

**EAST TROY COMMUNITY
SCHOOL DISTRICT**

**AUDITED FINANCIAL
STATEMENTS**

JUNE 30, 2012

JRF

JAMES R. FRECHETTE

CERTIFIED PUBLIC ACCOUNTANT

EAST TROY COMMUNITY SCHOOL DISTRICT
 June 30, 2012
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Independent Auditor's Report

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

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012 on our consideration of East Troy Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management of the East Troy Community School District has not presented a "Management Discussion and Analysis" that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Troy Community School District's basic financial statements. The combining non-major fund financial statements, schedule of student activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 not a required part of the basic financial statements of the East Troy Community School District. The combining non-major fund financial statements, schedule of student activity funds, schedule of expenditures of federal awards, and schedule of state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

November 14, 2012

BASIC FINANCIAL STATEMENTS

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Investments | \$ 4,016,239 |
| Taxes Receivable | 3,985,651 |
| Accounts Receivable | 280 |
| Due from Other Governments | 232,912 |
| Prepayments | 36,712 |
| Noncurrent Assets: | |
| Capital Assets | 26,997,391 |
| Less: Accumulated Depreciation | <u>(12,565,220)</u> |
| Total Assets | <u>22,703,965</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Short-term Notes Payable | \$ 4,400,000 |
| Vouchers Payable | 223,716 |
| Accrued Salaries and Benefits | 376,732 |
| Deferred Revenue | 21,025 |
| Accrued Interest Payable | 116,218 |
| Bonds and State Trust Fund Loans - Current | 983,519 |
| Noncurrent Liabilities: | |
| General Obligation Bonds Payable (Net of Amortization) | 5,268,004 |
| Net Pension Obligations Payable | (29,833) |
| Net OPEB Obligations Payable | 1,729,113 |
| Total Liabilities | <u>13,088,494</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, net of related debt | 8,935,648 |
| Restricted for: | |
| Debt Service | 228,830 |
| Food Service | 205,589 |
| Special Revenue | 8,520 |
| Community Service | 30,681 |
| Unrestricted | 206,203 |
| Total Net Assets | <u>\$ 9,615,471</u> |

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, 2012

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|-----------------------------------|----------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular Instruction | \$ 7,800,113 | \$ 539,012 | \$ 624,045 | \$ (6,637,056) |
| Vocational Instruction | 621,298 | | | (621,298) |
| Special Education | 1,496,425 | 34,335 | 750,142 | (711,948) |
| Other Instruction | 819,838 | 48,528 | | (771,310) |
| Total Instruction | <u>10,737,674</u> | <u>621,875</u> | <u>1,374,187</u> | <u>(8,741,612)</u> |
| Support Services: | | | | |
| Pupil Services | 711,794 | | | (711,794) |
| Libraries & Instructional Support | 575,487 | | 60,266 | (515,221) |
| Administration | 1,432,865 | | | (1,432,865) |
| Operation and Maintenance | 2,475,467 | 19,608 | | (2,455,859) |
| Pupil Transportation | 825,961 | 20,269 | 46,760 | (758,932) |
| Food Service | 650,174 | 366,075 | 307,600 | 23,501 |
| Other Support Services | 2,550,457 | | | (2,550,457) |
| Interest on Debt | 411,064 | | | (411,064) |
| Community Services | 75,581 | 87,505 | | 11,924 |
| Total Support Services | <u>9,708,850</u> | <u>493,457</u> | <u>414,626</u> | <u>(8,800,767)</u> |
| Totals | <u>\$ 20,446,524</u> | <u>\$ 1,115,332</u> | <u>\$ 1,788,813</u> | <u>(17,542,379)</u> |
| General Revenues: | | | | |
| | | | | 13,490,925 |
| | | | | 4,192,471 |
| | | | | 26,885 |
| | | | | 16,631 |
| | | | | <u>77,755</u> |
| | | | | <u>17,804,667</u> |
| | | | | Change in Net Assets 262,288 |
| | | | | Net Assets - Beginning of Year 9,353,183 |
| | | | | <u>Net Assets - End of Year \$ 9,615,471</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, 2012

