school board adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire school board.

Budgetary information as presented in the fund financial statements is derived from:

- A public hearing to obtain taxpayer comments on the proposed budget
- The annual operating budget as originally adopted by the school board.
- Individual amendments to the original budget as approved by the school board during the year.

Budget appropriations lapse at year-end unless specifically carried over to the next year.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2014, General Fund expenditures did not exceed budgeted amounts in any categories.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A - CASH AND INVESTMENTS

The district's deposits include checking accounts, money market accounts, and certificate's of deposit. The agency fund uses separate and distinct deposit accounts. All other funds share in common deposit accounts.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,796,335 of the government's bank balance of \$3,296,335 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	1,767,477
Total	\$	<u>1,767,477</u>

Differences between bank balance and book balance represent deposits in transit and outstanding checks.

During the year, the District's investments consisted entirely of amounts in the State Treasurer's Local Government Investment Pool. The balance at June 30, 2014 was \$1,597,505.

Total cash and investments at June 30, 2014 consisted of the following:

Governmental Funds	\$	4,323,547
Agency Funds		218,992
Private Purpose Trust		147,150
Total Cash and Investments	\$	<u>4,689,689</u>

Depository insurance is also provided by the State Deposit Guarantee Fund of the State of Wisconsin. The coverage is limited to \$400,000 above the applicable insurance provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. As a result, this coverage was not considered in computing the above amount.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

B - CAPITAL ASSETS

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

Governmental Activities:	Balance 7-1-2013	Additions	Removals	Balance 6-30-2014
Land	\$ 694,708	\$ 0	\$ 0	\$ 694,708
Land Improvements	1,348,676			1,348,676
Buildings	21,671,518			21,671,518
Equipment	3,397,241	160,106	499,595	3,057,752
Totals	<u>27,112,143</u>	<u>160,106</u>	<u>499,595</u>	<u>26,772,654</u>
Less: Accumulated Depreciation	13,111,191	671,915	499,595	13,283,511
Net	<u>\$ 14,000,952</u>	<u>\$ (511,809)</u>	<u>\$ 0</u>	<u>\$ 13,489,143</u>

Land is not depreciated. Depreciation expense was charged to the following governmental functions as follows:

Regular Instruction	\$ 6,541
Other Instruction	6,530
Libraries and Instructional Support	4,305
Operation and Maintenance	491,851
Pupil Transportation	133,597
Food Service	13,076
Other Support Services	16,014
Total Depreciation of Governmental Activities	<u>\$ 671,914</u>

C - LONG-TERM OBLIGATIONS

Long-Term obligations of the governmental activities of the district are as follows:

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts Due Within One Year
General Obligation Bonds	\$ 4,490,000	\$ 0	\$ 1,785,000	\$ 2,705,000	\$ 905,000
Amortization of Bond Premium	127,930	0	127,930	0	0
General Obligation Notes	650,074	0	108,791	541,283	112,798
Net Pension Obligation	(36,505)	10,469	29,672	(55,708)	0
Net OPEB Obligation	1,581,614	504,297	705,312	1,380,599	0
Totals	<u>\$ 6,813,113</u>	<u>\$ 514,766</u>	<u>\$ 2,756,705</u>	<u>\$ 4,571,174</u>	<u>\$ 1,017,798</u>

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the district.

General obligation debt at June 30, 2014 is comprised of the following individual issues:

Issue	Issue Dates	Interest Rates	Maturity Dates	Balances 6-30-2014
G.O. Bonds	07-01-2006	4.00-6.00%	03-01-2018	\$ 2,705,000
G.O. Note	12-19-2011	3.60%	9-19-2018	541,283
Total General Obligation Debt				<u>\$ 3,246,283</u>

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,403,480,567. The legal debt limit and margin of indebtedness as of June 30, 2014 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$1,403,480,567)	\$ 140,348,057
Deduct Long-Term Debt Applicable To Debt Margin	3,246,283
Margin of Indebtedness	<u>\$ 137,101,774</u>

Total interest paid during the year aggregated \$259,016 for long-term debt.

