

HUSTISFORD SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

CONTENTS

	Page
Independent Auditor's Report	2-3
Basic Financial Statements	
Statement of Net Assets.....	5
Statement of Activities	6
Balance Sheet – Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund.....	10
Statement of Net Assets – Fiduciary Funds.....	11
Statement of Changes in Fiduciary Net Assets.....	12
Notes to Basic Financial Statements.....	13-25
Required Supplemental Information	
Schedules of Funding Progress and Employer Contributions	27
Supplemental Financial Information	
Combining Balance Sheet – Non-major Governmental Funds.....	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	30
Schedule of Changes in Assets and Liabilities – Student Activity Funds	31
Schedule of Expenditures of Federal and State Awards	32
Notes to the Schedules of Expenditures of Federal and State Awards	33
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 Governmental Auditing Standards	34-35
Independent Auditor's Report on Compliance with Requirements Applicable to State Programs and Internal Control over Compliance.....	36-37
Schedule of Findings and Questioned Costs.....	38-40
Schedule of Status of Prior Year Findings	41



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hustisford School District
Hustisford, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District ("District") as of and for the year ended June 30, 2012 which collectively comprises the District's basic financial statements as identified in the accompanying table of contents. These financial statements are the responsibility of the District's Board of Education and management. 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 of America. 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 the significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District as of June 30, 2012, and the respective changes in financial position, and the respective budgetary comparisons for the major funds 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 reports dated on November 30, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements and the schedule of changes in assets and liabilities – student activity funds, listed in the table of contents as supplemental financial information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Hustisford School District. The accompanying schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by the Wisconsin Department of Public Instruction and are also not a required part of the basic financial statements.

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

Management has elected to omit the management's discussion and analysis, which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Huberty + Associates, S.C.
Certified Public Accountants

Ripon, Wisconsin
November 30, 2012

BASIC FINANCIAL STATEMENTS

HUSTISFORD SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets:		
Cash and cash equivalents		\$ 1,308,344
Taxes receivable		873,459
Accounts receivable		62,029
Due from other governments		142,948
Total Current Assets		<u>2,386,780</u>
Noncurrent Assets:		
Land		40,700
Capital assets		8,387,514
Less: Accumulated depreciation		(5,900,162)
Total Noncurrent Assets		<u>2,528,052</u>
Total Assets		4,914,832
	<u>LIABILITIES</u>	
Current Liabilities:		
Short-term notes payable		825,000
Cash overdraft		178,456
Accounts payable		2,840
Accrued interest		7,092
Accrued salaries & wages		-
Health benefits payable		3,844
Current portion of long-term obligations		100,473
Total Current Liabilities		<u>1,117,705</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations		<u>1,166,588</u>
Total Liabilities		<u>2,284,293</u>
	<u>NET ASSETS</u>	
Invested in capital assets, net of related debt		2,528,052
Restricted		141,520
Unrestricted		(39,033)
Total Net Assets		<u>\$ 2,630,539</u>

HUSTISFORD SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 2,156,542	\$ 214,432	\$ 204,152	\$ (1,737,958)
Vocational	205,742	169	-	(205,573)
Special education	563,424	-	273,771	(289,653)
Other	266,584	12,466	-	(254,118)
Total Instruction	<u>3,192,292</u>	<u>227,067</u>	<u>477,923</u>	<u>(2,487,302)</u>
Support Services:				
Pupil services	133,178	4,749	-	(128,429)
Instructional staff	229,664	-	19,585	(210,079)
General administration	176,363	-	-	(176,363)
School administration	255,725	-	-	(255,725)
Business services	276,486	108,551	77,524	(90,411)
Operations and maintenance	459,031	-	-	(459,031)
Pupil transportation	157,806	-	11,217	(146,589)
Central	96,253	-	-	(96,253)
Insurance	33,135	-	-	(33,135)
Other support services	86,098	-	-	(86,098)
Community service	281,732	34,417	-	(247,315)
Interest and principal	17,390	-	-	(17,390)
Depreciation - unallocated	135,246	-	-	(135,246)
Total Support Services	<u>2,338,107</u>	<u>147,717</u>	<u>108,326</u>	<u>(2,082,064)</u>
Total Governmental Activities	<u>\$ 5,530,399</u>	<u>\$ 374,784</u>	<u>\$ 586,249</u>	<u>(4,569,366)</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				2,700,920
Property taxes, levied for debt service				23,321
Property taxes, levied for community service				239,000
Other taxes				-
Federal and state aid not restricted to specific purposes				
General				1,542,648
Interest and investment earnings				15,684
Miscellaneous				41,663
Gain on disposal of assets				-
Changes in Net Assets				<u>(6,130)</u>
Net Assets:				
Beginning of year				<u>2,636,669</u>
End of year				<u>\$ 2,630,539</u>

The accompanying notes are an integral part of these financial statements.