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|---|---|
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$ 3,598,936 | \$ 228,830 | \$ 188,473 | \$ 4,016,239 |
| Taxes Receivable | 3,985,651 | | | 3,985,651 |
| Accounts Receivable | | | 280 | 280 |
| Due From Other Governments | 154,334 | | 78,578 | 232,912 |
| Prepayments | 35,898 | | 814 | 36,712 |
| TOTAL ASSETS | <u>\$ 7,774,819</u> | <u>\$ 228,830</u> | <u>\$ 268,145</u> | <u>\$ 8,271,794</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Short-Term Notes Payable | \$ 4,400,000 | \$ 0 | \$ 0 | \$ 4,400,000 |
| Vouchers Payable | 214,119 | | 9,597 | 223,716 |
| Accrued Salaries and Fringes | 376,732 | | | 376,732 |
| Deferred Revenue | 7,267 | | 13,758 | 21,025 |
| Accrued Interest Payable | 18,553 | | | 18,553 |
| Total Liabilities | <u>5,016,671</u> | <u>0</u> | <u>23,355</u> | <u>5,040,026</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Prepaid Expenses | 35,898 | | 814 | 36,712 |
| Restricted: | | | | |
| Debt Service | | 228,830 | | 228,830 |
| Food Service | | | 205,589 | 205,589 |
| Special Revenue | | | 8,520 | 8,520 |
| Community Service | | | 30,681 | 30,681 |
| Unassigned | 2,722,250 | | (814) | 2,721,436 |
| Total Fund Balances | <u>2,758,148</u> | <u>228,830</u> | <u>244,790</u> | <u>3,231,768</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 7,774,819</u> | <u>\$ 228,830</u> | <u>\$ 268,145</u> | <u>\$ 8,271,794</u> |

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

EAST TROY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
As Of June 30, 2012

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

| | | |
|--|----|-----------|
| Total Fund Balances - Governmental Funds | \$ | 3,231,768 |
|--|----|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This includes:

| | | |
|--------------------------|--|--------------|
| Capital Assets | | 26,997,391 |
| Accumulated Depreciation | | (12,565,220) |

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 | | (6,080,000) |
| Amortization of Debt Premium (Net) | | (171,523) |
| Accrued Interest on Long-Term Debt | | (97,665) |
| Net OPEB Obligation | | (1,729,113) |
| Net Pension Obligation | | 29,833 |

| | | | |
|---------------------------------------|----|--|-----------|
| Net Assets of Governmental Activities | \$ | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">9,615,471</td> </tr> </table> | 9,615,471 |
| 9,615,471 | | | |

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, 2012

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---------------------------|-------------------------|--------------------------------|--------------------------------|
| <u>REVENUES</u> | | | | |
| Local Sources | \$ 12,279,606 | \$ 1,514,370 | \$ 463,171 | \$ 14,257,147 |
| Interdistrict Payments | 361,860 | | 34,335 | 396,195 |
| Intermediate Sources | 5,096 | | 323,120 | 328,216 |
| State Sources | 4,299,497 | | 339,632 | 4,639,129 |
| Federal Sources | 610,052 | | 394,990 | 1,005,042 |
| Other Sources | 83,083 | | | 83,083 |
| TOTAL REVENUES | <u>17,639,194</u> | <u>1,514,370</u> | <u>1,555,248</u> | <u>20,708,812</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular Instruction | 7,768,033 | | | 7,768,033 |
| Vocational Instruction | 621,298 | | | 621,298 |
| Special Education | 161,767 | | 1,334,658 | 1,496,425 |
| Other Instruction | 814,087 | | | 814,087 |
| Support Services: | | | | |
| Pupil Services | 507,291 | | 204,503 | 711,794 |
| Libraries & Instr. Support | 445,661 | | 131,815 | 577,476 |
| Administration | 1,431,438 | | 1,427 | 1,432,865 |
| Operation and Maintenance | 1,984,697 | | 17,583 | 2,002,280 |
| Pupil Transportation | 781,533 | | 88,386 | 869,919 |
| Food Service | | | 643,961 | 643,961 |
| Other Support Services | 1,703,785 | | | 1,703,785 |
| Debt Service: | | | | |
| Principal | | 800,000 | | 800,000 |
| Interest and Other | 29,287 | 327,133 | | 356,420 |
| Community Service | | | 75,581 | 75,581 |
| TOTAL EXPENDITURES | <u>16,248,877</u> | <u>1,127,133</u> | <u>2,497,914</u> | <u>19,873,924</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,390,317</u> | <u>387,237</u> | <u>(942,666)</u> | <u>834,888</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Proceeds from Long-term Debt | | 755,000 | | 755,000 |
| Payoff WRS Liability | | (753,337) | | (753,337) |
| Payment to Refunding Escrow Agent | | (417,166) | | (417,166) |
| Transfers In (Out) | (1,048,955) | 72,643 | 976,312 | 0 |
| Total Other Financing Sources (Uses) | <u>(1,048,955)</u> | <u>(342,860)</u> | <u>976,312</u> | <u>(415,503)</u> |
| Net Change in Fund Balances | 341,362 | 44,377 | 33,646 | 419,385 |
| Fund Balances - Beginning | 2,416,786 | 184,453 | 211,144 | 2,812,383 |
| Fund Balances - Ending | <u>\$ 2,758,148</u> | <u>\$ 228,830</u> | <u>\$ 244,790</u> | <u>\$ 3,231,768</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, 2012

