

**EAST TROY COMMUNITY
SCHOOL DISTRICT**

**AUDITED FINANCIAL
STATEMENTS**

JUNE 30, 2013

A large, stylized, black monogram logo consisting of the letters 'JRF' in a bold, cursive font. The 'J' is a simple hook, the 'R' has a thick vertical stem and a curved top, and the 'F' has a thick vertical stem and a horizontal top bar.

JAMES R. FRECHETTE

CERTIFIED PUBLIC ACCOUNTANT

EAST TROY COMMUNITY SCHOOL DISTRICT
 June 30, 2013
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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Troy Community School District, Wisconsin as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in table of contents.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Troy Community School District, Wisconsin as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Special Education Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, on our consideration of the East Troy Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Troy Community School District's internal control over financial reporting and compliance.

November 29, 2013



JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

BASIC FINANCIAL STATEMENTS

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Investments	\$ 4,657,973
Taxes Receivable	4,041,820
Accounts Receivable	11,910
Due from Other Governments	270,207
Prepayments	4,549
Noncurrent Assets:	
Capital Assets	27,112,143
Less: Accumulated Depreciation	(13,111,191)
Total Assets	<u>22,987,411</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term Notes Payable	\$ 4,000,000
Vouchers Payable	225,147
Accrued Salaries and Benefits	353,418
HRA Deposits	424,253
Deferred Revenue	17,778
Accrued Interest Payable	102,317
Bonds and State Trust Fund Loans - Current	973,791
Noncurrent Liabilities:	
General Obligation Bonds Payable (Net of Amortization)	4,294,213
Net Pension Obligations Payable	(36,505)
Net OPEB Obligations Payable	1,581,614
Total Liabilities	<u>11,936,026</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	8,732,948
Restricted for:	
Debt Service	640,455
Food Service	144,932
Special Revenue	8,163
Community Service	27,868
Unrestricted	1,497,019
Total Net Position	<u>\$ 11,051,385</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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 7,872,583	\$ 592,610	\$ 302,767	\$ (6,977,206)
Vocational Instruction	633,776			(633,776)
Special Education	1,336,155	24,012	688,269	(623,874)
Other Instruction	851,048	48,579		(802,469)
Total Instruction	<u>10,693,562</u>	<u>665,201</u>	<u>991,036</u>	<u>(9,037,325)</u>
Support Services:				
Pupil Services	636,284			(636,284)
Libraries & Instructional Support	719,250		54,013	(665,237)
Administration	1,569,728			(1,569,728)
Operation and Maintenance	2,271,719			(2,271,719)
Pupil Transportation	806,599	20,124	50,363	(736,112)
Food Service	724,090	343,109	327,184	(53,797)
Other Support Services	1,311,170			(1,311,170)
Interest on Debt	265,847			(265,847)
Community Services	82,217	13,551		(68,666)
Total Support Services	<u>8,386,904</u>	<u>376,784</u>	<u>431,560</u>	<u>(7,578,560)</u>
Totals	<u>\$ 19,080,466</u>	<u>\$ 1,041,985</u>	<u>\$ 1,422,596</u>	<u>(16,615,885)</u>
General Revenues:				
				14,273,833
				3,664,092
				19,747
				17,013
				77,114
				<u>18,051,799</u>
				Change in Net Position 1,435,914
				Net Position - Beginning of Year 9,615,471
				<u>Net Position - End of Year \$ 11,051,385</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, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Investments	\$ 3,892,245	\$ 640,455	\$ 125,273	\$ 4,657,973
Taxes Receivable	4,041,820			4,041,820
Accounts Receivable	11,910			11,910
Due From Other Governments	139,020		131,187	270,207
Prepayments	4,549			4,549
TOTAL ASSETS	\$ 8,089,544	\$ 640,455	\$ 256,460	\$ 8,986,459
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Short-Term Notes Payable	\$ 4,000,000	\$ 0	\$ 0	\$ 4,000,000
Vouchers Payable	161,424		63,723	225,147
Accrued Salaries and Fringes	353,418			353,418
HRA Deposits	424,253			424,253
Deferred Revenue	6,004		11,774	17,778
Accrued Interest Payable	16,867			16,867
Total Liabilities	4,961,966	0	75,497	5,037,463
Fund Balances:				
Nonspendable:				
Prepaid Expenses	4,549			4,549
Restricted:				
Debt Service		640,455		640,455
Food Service			144,932	144,932
Special Revenue			8,163	8,163
Community Service			27,868	27,868
Assigned:				
Safety Improvements	130,000			130,000
Unassigned	2,993,029			2,993,029
Total Fund Balances	3,127,578	640,455	180,963	3,948,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,089,544	\$ 640,455	\$ 256,460	\$ 8,986,459