HUSTISFORD SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,072,438	\$ 235,906	\$ 1,308,344
Taxes receivable	873,459	-	873,459
Accounts receivable	61,846	183	62,029
Due from other governments	142,880	68	142,948
Due from other funds	4,887	1	4,888
Other assets	-	-	-
Total Assets	<u>\$ 2,155,510</u>	<u>\$ 236,158</u>	<u>\$ 2,391,668</u>

<u>LIABILITIES</u>			
Short-term notes payable	\$ 825,000	\$ -	825,000
Cash overdraft	178,456		178,456
Accounts payable	-	2,840	\$ 2,840
Accrued interest	6,564	-	6,564
Accrued salaries & wages	-	-	-
Health benefits payable	3,844	-	3,844
Due to other funds	1	4,887	4,888
Total Liabilities	<u>1,013,865</u>	<u>7,727</u>	<u>1,021,592</u>

<u>FUND BALANCES</u>			
Restricted	-	141,520	141,520
Assigned	<u>1,141,645</u>	<u>86,911</u>	<u>1,228,556</u>
Total Fund Balances	<u>1,141,645</u>	<u>228,431</u>	<u>1,370,076</u>

Total Liabilities and Fund Balances	<u>\$ 2,155,510</u>	<u>\$ 236,158</u>	
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental capital assets	\$ 8,428,214	
Governmental accumulated depreciation	<u>(5,900,162)</u>	2,528,052

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General obligation debt	(230,495)	
Accrued interest on general obligation debt	(528)	
Vested employee benefits	<u>(1,036,566)</u>	<u>(1,267,589)</u>
Total Net Assets - Governmental Activities		<u>\$ 2,630,539</u>

HUSTISFORD SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Other Governmental	Total Governmental
REVENUES			
Property taxes	\$ 2,700,920	\$ 262,321	\$ 2,963,241
Other local sources	53,325	143,551	196,876
Interdistrict sources	193,592		193,592
Intermediate sources	171,528	-	171,528
State sources	1,659,267	3,671	1,662,938
Federal sources	220,578	73,854	294,432
Other	41,662	-	41,662
Total Revenues	5,040,872	483,397	5,524,269
EXPENDITURES			
Instruction:			
Regular	2,026,777	-	2,026,777
Vocational	189,497	-	189,497
Special	541,874	-	541,874
Other	233,100	-	233,100
Total Instruction	2,991,248	-	2,991,248
Support Service:			
Pupil services	128,729	-	128,729
Instructional staff services	221,293	-	221,293
General administration services	168,567	-	168,567
School administration services	241,580	-	241,580
Business services	113,245	161,910	275,155
Operations and maintenance	453,694	-	453,694
Pupil transportation	157,806	-	157,806
Central services	103,736	-	103,736
Insurance	33,135	-	33,135
Community service	-	274,970	274,970
Principal and interest	9,462	23,321	32,783
Other	83,090	-	83,090
Total Support Services	1,714,337	460,201	2,174,538
Total Expenditures	4,705,585	460,201	5,165,786
Excess of Revenues Over (Under) Expenditures	335,287	23,196	358,483
Other Financing Sources (Uses)			
Transfer in	-	-	-
Transfer (out)	-	-	-
Sales of assets	-	-	-
Total Other Financing Sources	-	-	-
Net Change in Fund Balance	335,287	23,196	358,483
Fund Balances -			
Beginning of year	806,358	205,235	1,011,593
End of year	<u>\$ 1,141,645</u>	<u>\$ 228,431</u>	<u>\$ 1,370,076</u>

**HUSTISFORD SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ 358,483

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	30,242	
Depreciation expense reported in the statement of activities	<u>(217,316)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(187,074)

The entire proceeds from the sale of assets are reported in the governmental funds as an increase in other financing sources. However, only the gain on the sale of the assets is reported in the statement of activities.