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

| | | |
|---|----|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 419,385 |
| <p>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.</p> | | |
| Capital Outlays | | 245,316 |
| Depreciation on Fixed Assets | | (706,478) |
| <p>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 assets and does not affect the statement of activities</p> | | |
| | | (755,000) |
| <p>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 assets and does not affect the statement of activities.</p> | | |
| | | 1,110,000 |
| <p>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.</p> | | |
| Interest Paid on Long-Term Debt | | 327,133 |
| Interest Incurred for the Year | | (318,044) |
| Amortization of Debt Premium (Net) | | 48,433 |
| <p>Vested employee benefits are reported in the governmental funds as an expenditure when paid, but is recorded in the statement of activities when earned.</p> | | |
| Vested Employee Benefits Earned | | (858,073) |
| Vested Employee Benefits Paid | | 749,616 |
| Change in net assets of governmental activities | \$ | <u><u>262,288</u></u> |

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, 2012

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|---|--------------------------|--------------------------|---------------------------|---|
| <u>REVENUES</u> | | | | |
| Local Sources | \$ 12,205,966 | \$ 12,205,966 | \$ 12,279,606 | \$ 73,640 |
| Interdistrict Payments | 367,737 | 367,737 | 361,860 | (5,877) |
| Intermediate Sources | 3,000 | 3,000 | 5,096 | 2,096 |
| State Sources | 4,297,331 | 4,297,331 | 4,299,497 | 2,166 |
| Federal Sources | 695,959 | 695,959 | 610,052 | (85,907) |
| Other Sources | 56,717 | 56,717 | 83,083 | 26,366 |
| TOTAL REVENUES | <u>17,626,710</u> | <u>17,626,710</u> | <u>17,639,194</u> | <u>12,484</u> |
| <u>EXPENDITURES</u> | | | | |
| Instruction: | | | | |
| Undifferentiated Curriculum | 3,640,065 | 3,400,065 | 3,391,058 | 9,007 |
| Regular Curriculum | 3,675,122 | 3,570,122 | 3,567,718 | 2,404 |
| Vocational Curriculum | 622,050 | 622,050 | 621,298 | 752 |
| Physical Curriculum | 436,273 | 436,273 | 423,459 | 12,814 |
| Co-Curricular Activities | 377,417 | 397,417 | 390,627 | 6,790 |
| Other Special Needs | 163,178 | 163,178 | 161,767 | 1,411 |
| Support Services: | | | | |
| Pupil Services | 508,986 | 508,986 | 507,291 | 1,695 |
| Instructional Staff Services | 504,298 | 504,298 | 445,661 | 58,637 |
| General Administration | 467,675 | 467,675 | 376,285 | 91,390 |
| School Building Administration | 766,739 | 766,739 | 755,541 | 11,198 |
| Business Administration | 2,962,679 | 3,072,679 | 3,065,842 | 6,837 |
| Central Services | 526,708 | 756,708 | 756,428 | 280 |
| Insurance and Judgments | 175,838 | 190,838 | 185,901 | 4,937 |
| Debt Services | 102,029 | 29,500 | 29,287 | 213 |
| Other Support Services | 782,104 | 782,104 | 757,977 | 24,127 |
| Non-Program Transactions: | | | | |
| Purchased Instructional Services | 823,936 | 823,936 | 809,258 | 14,678 |
| Other Non-Program Transactions | 4,000 | 4,000 | 3,479 | 521 |
| TOTAL EXPENDITURES | <u>16,539,097</u> | <u>16,496,568</u> | <u>16,248,877</u> | <u>247,691</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,087,613</u> | <u>1,130,142</u> | <u>1,390,317</u> | <u>260,175</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Proceeds from Capital Leases | 0 | 0 | 0 | 0 |
| Operating Transfer In (Out) | <u>(1,087,613)</u> | <u>(1,130,142)</u> | <u>(1,048,955)</u> | <u>81,187</u> |
| Total Other Financing Sources (Uses) | <u>(1,087,613)</u> | <u>(1,130,142)</u> | <u>(1,048,955)</u> | <u>81,187</u> |
| Net Change in Fund Balances | 0 | 0 | 341,362 | 341,362 |
| Fund Balance - Beginning | 2,416,786 | 2,416,786 | 2,416,786 | 0 |
| Fund Balance - Ending | <u>\$ 2,416,786</u> | <u>\$ 2,416,786</u> | <u>\$ 2,758,148</u> | <u>\$ 341,362</u> |

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

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2012

| | Private- Purpose Trust Fund | Agency Fund | |
|------------------------------|-----------------------------------|----------------|--|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 144,808 | \$ 223,604 | |
| Total Assets | 144,808 | 223,604 | |
| <u>LIABILITIES</u> | | | |
| Due to Student Organizations | \$ 0 | \$ 223,604 | |
| <u>NET ASSETS</u> | | | |
| Held for Scholarships | \$ 144,808 | \$ 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 ASSETS -
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2012

| | | Private- Purpose Trust Fund |
|--------------------------|----|-----------------------------------|
| <u>ADDITIONS</u> | | |
| Gifts and Contributions | \$ | 11,150 |
| Interest Income | | 2,813 |
| Total Additions | | 13,963 |
| <u>DEDUCTIONS</u> | | |
| Scholarships Awarded | | 5,000 |
| Total Deductions | | 5,000 |
| Change in Net Assets | | 8,963 |
| Net Assets - Beginning | | 135,845 |
| Net Assets - Ending | \$ | 144,808 |