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

Year Ended Year	Principal	Interest	Total
2014-15	\$ 1,017,798	\$ 192,809	\$ 1,210,607
2015-16	706,916	122,629	829,545
2016-17	746,259	82,886	829,145
2017-18	710,726	40,919	751,645
2018-19	64,584	1,188	65,772
Totals	<u>\$ 3,246,283</u>	<u>\$ 440,431</u>	<u>\$ 3,686,714</u>

D – AMORTIZATION OF DEBT PREMIUM

The District refunded a portion of the General Obligation Bonds dated March 1, 1998. The proceeds from the refunding bonds dated July 1, 2006 included a premium of \$636,357 less issuance costs of \$106,100 for a net amount of \$530,257. The amortization amount in 2013-14 was \$127,930. The balance to be amortized as of June 30, 2014 was \$0.

E – PARTIAL DEFEASANCE OF LONG-TERM DEBT

In the prior year, the District defeased a portion of the General Obligation Bonds dated July 1, 2006. The District defeased \$310,000 of the \$1,070,000 principal payment due March 1, 2018. The District used cash on hand in the amount of \$417,166 and deposited the funds with an escrow agent to provide for all future debt service payments of the \$310,000 principal. As a result, the \$310,000 of the \$1,070,000 principal due March 1, 2018 is considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The District defeased the debt to reduce its debt service payments over the next few years. The economic gain or loss was immaterial.

EAST TROY COMMUNITY SCHOOL DISTRICT
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On May 28, 2014 the District defeased another portion of the General Obligation Bonds dated July 1, 2006. The District defeased \$360,000 of the \$950,000 principal payment due March 1, 2016, \$385,000 of the \$1,010,000 principal payment due March 1, 2017, and \$175,000 of the \$760,000 principal payment due March 1, 2018. The District used cash on hand in the amount of \$1,028,300 and deposited the funds with an escrow agent to provide for all future debt service payments of the defeased amounts listed above. As a result, \$920,000 of the remaining principal on the 2006 bonds is considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The District defeased the debt to reduce its debt service payments over the next few years. The economic gain or loss was immaterial.

F – SUPPLEMENTAL PENSION PLAN (EARLY RETIREMENT BENEFIT)

Plan Description: The East Troy Community School District provides a defined contribution supplemental pension benefit to eligible administrators who retire early. An employee must have reached the age of 55 years and served in a regular full-time capacity as an administrator in the District for not less than ten years. To become eligible for early retirement, the employee must become 55 years of age on or before the first day of school of the following school year. The employees will be compensated at the rate of 20 to 50% of their last year's salary based upon the age at retirement. Such compensation will be payable in installments over the next three years.

Funding Policy: Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payments of future benefits as of June 30, 2014. The general fund is used for funding all supplemental pension benefits.

Annual Pension Cost and Net Pension Obligation: The district's annual pension cost and net pension obligation for the current year is:

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 8,641
Interest on net pension obligation	(1,449)
Annual supplemental pension cost adjustment	3,277
Annual supplemental pension cost (expense)	10,469
Pension contributions made	29,672
Increase (Decrease) in net pension obligation	(19,203)
Net pension obligation – beginning of year	(36,505)
Net pension obligation – end of year	\$ <u>(55,708)</u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.97% discount rate and (b) projected salary increases at 3.0%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a 15 year open level percent method. The remaining amortization period at January 1, 2012 is 15 years. The unfunded accrued liability at July 1, 2012 was \$74,354.