Sale price of assets sold during the current period was:	-	
Gain on sale of assets sold during the current period was:	<u>-</u>	
Amount by which the sale price is greater than the gain is:		-

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Special termination benefits paid in current year	80,597	
Special termination benefits earned in current year	<u>(273,529)</u>	
Amounts paid are greater (less) than amounts earned by		(192,932)

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

The amount of long-term debt principal payments in the current year is:		15,354
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In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

The amount of interest paid during the current period	7,966	
The amount of interest accrued during the period.	<u>(7,927)</u>	
Interest paid is greater (less) than interest accrued by		<u>39</u>

Change in Net Assets - Governmental Activities		<u>\$ (6,130)</u>
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HUSTIFORD SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND
 ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	General Operations				Special Education				Total	
	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final				
REVENUES										
Property taxes	\$ 2,702,794	\$ 2,700,920	\$ 2,700,920	\$ -	\$ -	\$ -	\$ -	\$ 2,700,920	\$ -	
Other local sources	54,450	54,414	53,325	(1,089)	-	-	-	53,325	(1,089)	
Interdistrict sources	168,442	175,442	179,858	4,416	13,896	13,734	(162)	193,592	4,254	
Intermediate sources	16,000	16,000	21,137	5,137	151,409	150,391	(1,018)	171,528	4,119	
State sources	1,568,863	1,570,773	1,575,295	4,522	96,000	83,972	(12,028)	1,659,267	(7,506)	
Federal sources	202,940	202,940	181,169	(21,771)	600	39,409	38,809	220,578	17,038	
Other	41,719	41,719	39,859	(1,860)	-	1,803	1,803	41,662	(57)	
Total Revenues	4,755,208	4,762,208	4,751,563	(10,645)	261,905	289,309	27,404	5,040,872	16,759	
EXPENDITURES										
Instruction:										
Regular	2,119,964	2,126,964	2,026,777	100,187	-	-	-	2,026,777	100,187	
Vocational	199,015	199,015	189,497	9,518	-	-	-	189,497	9,518	
Special	44,633	44,633	40,019	4,614	526,370	501,855	24,515	541,874	29,129	
Other	248,445	248,445	233,100	15,345	-	-	-	233,100	15,345	
Total Instruction	2,612,057	2,619,057	2,489,393	129,664	526,370	501,855	24,515	2,991,248	154,179	
Support Services:										
Pupil services:										
Instructional staff services	76,975	76,975	73,250	3,725	73,625	55,479	18,146	128,729	21,871	
General administration services	187,375	187,375	157,833	29,542	65,110	63,460	1,650	221,293	31,192	
School administration services	187,501	187,501	168,567	18,934	-	-	-	168,567	18,934	
Business services	252,030	252,030	241,580	10,450	-	-	-	241,580	10,450	
Operations and maintenance	119,825	119,825	113,245	6,580	-	-	-	113,245	6,580	
Pupil transportation	480,535	480,535	453,694	26,841	-	-	-	453,694	26,841	
Central services	137,300	137,300	143,717	(6,417)	300	14,089	(13,789)	157,806	(20,206)	
Insurance	118,410	118,410	98,551	19,859	8,191	5,185	3,006	103,736	22,865	
Principal and interest	40,400	40,400	33,135	7,265	-	-	-	33,135	7,265	
Other support services	11,000	11,000	9,462	1,538	-	-	-	9,462	1,538	
Total Support Services	1,731,359	1,731,609	1,573,425	158,184	147,226	140,912	6,314	1,714,337	164,498	
Total Expenditures	4,343,416	4,350,666	4,062,818	287,848	673,596	642,767	30,829	4,705,585	318,677	
Excess of Revenues Over (Under) Expenditures	411,792	411,542	688,745	277,203	(411,691)	(353,458)	58,233	335,287	335,436	
Other Financing Sources (Uses)										
Transfer from special education	-	-	3,227	3,227	-	-	-	3,227	3,227	
Transfer to special education	(411,692)	(411,691)	(356,685)	55,006	-	-	-	(356,685)	55,006	
Transfer to general operations	-	-	-	-	411,691	411,691	(3,227)	(3,227)	(3,227)	
Transfer from general operations	-	-	-	-	-	356,685	(55,006)	356,685	(55,006)	
Transfer to food service fund	(250)	(1)	1	1	-	-	-	-	1	
Sale of assets	150	150	-	(150)	-	-	-	-	(150)	
Net Other Financing Sources (Uses)	(411,792)	(411,542)	(353,458)	58,084	411,691	353,458	(58,233)	-	(149)	
Net Change in Fund Balance	-	-	335,287	335,287	-	-	-	335,287	335,287	
Fund Balances -										
Beginning of year	806,358	806,358	806,358	-	-	-	-	806,358	806,358	
End of year	\$ 806,358	\$ 806,358	\$ 1,141,645	\$ 335,287	-	-	-	1,141,645	1,141,645	

The accompanying notes are an integral part of these financial statements.