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, 2012

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 assets 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, 2012

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those statements do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

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, 2012

D. Assets, Liabilities, and Net Assets 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, 2012

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 assets. 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. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

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, 2012

Equity Classifications

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

- Invested in capital assets, net of related debt – 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 assets – consists of net assets with restrictions placed on their use either by external groups or state and federal law.
- Unrestricted net assets – All other net assets 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
 June 30, 2012

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, 2012, 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, 2012, \$4,248,506 of the government's bank balance of \$4,662,939 was exposed to custodial credit risk as follows:

| | | |
|--------------------------------|----|-----------|
| Uninsured and Uncollateralized | \$ | 3,157,724 |
| Total | \$ | 3,157,124 |

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, 2012 was \$820,042.

Total cash and investments at June 30, 2012 consisted of the following:

| | | |
|----------------------------|----|-----------|
| Governmental Funds | \$ | 4,016,239 |
| Agency Funds | | 223,604 |
| Private Purpose Trust | | 144,808 |
| Total Cash and Investments | \$ | 4,384,651 |

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, 2012

B - CAPITAL ASSETS

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

| Governmental Activities: | Balance 7-1-2011 | Additions | Removals | Balance 6-30-2012 |
|--------------------------------------|----------------------|---------------------|----------------|----------------------|
| Land | \$ 694,708 | \$ 0 | \$ 0 | \$ 694,708 |
| Land Improvements | 1,348,676 | | | 1,348,676 |
| Buildings | 21,671,518 | | | 21,671,518 |
| Equipment | 3,138,174 | 245,315 | 101,000 | 3,282,489 |
| Totals | <u>26,853,076</u> | <u>245,315</u> | <u>101,000</u> | <u>26,997,391</u> |
| Less: Accumulated Depreciation | 11,959,742 | 706,478 | 101,000 | 12,565,220 |
| Net | <u>\$ 14,893,334</u> | <u>\$ (461,163)</u> | <u>\$ 0</u> | <u>\$ 14,432,171</u> |

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

| | |
|--|-------------------|
| Regular Instruction | \$ 32,079 |
| Other Instruction | 5,751 |
| Libraries and Instructional Support | 5,520 |
| Operation and Maintenance | 503,616 |
| Pupil Transportation | 118,141 |
| Food Service | 13,509 |
| Other Support Services | 27,862 |
| Total Depreciation of Governmental Activities | <u>\$ 706,478</u> |

C - LONG-TERM OBLIGATIONS

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

| | Balance 7-1-2011 | Additions | Reductions | Balance 6-30-2012 | Amounts Due Within One Year |
|---------------------------------|---------------------|---------------------|---------------------|----------------------|-----------------------------------|
| General Obligation Bonds | \$ 6,435,000 | \$ 0 | \$ 1,110,000 | \$ 5,325,000 | \$ 835,000 |
| Amortization of Bond Premium | 219,956 | 0 | 48,433 | 171,523 | 43,593 |
| General Obligation Notes | 0 | 755,000 | 0 | 755,000 | 104,926 |
| Net Pension Obligation | 10,457 | 11,121 | 51,411 | (29,833) | 0 |
| Net OPEB Obligation | 1,580,367 | 846,952 | 698,206 | 1,729,113 | 0 |
| Totals | <u>\$ 8,245,780</u> | <u>\$ 1,613,073</u> | <u>\$ 1,908,050</u> | <u>\$ 7,950,803</u> | <u>\$ 983,519</u> |

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

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, 2012 is comprised of the following individual issues:

| Issue | Issue Dates | Interest Rates | Maturity Dates | Balances 6-30-2012 |
|-------------------------------|-------------|----------------|----------------|---------------------|
| G.O. Bonds | 07-01-2006 | 4.00-6.00% | 03-01-2018 | \$ 5,325,000 |
| G.O. Note | 12-19-2011 | 3.60% | 9-19-2018 | 755,000 |
| Total General Obligation Debt | | | | <u>\$ 6,080,000</u> |

The 2012 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,547,284,324. The legal debt limit and margin of indebtedness as of June 30, 2012 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

| | |
|---|-----------------------|
| Debt Limit (10% of \$1,547,284,324) | \$ 154,728,432 |
| Deduct Long-Term Debt Applicable To Debt Margin | 6,080,000 |
| Margin of Indebtedness | <u>\$ 148,648,432</u> |

Total interest paid during the year aggregated \$327,133 for long-term debt.