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Trend Information: The district's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation for 2013-14 and the preceding years were:

<u>Fiscal</u> <u>Year Ended</u>		<u>Annual</u> <u>Pension Cost</u>	<u>Percentage of</u> <u>Annual Pension</u> <u>Cost Contributed</u>		<u>Net Pension</u> <u>Obligation</u>
6-30-2009	\$	18,351	171.4%	\$	39,803
6-30-2010	\$	20,965	206.7%	\$	17,430
6-30-2011	\$	10,852	164.3%	\$	10,457
6-30-2012	\$	11,121	462.3%	\$	(29,833)
6-30-2013	\$	10,135	165.8%	\$	(36,505)
6-30-2014	\$	10,469	283.4%	\$	(55,708)

G – POST RETIREMENT HEALTHCARE BENEFITS

Plan description: The East Troy Community School District operates a single-employer retiree benefit plan that provides postemployment medical benefits to eligible employees and their spouses. There are approximately 26 active and 50 retired members in the plan. Benefits and eligibility for teachers and administrators are established and amended by the school board.

Teachers at least age 55 with a minimum of 15 years of service with the District as of June 30, 2013 are eligible. The district will pay the same percentage of the retiree's medical premiums as active employees. The maximum that will be paid by the district will be \$100,000. Payments will continue until the retired employee uses the entire \$100,000 or becomes Medicare eligible.

Administrators hired prior to 2005 at least age 55 with a minimum of 10 years of service with the District are eligible. The District will pay 100% of the monthly premium for the single or family medical insurance plan for a period of 10 years, or when the retiree reaches age 65, whichever should occur first. The District will also pay 100% of the retiree's life insurance premiums. This benefit will expire when the retiree reaches the age of 65.

Funding Policy: Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payments of future benefits as of June 30, 2014. The general fund is used for funding all post retirement healthcare benefits.

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 (ARC), an amount actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table reflects the components of the district's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation

<u>Component</u>		<u>Amount</u>
Annual required contribution (ARC)	\$	532,614
Interest on net OPEB obligation		62,790
ARC adjustment		(91,107)
Annual OPEB cost (expense)		<u>504,297</u>
OPEB contributions made		<u>705,312</u>
Increase (decrease) in net OPEB obligation		(201,015)
Net OPEB obligation – beginning of year		<u>1,581,614</u>
Net OPEB obligation – end of year	\$	<u><u>1,380,599</u></u>

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 is:

<u>Fiscal</u> <u>Year Ended</u>		<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>		<u>Net OPEB</u> <u>Obligation</u>
6-30-2009	\$	1,054,327	34.07%	\$	695,169
6-30-2010	\$	1,062,199	37.50%	\$	1,359,025
6-30-2011	\$	850,286	73.97%	\$	1,580,367
6-30-2012	\$	846,952	82.43%	\$	1,729,113
6-30-2013	\$	501,629	129.40%	\$	1,581,614
6-30-2014	\$	504,297	139.86%	\$	1,380,599

Funding Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the district's unfunded actuarial accrued liability (UAAL) was \$7,472,214, all of which was unfunded. The annual payroll for active employees covered by the plan for the 2013-14 fiscal year was \$8,968,162 for a ratio of the UAAL to covered payroll of 120.02%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actuarial results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 3.97% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10.0% for medical, decreasing by 1% per year down to 5.0%. Mortality, disability, and retirement rates are from the Group Annuity Reserve Unisex Table 1994 projected to 2002 set forward 3 years for males and set back 3 years for females. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at July 1, 2012 was 30 years.

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

H – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental Activities net position reported on the governmental-wide financial statements at June 30, 2014 include the following:

<u>Net Investment in Capital Assets:</u>	
Invested in Capital Assets	\$ 26,772,654
Less: Accumulated Depreciation	13,283,511
Less: Long-Term Bonds and Notes Outstanding (Net)	3,246,283
Net	\$ 10,242,860
 <u>Restricted for:</u>	
Food Service	\$ 52,590
Community Service	16,846
Special Revenue	18,222
Debt Service	196,932
Total Restricted	\$ 284,590

I - DEFINED BENEFIT PENSION PLAN

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 were:

	Employee	Employer
General (including Teachers)	6.65%	6.65%

The payroll for District employees covered by the System for the year ended December 31, 2013 was \$9,009,093; the employer's total payroll was \$9,548,660. The total required contribution for the year ended December 31, 2013 was \$1,198,210, which consisted of \$599,105 from the employer and \$599,105 from the employees. Total contributions for the years ended December 31, 2012 and 2011 were \$1,058,243 and \$1,176,286, respectively. These contributions were equal to the required contributions for each year.