HUSTISFORD SCHOOL DISTRICT
 STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 67,333
Investments	-	-
Accounts receivable	-	-
Total Assets	<u>-</u>	<u>67,333</u>
<u>LIABILITIES</u>		
Accounts payable	-	-
Due to student groups	-	67,333
Total Liabilities	<u>-</u>	<u>67,333</u>
<u>NET ASSETS</u>		
Restricted for scholarships	<u>\$ -</u>	<u>\$ -</u>

**HUSTISFORD SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 JUNE 30, 2012**

	<u>Private Purpose Trust</u>
ADDITIONS	
Interest	\$ -
Total Additions	<u>-</u>
DEDUCTIONS	
Scholarships awarded	\$ 100
Change in Net Assets	(100)
Net Assets:	
Beginning of year	100
End of year	<u><u>\$ -</u></u>

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hustisford School District (the "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:

Reporting Entity

The Hustisford School District is organized as a common school district governed by a seven member elected school board. The District operates grades kindergarten through 12 and is comprised of all or parts of six taxing districts.

The accompanying financial statements present the activities of the Hustisford School District. The District is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separate elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the standalone government.

Basis of Presentation

District-wide Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for business type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other governmental funds.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation (continued)

Fund Financial Statements: (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

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

The District reports the following major governmental funds:

General fund. This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund. Beginning July 1, 2010, the general fund includes the activity for the special education fund.

The District non-major governmental funds include the Debt Service, Capital Projects, Food Service, and Community Service Funds.

The District reports the following fiduciary funds (not included in the District-wide statements):

Agency fund. This fund accounts for assets held as an agent for various student and parent organizations.

Private-purpose Trust Funds. This fund accounts for resources legally held in trust for student scholarships.

Measurement Focus and Basis of Accounting

The District-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus and Basis of Accounting (continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Deposits and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts. The District reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note B).

State statutes permit the District to invest available cash balances, other than debt service and private purpose trust funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town and village treasurers or clerks who then make proportional settlement with the school District and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlements with the city, town, village and school districts before retaining any for county purposes.

The District's property taxes are levied on or before October 31st on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two installments with the first installment payable the subsequent January 31st, and a final payment no later than July 31st. The District is paid by the collecting municipality its appropriate share of tax collections received through the last day of the preceding month on or before January 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2011 tax levy is used to finance operations of the District's fiscal year ended June 30, 2012. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such an allowance would not be material.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

Due to/Due From Other Funds

The amounts reported on the statement of net assets for due to and due from other funds represents amounts due between different fund types (governmental activities, business type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. See Note E for a detailed description of the interfund balances and activity as of June 30, 2012.

Capital Assets

District-wide Statements:

In the district-wide financial statements, property and equipment are accounted for as capital assets. All property and equipment are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation for all exhaustible capital assets is recorded as an allocated and unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

The District has adopted a policy to capitalize fixed assets with a cost of \$1,000 or greater. Depreciation is calculated using the straight-line method. Capital assets are depreciated over the following useful lives:

Computers and software	5 – 10 years
Buildings	50 years
Library	15 years
Furniture and equipment	8 – 25 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Vested Employee Benefits

Post-employment Benefits. The District's policy allows classified personnel to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 112 days. Upon retirement or termination of employment, the employee is entitled to be paid for unused accumulated sick leave to a maximum of \$560.

The District's policy allows teachers varying amounts of sick pay that can accumulate to a maximum vested amount of 100 days. Upon retirement or a teacher with ten years of employment leaving the District, the teacher is entitled to be paid for unused accumulated sick leave to a maximum of \$1,000.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as a liability in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, and postemployment benefits.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Equity Classifications

District-wide Statements:

Equity is classified as net assets and displayed in three components. Resources are used in the following order: restricted and unrestricted.

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

In accordance with professional standards, the District changed its fund balance classifications into five components. Resources are used in the following order: restricted, committed, assigned and unassigned. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, or for other purposes). The District adopted a fund balance policy that strives to maintain an unassigned fund balance in the General fund that is equivalent to at least 15% of the anticipated General Fund expenditure budget for the subsequent fiscal year.

Nonspendable – Amounts that cannot be spent because of their form or because they must be maintained intact.

Restricted – Amounts with limitations placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed – Amounts with limitations imposed prior to the end of the period by the highest level of decision making and would require formal action at the same level to remove.

Assigned – Amounts intended to be used and established by the highest level of decision making, a body designated for that purpose, or by an official designated for that purpose.

**HUSTISFORD SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications (continued)

Fund Financial Statements: (continued)

Unassigned – All other amounts that do not meet the definition of nonspendable, restricted, committed or assigned.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

The District's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the District or its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department or agent in the District's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments.