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2012 follows:

| Year Ended Year | Principal | Interest | Total |
|-----------------|---------------------|---------------------|---------------------|
| 2012-13 | \$ 939,926 | \$ 296,281 | \$ 1,236,207 |
| 2013-14 | 973,791 | 259,016 | 1,232,807 |
| 2014-15 | 1,017,798 | 220,409 | 1,238,207 |
| 2015-16 | 1,066,916 | 177,829 | 1,244,745 |
| 2016-17 | 1,131,259 | 116,486 | 1,247,745 |
| 2017-22 | 950,310 | 52,607 | 1,002,917 |
| Totals | <u>\$ 6,080,000</u> | <u>\$ 1,122,628</u> | <u>\$ 7,202,628</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. This net premium amount is being amortized over the life of the refunding bonds. The amortization amount in 2011-12 was \$48,433. The balance to be amortized as of June 30, 2012 was \$171,523.

E – PARTIAL DEFEASANCE OF LONG-TERM DEBT

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 assets.

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
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

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, 2012. 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 | \$ 11,526 |
| Interest on net pension obligation | 523 |
| Annual supplemental pension cost adjustment | (928) |
| Annual supplemental pension cost (expense) | <u>11,121</u> |
| Pension contributions made | <u>51,411</u> |
| Increase (Decrease) in net pension obligation | (40,290) |
| Net pension obligation – beginning of year | <u>10,457</u> |
| Net pension obligation – end of year | <u>\$ (29,833)</u> |

The annual required contribution for the current year was determined as part of the June 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% discount rate and (b) projected salary increases at 4.0%.

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 30 year open level percent method. The remaining amortization period at January 1, 2009 is 30 years. The unfunded accrued liability at July 1, 2009 was \$89,914.

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 2010-11 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) |

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 130 active and 39 retired members in the plan. Benefits and eligibility for teachers are established and amended through collective bargaining 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 are eligible. The district will pay 94% of the retiree's medical premiums but not to exceed the annual maximum contribution caps of \$12,500/single and \$25,000/family. The duration of the district's contributions are determined by the years of full-time service at the end of the 2011-12 year. The duration of coverage is from 4 years to 9 years. The duration of coverage for teachers hired after 2010-11 will not exceed 4 years.

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.

Supervisors at least age 55 with a minimum of 15 years service with the District are eligible. In return for one year of service, the District will contribute towards a retiree's medical premiums for a period of 4 months. For the first three years of coverage, the District's contributions will be equal to the percentage paid prior to retirement. Thereafter, the District's contributions will be frozen at the amounts contributed at the amounts contributed in the third year. The District's contributions, however, will not exceed a 10 year period or age 65. 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, 2012. 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) | \$ 870,742 |
| Interest on net OPEB obligation | 79,032 |
| ARC adjustment | <u>(102,822)</u> |
| Annual OPEB cost (expense) | 846,952 |
| OPEB contributions made | <u>698,206</u> |
| Increase (decrease) in net OPEB obligation | 148,746 |
| Net OPEB obligation – beginning of year | <u>1,580,367</u> |
| Net OPEB obligation – end of year | <u>\$ 1,729,113</u> |

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-12 is:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| 6-30-2009 | \$ 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 |

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

Funding Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date, the district's unfunded actuarial accrued liability (UAAL) was \$9,160,841, all of which was unfunded. The annual payroll for active employees covered by the plan for the 201-12 fiscal year was \$9,355,291 for a ratio of the UAAL to covered payroll of 102.1%.

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 8.0% 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, 2010 was 30 years.

H – GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental Activities net assets reported on the governmental-wide financial statements at June 30, 2012 include the following:

| | |
|---|---------------------|
| <u>Invested in Capital Assets:</u> | |
| Invested in Capital Assets | \$ 26,997,391 |
| Less: Accumulated Depreciation | 12,565,220 |
| Less: Long-Term Bonds and Notes Outstanding (Net) | <u>5,496,523</u> |
| Net | <u>\$ 8,935,648</u> |
| <u>Restricted for:</u> | |
| Food Service | \$ 205,589 |
| Community Service | 30,681 |
| Special Revenue | 8,520 |
| Debt Service | <u>228,830</u> |
| Total Restricted | <u>\$ 473,620</u> |

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

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.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

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 rate for 2011 are:

| | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including Teachers) | 5.8% | 5.8% |
| Executives & Elected Officials | 6.65% | 6.65% |
| Protective with Social Security | 5.8% | 8.9% |
| Protective without Social Security | 5.8% | 11.20% |

The payroll for District employees covered by the System for the year ended December 31, 2011 was \$9,048,351; the employer's total payroll was \$9,548,660. The total required contribution for the year ended December 31, 2011 was \$1,176,286, which consisted of \$611,380 from the employer and \$564,906 from the employees. Total contributions for the years ended December 31, 2010 and 2009 were \$1,160,056 and \$1,103,599, respectively. These contributions were 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 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.

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

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.

The District's unfunded actuarial accrued liability of \$748,337 was paid off with the proceeds of the \$755,000 debt issue during the year.

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 \$976,312. This was to cover the deficit in the special education fund. In addition, a transfer from the General Fund to the Debt Service Fund was made in the amount of \$72,643.

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.