EAST TROY COMMUNITY SCHOOL DISTRICT
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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 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 after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990, 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 for and the amount of all benefits is determined under Chapter 40 of the State Statutes.

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

J - CONTINGENT LIABILITIES

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

K - LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin statutes limits the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount has been approved by referendum. 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 referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

L – INTERFUND BALANCES AND TRANSFERS

There was an interfund transfer from the General Fund to the Special Education Special Revenue Fund in the amount of \$1,044,628. This was to cover the deficit in the special education fund.

M – RISK MANAGEMENT

The District is exposed to various risks of loss; theft or damage to, or destruction of district assets; errors and omissions; workers compensation; and health care for its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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N - SHORT-TERM NOTES PAYABLE

Short-term notes payable at June 30, 2014 totaled \$4,000,000. The notes were issued on October 21, 2013 for cash flow purposes and mature on October 30, 2014. The interest rate on the notes is 0.34 to .39%. Total interest expense on short-term notes for the year totaled \$18,284.

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014
Short-term Notes	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>

O – SUBSEQUENT EVENTS

Management of the District has evaluated all subsequent events for possible recognition or disclosure through the date of the financial statements. There have been no subsequent events that require recognition or disclosure.

**REQUIRED
SUPPLEMENTAL INFORMATION**

EAST TROY COMMUNITY SCHOOL DISTRICT
 Schedule of Funding Progress
 For Postemployment Benefit Plans
 As of June 30, 2014

<u>Acturial Valuation Date</u>	<u>Acturial Value of Assets</u>	<u>Acturial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
<u>Pension</u>						
6/30/2007	\$ 0	\$ 164,505	\$ 164,505	0.0%	\$ N/A	N/A
1/01/2009	\$ 0	\$ 124,164	\$ 124,164	0.0%	\$ N/A	N/A
7/01/2010	\$ 0	\$ 89,914	\$ 89,914	0.0%	\$ N/A	N/A
7/01/2012	\$ 0	\$ 74,354	\$ 74,354	0.0%	\$ N/A	N/A
<u>Postretirement Health Care Benefits</u>						
1/01/2009	\$ 0	\$ 9,819,892	\$ 9,819,892	0.00%	\$ N/A	N/A
7/01/2010	\$ 0	\$ 9,160,841	\$ 9,160,841	0.00%	\$ N/A	N/A
7/01/2012	\$ 0	\$ 7,472,214	\$ 7,472,214	0.00%	\$ N/A	N/A

**OTHER
SUPPLEMENTAL INFORMATION**

EAST TROY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Education Fund	Food Service Fund	Special Revenue Fund	Community Service Fund	Totals 6/30/2014
ASSETS					
Cash and Investments	\$ (224,021)	\$ 21,783	\$ 18,222	\$ 12,525	\$ (171,491)
Accounts Receivable		4,379		5,546	9,925
Due From Other Governments	224,733	43,615			268,348
Prepayments					0
TOTAL ASSETS	\$ 712	\$ 69,777	\$ 18,222	\$ 18,071	\$ 106,782
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Vouchers Payable	\$ 712	\$ 76	\$ 0	\$ 1,225	\$ 2,013
Total Liabilities	712	76	0	1,225	2,013
Deferred Inflows of Resources:					
Food Service Fees		17,111			17,111
Total Deferred Inflows of Resources	0	17,111	0	0	17,111
Fund Balances:					
Restricted		52,590	18,222	16,846	87,658
Unassigned	0				0
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$ 712	\$ 52,666	\$ 18,222	\$ 18,071	\$ 89,671