	Category			Total	Carrying Amount
	1	2	3		
Financial institutions	\$ 755,259	\$ 500,000	\$ 430,350	\$ 1,685,609	\$ 1,185,106
Wisconsin Local Government Investment Pool				12,115	12,115
Total deposits and investments				\$ 1,697,724	\$ 1,197,221
Per statement of net assets:					
Cash and investments					\$ 1,308,344
Cash overdraft					(178,456)
Per statement of net assets - fiduciary funds:					
Private purpose trust					-
Agency					67,333
Total					\$ 1,197,221

The District had no significant type of investments during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and fully insured for non-interest bearing accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE B – CASH AND INVESTMENTS – continued

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2012, the fair value of the District's share of the LGIP's assets were substantially equal to the amount reported above.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statements as increases and decreases in investment income. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. Fluctuating cash flows during the year due to tax collections, receipt of state aids, and borrowings may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Interest Rate Risk As a means of limiting its exposure to interest rate risk, the District coordinates its deposit maturities to closely match cash flow needs and restricts the maximum investment term to approximately one year.

Credit Risk State law limits investments to those authorized by state statute as listed previously. At June 30, 2012, the District held no investments in government securities. The District does invest in the state investment pool which is not rated.

Concentration of Credit Risk The District is currently holding deposits with one local financial institution. The District has no policy restrictions regarding investment deposits.

NOTE C – FUND BALANCES

On June 30, 2012, no individual funds had fund balance deficits. Portions of fund balances are restricted and not available for current expenses or expenditures as follows:

<u>Fund Type</u>	<u>Restricted</u>	<u>Amount</u>
Debt Service	Debt retirement	\$ 3,880
Capital Projects	Special projects	72,544
Food Service	Food program	65,096
<u>Fund Type</u>	<u>Assigned</u>	
Community Service	Community services	86,911

NOTE D – SHORT-TERM NOTES PAYABLE

Short-term notes payable at June 30, 2012 are as follows:

	<u>Maturity</u>	<u>Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note Payable	10/28/11	1.00%	\$ 865,000	\$ -	\$ 865,000	\$ -
Note Payable	10/29/12	1.17%	-	825,000	-	825,000
			<u>\$ 865,000</u>	<u>\$ 825,000</u>	<u>\$ 865,000</u>	<u>\$ 825,000</u>

Short-term debt is incurred to provide adequate cash flows to the District throughout the year. Total interest expense on short-term notes for the year totaled \$9,360.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE E – INTERFUND BALANCES AND ACTIVITY

There were no interfund transfers for the year ended June 30, 2012.

At June 30, 2012, interfund receivable and payable balances were as follows:

Fund	Due From	Due To
General Fund	\$ 1	\$ 4,887
Debt Service Fund	-	1
Capital Projects Fund	4,887	-
	\$ 4,888	\$ 4,888

NOTE F – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Sites (land)	\$ 40,700	\$ -	\$ -	\$ 40,700
Capital assets being depreciated:				
Buildings	6,818,671	-	-	6,818,671
Furniture and equipment	1,538,601	30,242	-	1,568,843
Total capital assets being depreciated	8,357,272	30,242	-	8,387,514
Less accumulated depreciation for:				
Buildings	(4,420,734)	(135,246)	-	(4,555,980)
Furniture and equipment	(1,262,112)	(82,070)	-	(1,344,182)
Total accumulated depreciation	(5,682,846)	(217,316)	-	(5,900,162)
Total capital assets being depreciated, net of accumulated depreciation	2,674,426	(187,074)	-	2,487,352
Total Governmental Activities	\$ 2,715,126	\$(187,074)	\$ -	\$2,528,052

Depreciation was charged to governmental functions as follows:

Regular instruction	\$ 37,104
Special education instruction	6,717
Other instruction	21,734
Instructional staff services	4,293
Operations and maintenance	5,987
Business services	1,413
Community services	290
Central services	3,827
School administration services	705
Depreciation not charged to a specific function	135,246
Total Depreciation for Governmental Activities	\$ 217,316

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE G – LONG-TERM OBLIGATIONS

Long-term liability balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General Obligation Debt					
Bonds and notes payable					
Other than capital projects	\$ 245,849	\$ -	\$ 15,354	\$ 230,495	\$ 17,220
Total General Obligation Debt	245,849	-	15,354	230,495	17,220
Other Liabilities					
Vested employee benefits					
Vacation and sick pay	21,696	-	5,350	16,346	1,635
Early retirement benefits	821,938	273,529	75,247	1,020,220	81,618
Total Other Liabilities	843,634	273,529	80,597	1,036,566	83,253
Total Long-Term Liabilities	\$ 1,089,483	\$ 273,529	\$ 95,951	\$ 1,267,061	\$ 100,473