N - SHORT-TERM NOTES PAYABLE

Short-term notes payable at June 30, 2012 totaled \$4,400,000. The notes were issued on October 17, 2011 for cash flow purposes and mature on October 26, 2012. The interest rate on the notes is 0.60%. Total interest expense on short-term notes for the year totaled \$29,287.

| | Balance 7-1-2011 | Additions | Reductions | Balance 6-30-2012 |
|------------------|---------------------|--------------|--------------|----------------------|
| Short-term Notes | \$ 4,800,000 | \$ 4,400,000 | \$ 4,800,000 | \$ 4,400,000 |

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, 2012

| <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 |
| <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 |

**OTHER
SUPPLEMENTAL INFORMATION**

EAST TROY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Special Education Fund | Food Service Fund | Special Revenue Fund | Community Service Fund | Totals 6/30/2012 |
|--|------------------------------|--------------------------|----------------------------|------------------------------|--------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ (54,097) | \$ 208,415 | \$ 8,520 | \$ 25,635 | \$ 188,473 |
| Accounts Receivable | | | | 280 | 280 |
| Due From Other Governments | 62,110 | 11,214 | | 5,254 | 78,578 |
| Prepayments | 814 | | | | 814 |
| TOTAL ASSETS | \$ <u>8,827</u> | \$ <u>219,629</u> | \$ <u>8,520</u> | \$ <u>31,169</u> | \$ <u>268,145</u> |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities: | | | | | |
| Vouchers Payable | \$ 8,827 | \$ 282 | \$ 0 | \$ 488 | \$ 9,597 |
| Deferred Revenue | | 13,758 | | | 13,758 |
| Total Liabilities | <u>8,827</u> | <u>14,040</u> | <u>0</u> | <u>488</u> | <u>23,355</u> |
| Fund Balances: | | | | | |
| Unspendable | 814 | | | | 814 |
| Restricted | | 205,589 | 8,520 | 30,681 | 244,790 |
| Unassigned | (814) | | | | (814) |
| TOTAL LIABILITIES AND FUND EQUITY | \$ <u>8,827</u> | \$ <u>219,629</u> | \$ <u>8,520</u> | \$ <u>31,169</u> | \$ <u>268,145</u> |

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, 2012

| | Special Education Fund | Food Service Fund | Special Revenue Fund | Community Service Fund | Total Nonmajor Funds |
|---|------------------------------|-------------------------|----------------------------|------------------------------|----------------------------|
| REVENUES | | | | | |
| Local Sources | \$ 0 | \$ 366,075 | \$ 9,591 | \$ 87,505 | \$ 463,171 |
| Interdistrict Payments Within Wisconsin | 34,335 | | | | 34,335 |
| Intermedicate Sources | 323,120 | | | | 323,120 |
| State Sources | 328,378 | 11,254 | | | 339,632 |
| Federal Sources | 98,644 | 296,346 | | | 394,990 |
| Other Revenues | | | | | 0 |
| TOTAL REVENUES | <u>784,477</u> | <u>673,675</u> | <u>9,591</u> | <u>87,505</u> | <u>1,555,248</u> |
| EXPENDITURES | | | | | |
| Instruction: | | | | | |
| Special Education Instruction | 1,334,658 | | | | 1,334,658 |
| Support Services: | | | | | |
| Pupil Services | 204,503 | | | | 204,503 |
| Libraries & Instr. Support | 131,815 | | | | 131,815 |
| Administration | 1,427 | | | | 1,427 |
| Operation and Maintenance | | | 2,898 | 14,685 | 17,583 |
| Pupil Transportation | 88,386 | | | | 88,386 |
| Food Service | | 643,961 | | | 643,961 |
| Debt Service | | | | | 0 |
| Community Service | | | | 75,581 | 75,581 |
| TOTAL EXPENDITURES | <u>1,760,789</u> | <u>643,961</u> | <u>2,898</u> | <u>90,266</u> | <u>2,497,914</u> |
| Excess of Revenues Over (Under) Expenditures | (976,312) | 29,714 | 6,693 | (2,761) | (942,666) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating Transfer In (Out) | <u>976,312</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>976,312</u> |
| Total Other Financing Sources (Uses) | <u>976,312</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>976,312</u> |
| Net Change in Fund Balances | 0 | 29,714 | 6,693 | (2,761) | 33,646 |
| Fund Balances - Beginning | 0 | 175,875 | 1,827 | 33,442 | 211,144 |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ 205,589</u> | <u>\$ 8,520</u> | <u>\$ 30,681</u> | <u>\$ 244,790</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, 2012

| | <u>Balance</u> <u>7/1/2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/2012</u> |
|--------------------------------|-----------------------------------|-------------------|-------------------|------------------------------------|
| <u>STUDENT ACTIVITY FUNDS:</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 212,010 | \$ 393,942 | \$ 382,348 | \$ 223,604 |
| | <u>\$ 212,010</u> | <u>\$ 393,942</u> | <u>\$ 382,348</u> | <u>\$ 223,604</u> |
| LIABILITIES | | | | |
| Due to Student Organizations: | | | | |
| Middle School | \$ 41,943 | \$ 55,982 | \$ 53,730 | \$ 44,195 |
| High School | 170,067 | 337,960 | 328,618 | 179,409 |
| | <u>\$ 212,010</u> | <u>\$ 393,942</u> | <u>\$ 382,348</u> | <u>\$ 223,604</u> |