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 POSITION
As Of June 30, 2013

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

Total Fund Balances - Governmental Funds	\$	3,948,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This includes:		
Capital Assets		27,112,143
Accumulated Depreciation		(13,111,191)
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		(5,140,074)
Amortization of Debt Premium (Net)		(127,930)
Accrued Interest on Long-Term Debt		(85,450)
Net OPEB Obligation		(1,581,614)
Net Pension Obligation		36,505
Net Position of Governmental Activities	\$	11,051,385

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, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$ 12,797,960	\$ 1,647,833	\$ 441,048	\$ 14,886,841
Interdistrict Payments	453,952		24,012	477,964
Intermediate Sources	3,647		582	4,229
State Sources	3,768,468		376,170	4,144,638
Federal Sources	286,893		638,701	925,594
Other Sources	77,114			77,114
TOTAL REVENUES	<u>17,388,034</u>	<u>1,647,833</u>	<u>1,480,513</u>	<u>20,516,380</u>
<u>EXPENDITURES</u>				
Current:				
Instruction:				
Regular Instruction	7,870,448			7,870,448
Vocational Instruction	633,776			633,776
Special Education	91,957		1,244,198	1,336,155
Other Instruction	858,221			858,221
Support Services:				
Pupil Services	443,454		192,830	636,284
Libraries & Instr. Support	559,738		153,992	713,730
Administration	1,568,027		1,701	1,569,728
Operation and Maintenance	1,751,149		18,035	1,769,184
Pupil Transportation	798,934		83,539	882,473
Food Service			730,950	730,950
Other Support Services	1,454,405			1,454,405
Debt Service:				
Principal		939,926		939,926
Interest and Other	25,373	296,282		321,655
Community Service			82,217	82,217
TOTAL EXPENDITURES	<u>16,055,482</u>	<u>1,236,208</u>	<u>2,507,462</u>	<u>19,799,152</u>
Excess of Revenues Over (Under) Expenditures	<u>1,332,552</u>	<u>411,625</u>	<u>(1,026,949)</u>	<u>717,228</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Long-term Debt				0
Payoff WRS Liability				0
Payment to Refunding Escrow Agent				0
Transfers In (Out)	(963,122)		963,122	0
Total Other Financing Sources (Uses)	<u>(963,122)</u>	<u>0</u>	<u>963,122</u>	<u>0</u>
Net Change in Fund Balances	369,430	411,625	(63,827)	717,228
Fund Balances - Beginning	2,758,148	228,830	244,790	3,231,768
Fund Balances - Ending	<u>\$ 3,127,578</u>	<u>\$ 640,455</u>	<u>\$ 180,963</u>	<u>\$ 3,948,996</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, 2013