All general obligation bonds notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 06/30/12</u>
Promissory Note	1/19/2004	1/11/2014	2.75%	358,447	230,495
Total General Obligation Debt					\$ 230,495

The debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03 (1) (b), Wisconsin Statutes. The margin of indebtedness at June 30, 2012 is:

Equalized value certified by Wisconsin Department of Revenue for 2011:	\$ 322,351,817
Margin of indebtedness at 10%	32,235,182
Deduct long-term debt applicable to debt margin	230,495
Margin of indebtedness	\$ 32,004,687

Debt service requirements to maturity on general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 17,220	\$ 6,101	\$ 23,321
2014	213,275	3,396	216,671
Total	\$ 230,495	\$ 9,497	\$ 239,992

**HUSTISFORD SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE H – EMPLOYEE RETIREMENT PLANS

All eligible employees of the District participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work 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 a 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. teacher 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 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 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%	11.2%

The payroll for the Hustisford School District employees covered by the WRS for the year ended June 30, 2012 was \$2,283,066; the employer's total payroll was \$2,399,584. The total required contribution for the year ended June 30, 2012 was \$267,690, which consisted of 5.8% - 5.9% of payroll from the employer and 5.8%-5.9% payroll from employees. Total contributions for the years ended June 30, 2011 and 2010 were \$279,564 and \$259,926, respectively, equal to the required contributions for each year.

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

**HUSTISFORD SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE H – EMPLOYEE RETIREMENT PLANS – Continued

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

The WRS issues an annual financial report that may be obtained by writing to:

Department of Employee Trust Funds
 P.O. Box 7931
 Madison, WI 53707-7931.

NOTE I – OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides certain post employment medical care premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. Teachers with a minimum service of 15 years at retirement qualify to receive the post employment benefits.

Plan membership consisted of the following as of July 1, 2009, the date of the latest actuarial valuation:

Retirees receiving health benefits	6
Active plan members	<u>32</u>
Total	<u><u>38</u></u>

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among functions based on the proportionate amount of payroll cost. For the year ended June 30, 2012 medical care premium expenditures on the pay-as-you-go basis amounted to \$75,246. As of June 30, 2012, the Board of Education has decided not to establish a trust fund for funding the other post employment benefit liability.

The District's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 273,529
Contribution made	<u>(75,246)</u>
Increase in net OPEB obligation	198,283
Net OPEB obligation:	
Beginning of year	<u>821,938</u>
End of year	<u><u>\$ 1,020,221</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 are as follows:

Annual OPEB Cost	\$ 273,529
Percentage of Annual OPEB Cost Contributed	27.5%
Net OPEB Obligation	\$ 1,020,221

**HUSTISFORD SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE I – OTHER POST EMPLOYMENT BENEFITS - continued

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	July 1, 2009
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL) – Projected Unit Credit	\$ 2,669,808
Unfunded AAL (UAAL)	\$ 2,669,808
Funded Ratio	0.0%
Covered Payroll	\$ 1,620,643
UAAL as a Percentage of Covered Payroll	164.7 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% percent investment rate of return and annual healthcare cost trend rates of 6.34%, reduced by decrements to an ultimate rate of 5.4%. The rate included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at July 1, 2009 was thirty years.

NOTE J – OPERATING LEASES

The District as lessee leases the following:

Office equipment lease of \$7,799 per quarter for five years. Future minimum annual rentals for the year ending June 30 are as follows:

2013	\$	31,196
2014		31,196
	\$	<u>62,392</u>

Equipment rentals, excluding items rented on a short-term basis, amounted to \$36,160 for the year ended June 30, 2012.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE K – RISK MANAGEMENT

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

NOTE L – COMMITMENTS AND CONTINGENCIES

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

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 request for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowance, if any, would be immaterial.

NOTE M – LIMITATION ON SCHOOL DISTRICT REVENUES

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

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

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

NOTE N – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, there were no subsequent events noted as of November 30, 2012, the date available for issuance.

REQUIRED SUPPLEMENTAL INFORMATION

**HUSTISFORD SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2012**

Schedule of Funding Progress

Actuarial Valuation Date	07/01/09
Actuarial Value of Assets (a)	\$ -
Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	\$ 2,669,808
Unfunded AAL (UAAL) (a-b)	\$ 2,669,808
Unfunded Ratio (a/b)	0.0%
Covered Payroll (c)	\$ 1,620,643
UAAL as a Percentage of Covered Payroll ((b-a)/c)	164.7%

July 1, 2008 is the first fiscal year that an actuarial valuation was performed for the District's other post employment benefits plan.