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2014

	<u>Special Education Fund</u>	<u>Food Service Fund</u>	<u>Special Revenue Fund</u>	<u>Community Service Fund</u>	<u>Total Nonmajor Funds</u>
REVENUES					
Local Sources	\$ 0	\$ 320,333	\$ 17,684	\$ 96,592	\$ 434,609
Interdistrict Payments Within Wisconsin	35,803				35,803
Intermediate Sources	21,786				21,786
State Sources	371,006	11,318			382,324
Federal Sources	316,388	307,219			623,607
Other Revenues					0
TOTAL REVENUES	<u>744,983</u>	<u>638,870</u>	<u>17,684</u>	<u>96,592</u>	<u>1,498,129</u>
EXPENDITURES					
Instruction:					
Special Education Instruction	1,337,759				1,337,759
Support Services:					
Pupil Services	208,669				208,669
Libraries & Instr. Support	141,889		6,400		148,289
Administration	1,784				1,784
Operation and Maintenance			1,225	18,649	19,874
Pupil Transportation	99,510				99,510
Food Service		731,212			731,212
Debt Service					0
Community Service				88,965	88,965
TOTAL EXPENDITURES	<u>1,789,611</u>	<u>731,212</u>	<u>7,625</u>	<u>107,614</u>	<u>2,636,062</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,044,628)</u>	<u>(92,342)</u>	<u>10,059</u>	<u>(11,022)</u>	<u>(1,137,933)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfer In (Out)	<u>1,044,628</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,044,628</u>
Total Other Financing Sources (Uses)	<u>1,044,628</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,044,628</u>
Net Change in Fund Balances	0	(92,342)	10,059	(11,022)	(93,305)
Fund Balances - Beginning	0	144,932	8,163	27,868	180,963
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 52,590</u>	<u>\$ 18,222</u>	<u>\$ 16,846</u>	<u>\$ 87,658</u>

The notes to the financial statements are an integral part of this statement.

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF STUDENT ACTIVITY FUNDS

For The Year Ended June 30, 2014

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
<u>STUDENT ACTIVITY FUNDS:</u>				
ASSETS				
Cash and Investments	\$ 222,856	\$ 319,352	\$ 323,216	\$ 218,992
	<u>\$ 222,856</u>	<u>\$ 319,352</u>	<u>\$ 323,216</u>	<u>\$ 218,992</u>
LIABILITIES				
Due to Student Organizations:				
Middle School	\$ 35,446	\$ 70,698	\$ 79,438	\$ 26,706
High School	187,410	248,654	243,778	192,286
	<u>\$ 222,856</u>	<u>\$ 319,352</u>	<u>\$ 323,216</u>	<u>\$ 218,992</u>

SINGLE AUDIT REPORTS

**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 Auditor's Report

To The School Board
East Troy Community School District

We have audited, in accordance with the 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 East Troy Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the East Troy Community School District's basic financial statements, and have issued our report thereon dated November 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Troy Community School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Troy Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Troy Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 14-1 and 14-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Troy Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

East Troy Community School District's Response to Findings

East Troy Community School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. East Troy Community School District's responses were not subjected to our auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

November 28, 2014

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

Independent Auditor's Report

To The School Board
East Troy Community School District

Report on Compliance for Each Major Federal and State Program

We have audited East Troy Community School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration (DOA) that could have a direct and material effect on each of East Troy Community School District's major federal and state programs for the year ended June 30, 2014. The East Troy Community School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, 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 East Troy Community School District's, major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. 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 type of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about East Troy Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report over Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-3 to be a material weakness.

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.