SINGLE AUDIT REPORTS



James R. Frechette

CERTIFIED PUBLIC ACCOUNTANT

W339 S9511 Harvest Court
Mukwonago, WI 53149
262/594-3995
Fax: 262/594-3996

**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**

To The School Board
East Troy Community School District

We have audited the financial statements of the governmental activities, the business-type 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, 2012, which collectively comprise the East Troy Community School District's basic financial statements, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 12-1 and 12-2 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 the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit East Troy Community School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, and the Department of Public Instruction and is not intended to be and should not be used by anyone other than those specified parties.



JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

November 14, 2012



James R. Frechette

CERTIFIED PUBLIC ACCOUNTANT

W339 S9511 Harvest Court
Mukwonago, WI 53149
262/594-3995
Fax: 262/594-3996

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

To The School Board
East Troy Community School District

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of East Troy Community School District's management. Our responsibility is to express an opinion on East Troy Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, 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. Our audit does not provide a legal determination of East Troy Community School District's compliance with those requirements.

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, 2012.

Internal Control Over Compliance

Management of East Troy Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered East Troy Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 12-3 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit East Troy Community School District's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the school district board, others within the entity, the Wisconsin Department of Public Instruction, and federal or state awarding entities, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 14, 2012

James R. Frechette
Certified Public Accountant

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012

| Awarding Agency: Pass-Through Agency: Award Description | Federal CFDA Number | Accrued or (Deferred) Revenue at 7/1/2011 | Receipts or Revenues Recognized | Federal Disbursements/ Expenditures | Accrued or (Deferred) Revenue at 6/30/2012 |
|---|---------------------------|--|---------------------------------------|---|---|
| <u>U.S. Department of Agriculture:</u> | | | | | |
| <u>Wisconsin Department of Public Instruction:</u> | | | | | |
| Nutrition Enhancement Grant | 10.500 | \$ 0 | \$ 2,305 | \$ 9,847 | \$ 7,542 |
| Breakfast Program | 10.553 | 6,690 | 45,811 | 39,996 | 875 |
| National School Lunch Program | 10.555 | | | | |
| Lunch Program | | 29,695 | 227,416 | 200,491 | 2,770 |
| Commodities | | 0 | 44,335 | 44,335 | 0 |
| Special Milk Program for Children | 10.556 | 244 | 1,895 | 1,677 | 26 |
| Total Child Nutrition Cluster | | <u>36,629</u> | <u>321,762</u> | <u>296,346</u> | <u>11,213</u> |
| Total U.S. Department of Agriculture | | <u>36,629</u> | <u>321,762</u> | <u>296,346</u> | <u>11,213</u> |
| <u>Environmental Protection Agency:</u> | | | | | |
| <u>Wisconsin Department of Natural Resources:</u> | | | | | |
| Diesel Emission Reduction Program | 66.039 | 0 | 16,108 | 16,108 | 0 |
| Total Environmental Protection Agency | | <u>0</u> | <u>16,108</u> | <u>16,108</u> | <u>0</u> |
| <u>U.S. Department of Education:</u> | | | | | |
| <u>Wisconsin Department of Public Instruction:</u> | | | | | |
| ARRA - ESEA Title II-D | 84.386 | 150 | 150 | 0 | 0 |
| Total Educational Technology State Grants Cluster | | 150 | 150 | 0 | 0 |
| ESEA Title I-A | 84.010 | 30,702 | 66,316 | 115,655 | 80,041 |
| ESEA Title IV-A | 84.186 | 2,771 | 2,771 | 0 | 0 |
| ESEA Title II-A | 84.367 | 12,684 | 21,485 | 28,847 | 20,046 |
| <u>CCDEB:</u> | | | | | |
| IDEA Flowthrough | 84.027 | 59,706 | 221,256 | 203,058 | 41,509 |
| Total Special Education Cluster | | <u>59,706</u> | <u>221,256</u> | <u>203,058</u> | <u>41,509</u> |
| <u>Wisconsin Department of Administration:</u> | | | | | |
| Education Jobs Fund | 84.410 | 45,191 | 494,133 | 448,942 | 0 |
| Total U.S. Department of Education | | <u>151,204</u> | <u>806,111</u> | <u>796,502</u> | <u>141,596</u> |
| <u>Department of Homeland Security:</u> | | | | | |
| <u>Wisconsin Department of Military Affairs:</u> | | | | | |
| Disaster Grants - Public Assistance | 97.036 | 3,910 | 3,910 | 0 | 0 |
| Total Department of Homeland Security | | <u>3,910</u> | <u>3,910</u> | <u>0</u> | <u>0</u> |
| <u>U.S. Department of Health & Human Services:</u> | | | | | |
| Medicaid | 93.778 | 0 | 98,644 | 98,644 | 0 |
| Center for Disease Control | 93.938 | 0 | 500 | 500 | 0 |
| Total U.S. Department of Health and Human Services | | <u>0</u> | <u>99,144</u> | <u>99,144</u> | <u>0</u> |
| | | <u>\$ 191,743</u> | <u>\$ 1,247,035</u> | <u>\$ 1,208,100</u> | <u>\$ 152,809</u> |