Schedule of Employer Contributions

Year Ended	<u>6/30/12</u>	<u>6/30/11</u>	<u>6/30/10</u>
Annual OPEB Cost	\$ 273,529	\$ 273,529	\$ 273,529
Percentage of Annual OPEB Cost Contributed	27.5%	19.9%	29.0%
Net OPEB Obligation	\$ 1,020,221	\$ 821,938	\$ 602,764

SUPPLEMENTAL INFORMATION

HUSTISFORD SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>					
Cash and investments	\$ 3,879	\$ 77,431	\$ 67,868	\$ 86,728	\$ 235,906
Accounts receivable	-	-	-	183	183
Due from other governments	-	-	68	-	68
Due from other funds	1	-	-	-	1
Total Assets	<u>\$ 3,880</u>	<u>\$ 77,431</u>	<u>\$ 67,936</u>	<u>\$ 86,911</u>	<u>\$ 236,158</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ 2,840	\$ -	\$ 2,840
Due to other funds	-	4,887	-	-	4,887
Total Liabilities	<u>-</u>	<u>4,887</u>	<u>2,840</u>	<u>-</u>	<u>7,727</u>
<u>FUND BALANCES</u>					
Fund Balances:					
Restricted	3,880	72,544	65,096	-	141,520
Assigned	-	-	-	86,911	86,911
Total Fund Balances	<u>3,880</u>	<u>72,544</u>	<u>65,096</u>	<u>86,911</u>	<u>228,431</u>
Total Liabilities and Fund Balances	<u>\$ 3,880</u>	<u>\$ 77,431</u>	<u>\$ 67,936</u>	<u>\$ 86,911</u>	<u>\$ 236,158</u>

HUSTISFORD SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Debt Service	Capital Projects	Food Service	Community Service	Total Non-major Governmental
REVENUES					
Property taxes	\$ 23,321	\$ -	\$ -	\$ 239,000	\$ 262,321
Other local sources	-	583	108,551	34,417	143,551
State sources	-	-	3,671	-	3,671
Federal sources	-	-	73,854	-	73,854
Total Revenues	23,321	583	186,076	273,417	483,397
EXPENDITURES					
Instruction:					
Regular	-	-	-	-	-
Vocational	-	-	-	-	-
Other	-	-	-	-	-
Total Instruction	-	-	-	-	-
Support Service:					
Operations and maintenance	-	-	-	-	-
Community service	-	-	-	274,970	274,970
Business services	-	-	161,910	-	161,910
Principial and Interest	23,321	-	-	-	23,321
Other	-	-	-	-	-
Total Support Services	23,321	-	161,910	274,970	460,201
Total Expenditures	23,321	-	161,910	274,970	460,201
Excess of Revenues Over (Under) Expenditures	-	583	24,166	(1,553)	23,196
Other Financing Sources (Uses)					
Transfer in	-	-	-	-	-
Transfer (out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	-	583	24,166	(1,553)	23,196
Fund Balances -					
Beginning of year	3,880	71,961	40,930	88,464	205,235
End of year	\$ 3,880	\$ 72,544	\$ 65,096	\$ 86,911	\$ 228,431

HUSTISFORD SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ACTIVITY FUNDS
 YEAR ENDED JUNE 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>ASSETS</u>				
Cash and investments	\$ 70,008	\$ 157,464	\$ 160,139	\$ 67,333
<u>LIABILITIES</u>				
Due to student organizations	\$ 70,008	\$ 157,464	\$ 160,139	\$ 67,333

**HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012**

<u>Federal or State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA/ State Id Number</u>	<u>Expenditures</u>
Federal Programs:		
U.S. Department of Agriculture		
Child Nutrition Cluster		
Wisconsin Department of Public Instruction		
Food Donation Program	10.555	\$ 11,634
School Breakfast Program	10.553	11,842
National School Lunch Program	10.555	50,377
U.S. Department of Education		
Wisconsin Department of Public Instruction		
Title I Grants to Local Education Agencies	84.010	50,485
Improving Teacher Quality State Grants	84.367	12,736
Rural Education Achievement Program	84.358A	31,469
Education Jobs Fund	84.410	2,548
Beaver Dam School District		
Grant to Reduce Alcohol Abuse	*	31,033
Safe and Drug-Free Schools and Communities-State Grants	84.186	51,009
CESA #6		
Special Education Grants to States	84.027	99,970
Special Education Preschool Grants		5,494
Perkins Grant	84.048	1,163
U.S. Department of Health & Human Services		
Wisconsin Forward Health		
Medicaid-School Based Services	93.778	39,409
Department of Homeland Security		
Federal Emergency Management Agency	97.036	1,890
		<u>1,890</u>
Total Federal Awards		<u>\$ 401,059</u>
State Programs:		
Wisconsin Department of Public Instruction		
Special Education and School age Parents	255.101	\$ 83,972
State School Aid Lunch	255.102	1,970
Common School Fund Library Aid	255.103	19,585
General Transportation Aid	255.107	11,217
WI Morning Milk Program	255.109	668
General Equalization Aids	255.201	1,124,088
Special Adjustment Aid	255.203	309,600
Sparisty Aid	255.212	105,981
School Breakfast Program	255.344	1,033
Mentoring Grant for Initial Educators	255.355	1,845
CESA #6		
Aid for Handicap Education	255.101	44,926
Wisconsin Department of Revenue		
Tax Exempt Computer	*	2,979
		<u>\$ 1,707,864</u>