East Troy Community School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. East Troy Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



November 28, 2014

James R. Frechette
Certified Public Accountant

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2014

Awarding Agency: Pass-Through Agency: Award Description	Federal CFDA Number	Accrued or (Deferred) Revenue at 7/1/2013	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/2014
<u>U.S. Department of Agriculture:</u>					
<u>Wisconsin Department of Public Instruction:</u>					
Breakfast Program	10.553	\$ 9,333	\$ 50,746	\$ 50,747	\$ 9,334
National School Lunch Program	10.555				
Lunch Program		31,144	206,301	209,438	34,281
Commodities		0	47,034	47,034	0
Total Child Nutrition Cluster		40,477	304,081	307,219	43,615
Total U.S. Department of Agriculture		40,477	304,081	307,219	43,615
<u>U.S. Department of Education:</u>					
<u>Wisconsin Department of Public Instruction:</u>					
IDEA Flowthrough	84.027	87,718	151,798	279,272	215,192
IDEA Preschool	84.173	2,993	4,366	3,379	2,006
Total Special Education Cluster		90,711	156,164	282,651	217,198
ESEA Title I-A	84.010	48,461	98,842	165,758	115,377
ESEA Title II-A	84.367	12,850	51,068	69,619	31,401
Total U.S. Department of Education		152,022	306,074	518,028	363,976
<u>U.S. Department of Health & Human Services:</u>					
Medicaid	93.778	0	90,066	92,154	2,088
Total U.S. Department of Health and Human Services		0	90,066	92,154	2,088
		\$ 192,499	\$ 700,221	\$ 917,401	\$ 409,679
<u>Summary of Revenues:</u>					
Intermediate	\$	0			
Federal		917,401			
	\$	917,401			

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2014

Awarding Agency: Pass-Through Agency: Award Description	State I.D. Number	Receivable 7/1/2013	State Receipts	State Expenditures	Receivable 6/30/2014
<u>WI. DEPT. OF PUBLIC INSTRUCTION:</u>					
Handicapped Pupils and School Age Parents:	255.101	\$ 0	\$ 371,006	\$ 371,006	\$ 0
Internal District Programs					
General Equalization	255.201	62,672	3,711,673	3,715,842	66,841
Special Adjustment Aid	255.203	0	410	410	0
Per Pupil Aid	255.945	0	129,525	129,525	0
State Lunch	255.102	0	7,412	7,412	0
Common School Fund	255.103	0	54,865	54,865	0
Pupil Transportation	255.107	0	46,779	46,779	0
School Breakfast Program	255.344	0	3,906	3,906	0
Educator Effectiveness Grant	255.940	0	0	10,240	10,240
Total Wi. Dept. of Public Instruction		<u>62,672</u>	<u>4,325,576</u>	<u>4,339,985</u>	<u>77,081</u>
<u>Other:</u>					
Exempt Computer Aid		5,193	5,193	8,920	8,920
P.I.L.O.T. from Local Governments		0	81,888	81,888	0
Grand Total		<u>\$ 67,865</u>	<u>\$ 4,412,657</u>	<u>\$ 4,430,793</u>	<u>\$ 86,001</u>
Total State Revenue			<u>\$ 4,430,793</u>		

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2014

1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the East Troy Community School District under programs of the federal and state government for the year ended June 30, 2014. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedules present only a selected portion of the operations of the East Troy Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the East Troy Community School District.

2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards and state financial assistance are reported on the modified accrual basis of accounting. Such expenditures are recognized following the costs principles for non-profit organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3 – Comments on Various Grant Programs

The Commodities reported under CFDA # 10.555 was a non-cash transaction.

4. Medicaid Program (CFDA # 93.778) Payments

Medicaid revenues and expenditures reflect payments actually received by the district during the year.

5 – DPI Aidable Costs (Project 011)

Department of Public Instruction (DPI) aidable expenditures (Project 011) for the year ended June 30, 2014 were \$1,468,182.