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

Net change in fund balances - total governmental funds	\$	717,228
<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		250,052
Depreciation on Fixed Assets		(681,271)
<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 position and does not affect the statement of activities</p>		
		0
<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 position and does not affect the statement of activities.</p>		
		939,926
<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		296,281
Interest Incurred for the Year		(284,066)
Amortization of Debt Premium (Net)		43,593
<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		(511,764)
Vested Employee Benefits Paid		665,935
Change in net position of governmental activities	\$	<u><u>1,435,914</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, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
<u>REVENUES</u>				
Local Sources	\$ 12,761,985	\$ 12,761,985	\$ 12,797,960	\$ 35,975
Interdistrict Payments	420,613	420,613	453,952	33,339
Intermediate Sources	3,969	3,969	3,647	(322)
State Sources	3,761,784	3,761,784	3,768,468	6,684
Federal Sources	349,486	349,486	286,893	(62,593)
Other Sources	55,000	55,000	77,114	22,114
TOTAL REVENUES	<u>17,352,837</u>	<u>17,352,837</u>	<u>17,388,034</u>	<u>35,197</u>
<u>EXPENDITURES</u>				
Instruction:				
Undifferentiated Curriculum	3,167,571	3,173,537	3,169,973	3,564
Regular Curriculum	3,759,828	3,759,828	3,747,041	12,787
Vocational Curriculum	623,586	634,586	633,776	810
Physical Curriculum	431,303	468,303	467,292	1,011
Co-Curricular Activities	385,907	391,907	390,928	979
Other Special Needs	96,485	96,485	91,957	4,528
Support Services:				
Pupil Services	452,636	452,636	443,454	9,182
Instructional Staff Services	641,131	641,131	559,738	81,393
General Administration	521,786	421,786	402,071	19,715
School Building Administration	870,655	870,655	868,518	2,137
Business Administration	2,922,132	2,922,132	2,847,521	74,611
Central Services	536,833	626,833	626,138	695
Insurance and Judgments	165,686	165,686	159,683	6,003
Debt Services	70,405	26,405	25,373	1,032
Other Support Services	680,018	680,018	667,333	12,685
Non-Program Transactions:				
Purchased Instructional Services	970,222	970,222	953,435	16,787
Other Non-Program Transactions	4,000	4,000	1,251	2,749
TOTAL EXPENDITURES	<u>16,300,184</u>	<u>16,306,150</u>	<u>16,055,482</u>	<u>250,668</u>
Excess of Revenues Over (Under) Expenditures	<u>1,052,653</u>	<u>1,046,687</u>	<u>1,332,552</u>	<u>285,865</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from Capital Leases	0	0	0	0
Operating Transfer In (Out)	<u>(1,052,653)</u>	<u>(1,046,687)</u>	<u>(963,122)</u>	<u>83,565</u>
Total Other Financing Sources (Uses)	<u>(1,052,653)</u>	<u>(1,046,687)</u>	<u>(963,122)</u>	<u>83,565</u>
Net Change in Fund Balances	0	0	369,430	369,430
Fund Balance - Beginning	2,758,148	2,758,148	2,758,148	0
Fund Balance - Ending	<u>\$ 2,758,148</u>	<u>\$ 2,758,148</u>	<u>\$ 3,127,578</u>	<u>\$ 369,430</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, 2013

	Private- Purpose Trust Fund	Agency Fund
<u>ASSETS</u>		
Cash and Investments	\$ 140,640	\$ 222,856
Total Assets	140,640	222,856
<u>LIABILITIES</u>		
Due to Student Organizations	\$ 0	\$ 222,856
<u>NET POSITION</u>		
Held for Scholarships	\$ 140,640	\$ 0

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

EAST TROY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

		<u>Private- Purpose Trust Fund</u>
<u>ADDITIONS</u>		
Gifts and Contributions	\$	2,482
Interest Income		<u>0</u>
Total Additions		<u>2,482</u>
<u>DEDUCTIONS</u>		
Scholarships Awarded		<u>6,650</u>
Total Deductions		<u>6,650</u>
Change in Net Position		(4,168)
Net Position - Beginning		<u>144,808</u>
Net Position - Ending	\$	<u><u>140,640</u></u>

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

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

Government-wide statements

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

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

Fund Financial statements

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

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

Governmental Funds:

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

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

The District reports the following non-major governmental funds:

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

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

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-wide statements

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

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

Fund financial statements

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

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

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

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

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

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

The District has not adopted a formal investment policy.

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

Receivables

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

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

Inventories and Prepayments

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

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Capital Assets

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

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

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

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

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds or notes using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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, 2013

Equity Classifications

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

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

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, 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, 2013, \$2,285,661 of the government's bank balance of \$2,706,128 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	1,488,852
Total	\$	1,488,852

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, 2013 was \$3,116,923.