| | |
|-----------------------------|---------------------|
| <u>Summary of Revenues:</u> | |
| Intermediate | \$ 203,058 |
| Federal | <u>1,005,042</u> |
| | <u>\$ 1,208,100</u> |

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2012

| Awarding Agency: Pass-Through Agency: Award Description | State I.D. Number | Receivable 7/1/2011 | State Receipts | State Expenditures | Receivable 6/30/2012 |
|---|-------------------------|------------------------|---------------------|-----------------------|-------------------------|
| <u>WI. DEPT. OF PUBLIC INSTRUCTION:</u> | | | | | |
| Handicapped Pupils and School Age Parents: | 255.101 | \$ 0 | \$ 328,378 | \$ 328,378 | \$ 0 |
| Internal District Programs | | | | | |
| General Equalization | 255.201 | 77,023 | 2,099,690 | 2,063,063 | 40,396 |
| Special Adjustment Aid | 255.203 | 0 | 2,046,315 | 2,046,315 | 0 |
| State Lunch | 255.102 | 0 | 7,681 | 7,681 | 0 |
| Common School Fund | 255.103 | 0 | 60,266 | 60,266 | 0 |
| Pupil Transportation | 255.107 | 0 | 46,760 | 46,760 | 0 |
| Peer Review and Mentoring | 255.301 | 10,366 | 10,366 | 0 | 0 |
| School Breakfast Program | 255.344 | 0 | 3,573 | 3,573 | 0 |
| Total Wi. Dept. of Public Instruction | | <u>87,389</u> | <u>4,603,029</u> | <u>4,556,036</u> | <u>40,396</u> |
| <u>DEPARTMENT OF MILITARY AFFAIRS:</u> | | | | | |
| Emergency Management - Disaster | 465.305 | 652 | 652 | 0 | 0 |
| Total Dept of Military Affairs | | <u>652</u> | <u>652</u> | <u>0</u> | <u>0</u> |
| <u>Other:</u> | | | | | |
| Exempt Computer Aid | | 5,951 | 5,951 | 7,453 | 7,453 |
| P.I.L.O.T. from Local Governments | | 0 | 75,640 | 75,640 | 0 |
| Grand Total | | <u>\$ 93,992</u> | <u>\$ 4,685,272</u> | <u>\$ 4,639,129</u> | <u>\$ 47,849</u> |

Total State Revenue \$ 4,639,129

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2012

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, 2012. 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 assets 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 – DPI Aidable Costs (Project 011)

Department of Public Instruction (DPI) aidable expenditures (Project 011) for the year ended June 30, 2012 were \$1,330,157.

5 – Single Audit Clusters

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

Special Education Cluster – CFDA # 84.027, 84.391, and 84.392

Educational Technology State Grant Cluster – CFDA # 84.318 and 84.386

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2012

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 (12-1, 12-2) |
| | 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 (12-3) |
| | 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) |
| | IDEA Flowthrough | 84.027 |
| | Education Jobs Fund | 84.410 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2012

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 |
| Special Adjustment Aid (Part of 255.201) | 255.203 |

Section II – Financial Statement Findings:

| Finding Number | Finding |
|-------------------|---------|
|-------------------|---------|

12-1 **Lack of Segregation of Duties**

Criteria: Auditing standards require us to review internal controls of the school district’s major accounting processes.

Condition: The available staff precludes a proper separation of functions to assure adequate internal control.

Cause: The school district has a limited number of employees.

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.

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.

School District Response: The school district agrees with this finding.

12-2 **Financial Reporting**

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.

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.

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.

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 2011 audit and prepared the school district’s financial statements.

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.

School District Response: The school district agrees with this finding.

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

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

| Finding Number | Finding |
|-------------------|---|
| 12-3 | <p data-bbox="365 409 743 441"><u>Lack of Segregation of Duties</u></p> <p data-bbox="365 472 1461 535">Criteria: Auditing standards require us to review internal controls of the school district's major accounting processes.</p> <p data-bbox="365 562 1461 625">Condition: The available staff precludes a proper separation of functions to assure adequate internal control.</p> <p data-bbox="365 653 1101 684">Cause: The school district has a limited number of employees.</p> <p data-bbox="365 714 1485 808">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="365 835 1477 898">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="365 926 1198 959">School District Response: The school district agrees with this finding.</p> |

EAST TROY COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

FINDING 11-3: 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 12-3 in the 2011-12 audit.