6 – Single Audit Clusters

Child Nutrition Cluster – CFDA # 10.553, 10.555, and 10.556

Special Education Cluster – CFDA # 84.027 and 84.173

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS		
1.	Type of auditor’s report issued:	Unqualified
2.	Internal control over financial reporting:	
	Material weakness Identified?	Yes (14-1, 14-2)
	Significant deficiencies identified that are not considered to be material weaknesses?	No
3.	Noncompliance material to financial statements noted?	No
FEDERAL AWARDS		
4.	Internal control over major programs:	
	Material weakness(es) identified?	Yes (14-3)
	Significant deficiencies identified that are Not considered to be material weakness(es)	No
5.	Type of auditor’s report issued on compliance For major programs:	Unqualified
6.	Any audit findings disclosed that are required To be reported in accordance with section 510 (a) of OMB Circular A-133?	No
7.	Identification of major federal programs:	
	Name of federal program or cluster:	CFDA Number(s)
	National School Lunch Program	10.555
	Breakfast Program	10.553
	Special Milk Program	10.556
	IDEA Flowthrough	84.027
	IDEA Preschool	84.173
	Note: 10.555, 10.553, and 10.556 part of Child Nutrition Cluster	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	Yes

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

STATE AWARDS

10. Identification of major state programs:

Name of State Program	State ID Number
Handicapped Pupils and School Age Parents	255.101
General Equalization Aids	255.201
Transportation Aids	255.107

Section II – Financial Statement Findings:

Finding Number	Finding
14-1	<p><u>Lack of Segregation of Duties</u></p> <p>Criteria: Auditing standards require us to review internal controls of the school district’s major accounting processes.</p> <p>Condition: The available staff precludes a proper separation of functions to assure adequate internal control.</p> <p>Cause: The school district has a limited number of employees.</p> <p>Effect: The concentration of the duties and responsibilities in a limited number of employees is not desirable from a control point of view. The lack of adequate segregation of duties increases the possibility of improper/incorrect transactions.</p> <p>Recommendation: Under these circumstances, the most effective controls lie in the school district board’s knowledge and monitoring of matters relating to the School Board’s operations.</p> <p>School District Response: We concur with the finding, and management is aware of the situation related to lack of segregation of duties.</p>
14-2	<p><u>Financial Reporting</u></p> <p>Criteria: Auditing standards state that the school district should have internal control procedures that enable the preparation of financial records and financial statements by school district personnel that are free from material errors.</p> <p>Condition: The East Troy Community School District has not presented financial records that are free from material errors and has not prepared the annual financial statements. Preparation of financial statements requires a very high level of technical experience and expertise.</p> <p>Cause: The school district staff does not have the necessary resources to properly prepare the school district’s financial statements that are free from material errors.</p> <p>Effect: The school district’s financial records were materially misstated. The auditor proposed and made audit entries that were material to the school district’s financial statements for the 2012-13 audit and prepared the school district’s financial statements.</p> <p>Recommendation: The school district may consider and implement additional internal control procedures to ensure the accuracy or preparation of its financial records and annual financial statements.</p> <p>School District Response: We concur with the finding and management is aware. Business staff does not have a CPA license.</p>

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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

Finding Number	Finding
14-3	<p data-bbox="365 436 743 472"><u>Lack of Segregation of Duties</u></p> <p data-bbox="365 499 1466 562">Criteria: Auditing standards require us to review internal controls of the school district's major accounting processes.</p> <p data-bbox="365 590 1466 653">Condition: The available staff precludes a proper separation of functions to assure adequate internal control.</p> <p data-bbox="365 680 1101 716">Cause: The school district has a limited number of employees.</p> <p data-bbox="365 743 1482 837">Effect: The concentration of the duties and responsibilities in a limited number of employees is not desirable from a control point of view. The lack of adequate segregation of duties increases the possibility of improper/incorrect transactions.</p> <p data-bbox="365 865 1482 928">Recommendation: Under these circumstances, the most effective controls lie in the school district board's knowledge and monitoring of matters relating to the School Board's operations.</p> <p data-bbox="365 955 1417 1018">School District Response: We concur with the finding, and management is aware of the situation related to lack of segregation of duties.</p>

EAST TROY COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014

FINDING 13-3: LACK OF SEGREGATION OF DUTIES

Condition: This finding states that the District does not have adequate staff to provide a proper segregation of duties.

Current Status: The finding was repeated as finding 14-3 in the 2013-14 audit.