Total cash and investments at June 30, 2013 consisted of the following:

Governmental Funds	\$	4,657,973
Agency Funds		222,856
Private Purpose Trust		140,640
Total Cash and Investments	\$	5,021,469

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, 2013

B - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

Governmental Activities:	Balance 7-1-2012	Additions	Removals	Balance 6-30-2013
Land	\$ 694,708	\$ 0	\$ 0	\$ 694,708
Land Improvements	1,348,676			1,348,676
Buildings	21,671,518			21,671,518
Equipment	3,282,489	250,052	135,300	3,397,241
Totals	<u>26,997,391</u>	<u>250,052</u>	<u>135,300</u>	<u>27,112,143</u>
Less: Accumulated Depreciation	12,565,220	681,271	135,300	13,111,191
Net	<u>\$ 14,432,171</u>	<u>\$ (431,219)</u>	<u>\$ 0</u>	<u>\$ 14,000,952</u>

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

Regular Instruction	\$ 8,605
Other Instruction	7,187
Libraries and Instructional Support	5,520
Operation and Maintenance	502,535
Pupil Transportation	124,393
Food Service	13,759
Other Support Services	19,272
Total Depreciation of Governmental Activities	<u>\$ 681,271</u>

C - LONG-TERM OBLIGATIONS

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

	Balance 7-1-2012	Additions	Reductions	Balance 6-30-2013	Amounts Due Within One Year
General Obligation Bonds	\$ 5,325,000	\$ 0	\$ 835,000	\$ 4,490,000	\$ 865,000
Amortization of Bond Premium	171,523	0	43,593	127,930	43,593
General Obligation Notes	755,000	0	104,926	650,074	108,791
Net Pension Obligation	(29,833)	10,135	16,807	(36,505)	0
Net OPEB Obligation	1,729,113	501,629	649,128	1,581,614	0
Totals	<u>\$ 7,950,803</u>	<u>\$ 511,764</u>	<u>\$ 1,649,454</u>	<u>\$ 6,813,113</u>	<u>\$ 1,017,384</u>

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013 is comprised of the following individual issues:

Issue	Issue Dates	Interest Rates	Maturity Dates	Balances 6-30-2013
G.O. Bonds	07-01-2006	4.00-6.00%	03-01-2018	\$ 4,490,000
G.O. Note	12-19-2011	3.60%	9-19-2018	650,074
Total General Obligation Debt				<u>\$ 5,140,074</u>

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,456,977,056. The legal debt limit and margin of indebtedness as of June 30, 2013 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$1,456,977,056)	\$ 145,697,706
Deduct Long-Term Debt Applicable To Debt Margin	5,140,074
Margin of Indebtedness	<u>\$ 140,557,632</u>

Total interest paid during the year aggregated \$296,281 for long-term debt.

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2013 follows:

Year Ended Year	Principal	Interest	Total
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
2017-18	885,726	51,419	937,145
2018-23	64,584	1,188	65,772
Totals	<u>\$ 5,140,074</u>	<u>\$ 826,347</u>	<u>\$ 5,966,421</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 2012-13 was \$43,593. The balance to be amortized as of June 30, 2013 was \$127,930.

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 position.

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

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013

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, 2013. The general fund is used for funding all supplemental pension benefits.

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

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 8,641
Interest on net pension obligation	(1,184)
Annual supplemental pension cost adjustment	<u>2,678</u>
Annual supplemental pension cost (expense)	10,135
Pension contributions made	<u>16,807</u>
Increase (Decrease) in net pension obligation	(6,672)
Net pension obligation – beginning of year	<u>(29,833)</u>
Net pension obligation – end of year	<u>\$ (36,505)</u>

The annual required contribution for the current year was determined as part of the June 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.97% discount rate and (b) projected salary increases at 3.0%.

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

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 2012-13 and the preceding years were:

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

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 127 active and 50 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 2012-13 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, 2013. The general fund is used for funding all post retirement healthcare benefits.