* Information not provided.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the District and are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2011 – 2012 eligible costs under the State Special Education Program are \$302,181.



CERTIFIED PUBLIC ACCOUNTANTS

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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**

Board of Education
Hustisford School District
Hustisford, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District ("District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 12-1 and 12-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

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

The Hustisford School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Ripon, Wisconsin
November 30, 2012


Certified Public Accountants

Gary G. Born, CPA
Gregory G. Feucht, CPA
Ann B. Freund, CPA
Eric Gurholt, CPA
Cynthia L. Hintz, CPA
Wayne N. Huberty, CPA
Christina Plummer, CPA
Lauren Price, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO STATE PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE**

Dean C. Rogers, CPA
Gregory P. Stewart, CPA
Christine J. Taylor, CPA
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Wayne M. Wallschlaeger, CPA

To the Board of Education
Hustisford School District
Hustisford, Wisconsin

Compliance

We have audited Hustisford School District's compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have direct and material effect on each of the District's designated state major aid programs for the year ended June 30, 2012. The District's designated state major aid programs are identified in the accompanying summary of auditor's results. Compliance with the requirements of laws, regulations and contracts applicable to its designated state aid programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the designated state major aid programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its designated state major aid programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining an effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the designated state major aid programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on the designated state major aid programs 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 the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a designated state major aid 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 state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board and management of the District and the Wisconsin Department of Public Instruction and is not intended to be and should not be used by anyone other than these specified parties.

Huberty + Associates, S.C.
Certified Public Accountants

November 30, 2012
Ripon, Wisconsin

**HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness?	Yes
Noncompliance material to the financial statements?	No

Federal and State Awards

Type of auditor's report issued on compliance for major programs	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.201	Equalization Aid

SECTION II - FINANCIAL STATEMENT FINDINGS

12-1 - Segregation of Duties

Criteria:

The District should segregate duties, at a minimum to separate the asset and the recordkeeping function, to minimize the opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS- continued

Statement of Condition:

Due to the size of the District's office staff performing accounting functions, the District does not have adequate segregation of duties in its accounting functions.

Cause and Effect:

A small number of individuals within the District's administration perform substantially all accounting functions and have control over both records and assets. The lack of segregation of accounting duties could create an opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

Due to the size of the District, it is not practical to hire additional individuals in order to adequately segregate accounting duties; therefore, we recommend that the Administrator's and School Board's close supervision, review of accounting information and knowledge of matters relating to the District's financial operations provide an effective means of preventing and detecting errors and irregularities.

Response:

We agree and will continue to provide supervision and monitor accounting information and operations including obtaining explanations for variances from unexpected results and work to increase segregation of duties.

12-2 – Preparation of Financial Statements

Criteria:

The Administrators and School Board share responsibility for the District's internal control system including controls over financial reporting under generally accepted accounting principles (GAAP). Although we assist the District in drafting the financial statements and disclosures and management takes responsibility for the statements, we cannot be considered part of the internal control over GAAP financial statement preparation.

Statement of Condition:

The preparation of GAAP financial statements and footnote disclosures requires extensive knowledge of constantly changing accounting pronouncements. While the District's personnel have a thorough understanding of their operations, no one in the District has the accounting background sufficient to prepare the District's GAAP financial statements with complete disclosures, to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

12-2 – Preparation of Financial Statements - Continued

Cause and Effect:

The District's lack of knowledge of recent accounting pronouncements could lead to financial statements and related disclosures to be prepared without a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the District should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the District's activities and operations.

Response:

We agree and will implement a review procedure to ensure the financial statements, including disclosures, are complete and accurate.

**HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED, JUNE 30, 2012**

Finding 11-1 – Segregation of Duties

The Board of Education is monitoring monthly financial results and obtaining explanations of variances from budget and prior year results.

Finding 11-2 – Preparation of Financial Statements

The District Administrator and Board of Education are working with the auditor to implement review procedures to ensure the financial statements, including disclosures, are complete and accurate.