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

<u>Component</u>	<u>Amount</u>
Annual required contribution (ARC)	\$ 532,614
Interest on net OPEB obligation	68,646
ARC adjustment	<u>(99,631)</u>
Annual OPEB cost (expense)	501,629
OPEB contributions made	<u>649,128</u>
Increase (decrease) in net OPEB obligation	(147,499)
Net OPEB obligation – beginning of year	<u>1,729,113</u>
Net OPEB obligation – end of year	<u>\$ 1,581,614</u>

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012-13 is:

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

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013

Funding Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the district's unfunded actuarial accrued liability (UAAL) was \$7,472,214, all of which was unfunded. The annual payroll for active employees covered by the plan for the 2012-13 fiscal year was \$8,968,162 for a ratio of the UAAL to covered payroll of 120.02%.

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

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

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

H – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental Activities net position reported on the governmental-wide financial statements at June 30, 2013 include the following:

<u>Net Investment in Capital Assets:</u>	
Invested in Capital Assets	\$ 27,112,143
Less: Accumulated Depreciation	13,111,191
Less: Long-Term Bonds and Notes Outstanding (Net)	5,268,004
Net	\$ 8,732,948
 <u>Restricted for:</u>	
Food Service	\$ 144,932
Community Service	27,868
Special Revenue	8,163
Debt Service	640,455
Total Restricted	\$ 821,418

EAST TROY COMMUNITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013

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 rates for 2012 were:

	Employee	Employer
General (including Teachers)	5.90%	5.90%

The payroll for District employees covered by the System for the year ended December 31, 2012 was \$8,968,162; the employer's total payroll was \$9,548,660. The total required contribution for the year ended December 31, 2012 was \$1,058,244, which consisted of \$529,122 from the employer and \$529,122 from the employees. Total contributions for the years ended December 31, 2011 and 2010 were \$1,176,286 and \$1,160,056, 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
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 June 30, 2013

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

J - CONTINGENT LIABILITIES

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

K - LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin statutes limits the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount has been approved by referendum. The limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

L – INTERFUND BALANCES AND TRANSFERS

There was an interfund transfer from the General Fund to the Special Education Special Revenue Fund in the amount of \$963,122. This was to cover the deficit in the special education fund.

M – RISK MANAGEMENT

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

N - SHORT-TERM NOTES PAYABLE

Short-term notes payable at June 30, 2013 totaled \$4,000,000. The notes were issued on October 17, 2012 for cash flow purposes and mature on October 25, 2013. The interest rate on the notes is 0.60%. Total interest expense on short-term notes for the year totaled \$25,373.

	Balance 7-1-2012	Additions	Reductions	Balance 6-30-2013
Short-term Notes	\$ 4,400,000	\$ 4,000,000	\$ 4,400,000	\$ 4,000,000

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, 2013

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

**OTHER
SUPPLEMENTAL INFORMATION**

EAST TROY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	<u>Special Education Fund</u>	<u>Food Service Fund</u>	<u>Special Revenue Fund</u>	<u>Community Service Fund</u>	<u>Totals 6/30/2013</u>
ASSETS					
Cash and Investments	\$ (28,790)	\$ 117,193	\$ 8,163	\$ 28,707	\$ 125,273
Accounts Receivable					0
Due From Other Governments	90,710	40,477			131,187
Prepayments					0
TOTAL ASSETS	\$ <u>61,920</u>	\$ <u>157,670</u>	\$ <u>8,163</u>	\$ <u>28,707</u>	\$ <u>256,460</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Vouchers Payable	\$ 61,920	\$ 964	\$ 0	\$ 839	\$ 63,723
Deferred Revenue		11,774			11,774
Total Liabilities	<u>61,920</u>	<u>12,738</u>	<u>0</u>	<u>839</u>	<u>75,497</u>
Fund Balances:					
Unspendable	0				0
Restricted		144,932	8,163	27,868	180,963
Unassigned	0				0
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>61,920</u>	\$ <u>157,670</u>	\$ <u>8,163</u>	\$ <u>28,707</u>	\$ <u>256,460</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, 2013

	Special Education Fund	Food Service Fund	Special Revenue Fund	Community Service Fund	Total Nonmajor Funds
REVENUES					
Local Sources	\$ 0	\$ 343,109	\$ 500	\$ 97,439	\$ 441,048
Interdistrict Payments Within Wisconsin	24,012				24,012
Intermediate Sources	582				582
State Sources	365,356	10,814			376,170
Federal Sources	322,331	316,370			638,701
Other Revenues					0
TOTAL REVENUES	<u>712,281</u>	<u>670,293</u>	<u>500</u>	<u>97,439</u>	<u>1,480,513</u>
EXPENDITURES					
Instruction:					
Special Education Instruction	1,244,198				1,244,198
Support Services:					
Pupil Services	192,830				192,830
Libraries & Instr. Support	153,135		857		153,992
Administration	1,701				1,701
Operation and Maintenance				18,035	18,035
Pupil Transportation	83,539				83,539
Food Service		730,950			730,950
Debt Service					0
Community Service				82,217	82,217
TOTAL EXPENDITURES	<u>1,675,403</u>	<u>730,950</u>	<u>857</u>	<u>100,252</u>	<u>2,507,462</u>
Excess of Revenues Over (Under) Expenditures	(963,122)	(60,657)	(357)	(2,813)	(1,026,949)
OTHER FINANCING SOURCES (USES):					
Operating Transfer In (Out)	<u>963,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>963,122</u>
Total Other Financing Sources (Uses)	<u>963,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>963,122</u>
Net Change in Fund Balances	0	(60,657)	(357)	(2,813)	(63,827)
Fund Balances - Beginning	0	205,589	8,520	30,681	244,790
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 144,932</u>	<u>\$ 8,163</u>	<u>\$ 27,868</u>	<u>\$ 180,963</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, 2013

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2013</u>
<u>STUDENT ACTIVITY FUNDS:</u>				
ASSETS				
Cash and Investments	\$ 223,604	\$ 340,940	\$ 341,688	\$ 222,856
	<u>\$ 223,604</u>	<u>\$ 340,940</u>	<u>\$ 341,688</u>	<u>\$ 222,856</u>
LIABILITIES				
Due to Student Organizations:				
Middle School	\$ 44,195	\$ 44,729	\$ 53,478	\$ 35,446
High School	179,409	296,211	288,210	187,410
	<u>\$ 223,604</u>	<u>\$ 340,940</u>	<u>\$ 341,688</u>	<u>\$ 222,856</u>

SINGLE AUDIT REPORTS



James R. Frechette

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Troy Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Troy Community School District's basic financial statements, and have issued our report thereon dated November 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Troy Community School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, 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 Responses as items 13-1 and 13-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Troy Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Troy Community School District's Response to Findings

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

Purpose of this Report

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



JAMES R. FRECHETTE
CERTIFIED PUBLIC ACCOUNTANT

November 29, 2013



James R. Frechette

CERTIFIED PUBLIC ACCOUNTANT

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

To The School Board
East Troy Community School District

Report on Compliance for Each Major Federal and State Program

We have audited East Troy Community School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration (DOA) that could have a direct and material effect on each of East Troy Community School District's major federal and state programs for the year ended June 30, 2013. The East Troy Community School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the East Troy Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report over Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 13-3 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



November 29, 2013

James R. Frechette
Certified Public Accountant

EAST TROY COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

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, 2013. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedules present only a selected portion of the operations of the East Troy Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the East Troy Community School District.

2 – Summary of Significant Accounting Policies

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

3 – Comments on Various Grant Programs

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

4. Medicaid Program (CFDA # 93.778) Payments

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

5 – DPI Aidable Costs (Project 011)

Department of Public Instruction (DPI) aidable expenditures (Project 011) for the year ended June 30, 2013 were \$1,368,924.

6 – Single Audit Clusters

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

Special Education Cluster – CFDA # 84.027 and 84.173

Educational Technology State Grant Cluster – CFDA # 84.318 and 84.386

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Awarding Agency: Pass-Through Agency: Award Description	Federal CFDA Number	Accrued or (Deferred) Revenue at 7/1/2012	Receipts or Revenues Recognized	Federal Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 6/30/2013
<u>U.S. Department of Agriculture:</u>					
<u>Wisconsin Department of Public Instruction:</u>					
Nutrition Enhancement Grant	10.500	\$ 7,542	\$ 7,542	\$ 0	0
Breakfast Program	10.553	875	43,485	51,943	9,333
National School Lunch Program	10.555				
Lunch Program		2,770	186,592	214,966	31,144
Commodities		0	49,183	49,183	0
Special Milk Program for Children	10.556	26	304	278	0
Total Child Nutrition Cluster		<u>11,213</u>	<u>287,106</u>	<u>316,370</u>	<u>40,477</u>
Total U.S. Department of Agriculture		11,213	287,106	316,370	40,477
<u>U.S. Department of Education:</u>					
<u>Wisconsin Department of Public Instruction:</u>					
IDEA Flowthrough	84.027	0	183,204	270,922	87,718
IDEA Preschool	84.173	0	0	2,993	2,993
<u>CCDEB:</u>					
IDEA Flowthrough	84.027	41,509	41,509	0	0
Total Special Education Cluster		<u>41,509</u>	<u>224,713</u>	<u>273,915</u>	<u>90,711</u>
ESEA Title I-A	84.010	80,041	154,375	122,795	48,461
ESEA Title II-A	84.367	20,046	42,659	35,463	12,850
<u>Wisconsin Department of Administration:</u>					
Education Jobs Fund	84.410	0	128,635	128,635	0
Total U.S. Department of Education		141,596	550,382	560,808	152,022
<u>U.S. Department of Health & Human Services:</u>					
Medicaid	93.778	0	48,416	48,416	0
Total U.S. Department of Health and Human Services		0	48,416	48,416	0
		<u>\$ 152,809</u>	<u>\$ 885,904</u>	<u>\$ 925,594</u>	<u>\$ 192,499</u>
<u>Summary of Revenues:</u>					
Intermediate	\$	0			
Federal		<u>925,594</u>			
	\$	<u>925,594</u>			

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For The Year Ended June 30, 2013

Awarding Agency: Pass-Through Agency: Award Description	State I.D. Number	Receivable 7/1/2012	State Receipts	State Expenditures	Receivable 6/30/2013
<u>WI. DEPT. OF PUBLIC INSTRUCTION:</u>					
Handicapped Pupils and School Age Parents:	255.101	\$ 0	\$ 365,356	\$ 365,356	\$ 0
Internal District Programs					
General Equalization	255.201	40,396	3,386,047	3,408,323	62,672
Special Adjustment Aid	255.203	0	80,768	80,768	0
Per Pupil Aid	255.925	0	87,150	87,150	0
State Lunch	255.102	0	7,573	7,573	0
Common School Fund	255.103	0	54,013	54,013	0
Pupil Transportation	255.107	0	50,363	50,363	0
School Breakfast Program	255.344	0	3,241	3,241	0
Total Wi. Dept. of Public Instruction		<u>40,396</u>	<u>4,034,511</u>	<u>4,056,787</u>	<u>62,672</u>
<u>Other:</u>					
Exempt Computer Aid		7,453	7,453	5,193	5,193
P.I.L.O.T. from Local Governments		0	82,658	82,658	0
Grand Total		<u>\$ 47,849</u>	<u>\$ 4,124,622</u>	<u>\$ 4,144,638</u>	<u>\$ 67,865</u>
Total State Revenue			<u>\$ 4,144,638</u>		

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

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 (13-1, 13-2)
	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 (13-3)
	Significant deficiencies identified that are Not considered to be material weakness(es)	No
5.	Type of auditor’s report issued on compliance For major programs:	Unqualified
6.	Any audit findings disclosed that are required To be reported in accordance with section 510 (a) of OMB Circular A-133?	No
7.	Identification of major federal programs:	
	Name of federal program or cluster:	CFDA Number(s)
	National School Lunch Program	10.555
	Breakfast Program	10.553
	Special Milk Program	10.556
	Education Jobs Fund	84.410
	Note: 10.555, 10.553, and 10.556 part of Child Nutrition Cluster	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	Yes

EAST TROY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

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

Section II – Financial Statement Findings:

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

EAST TROY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

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

Finding Number	Finding
13-3	<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 1096 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 1412 989">School District Response: We concur with the finding, and management is aware of the situation related to lack of segregation of duties.</p>

EAST TROY COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

FINDING 12-3: 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 13-3 in the 2012-13 audit.