

November 26, 2014

To the Board of Education  
Hustisford School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2014. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hustisford School District are described in Note A to the financial statements. As described in Note A to the financial statements, the Hustisford School District changed accounting policies related to improving accounting and financial reporting for government reporting by resolving conflicting guidance to reflect the requirements of GASB Statement No. 66, *Technical Corrections-2013*, and the accounting policies related to improving financial reporting by state and local governmental pension plans to reflect the requirements of GASB Statement No. 67, *Financial Reporting for Pension Plans* during the year ended June 30, 2014. We noted no transactions entered into by the Hustisford School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Hustisford School District's financial statements were:

Management's estimate of the long term obligation for post employment benefits and the provision for depreciation are based on actuarial projections and asset lives respectively. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 26, 2014

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hustisford School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hustisford School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the required supplemental information (RSI), as listed in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplemental information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Hustisford School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants

November 26, 2014

To The Board of Education  
Hustisford School District  
Hustisford, WI 53034

This year the District fund balance declined by \$15,225. The general fund balance at June 30, 2014 was \$1,281,257.

In the review of the hot lunch program, hot lunch participation was down 2% from last year, and breakfast participation was down 2%. District revenues were down due to the decrease in student participation. However, District reimbursement from the federal government was up due to increases in the federal reimbursement rates. The net result was a decrease in revenue of \$4,882 from the prior year. The expenses were also down this year by \$3,572. The District added another \$513 to the food service fund balance this year. The District ended the year with a food service fund balance of \$67,434. We encourage the District to continue their diligent efforts to control expenses and increase participation in the program.

At June 30, 2014, the District had \$365,888 of cash balances that were not covered by FDIC insurance or pledged assets at the local financial institution. This large uninsured cash balance is less this year due to the District borrowing \$300,000 less in short-term debt, but we still suggest that the bank increase the amount of assets that they have pledged to help decrease the risk of loss to the District.

The State of Wisconsin has imposed stricter guidelines on Fund 80. The District had been classifying some expenditures in Fund 80 that should have been recorded in Fund 10. This issue has now been resolved with the passing of the referendum.

The Wisconsin Department of Revenue has started to look at unclaimed property. If the District has any old outstanding checks that are one year or older, the District needs to try and contact the owner and reissue the check. If the owner cannot be contacted, the Wisconsin Department of Revenue has a tab for unclaimed property on their website with instructions for turning the money over to the state.

The Wisconsin Department of Public Instruction has approved the formation of Fund 46, which is a Long-Term Capital Improvement Trust Fund. There are very strict guidelines on the formation of this new fund which are attached to this letter. The District may want to consider establishing this fund in the future for long-term capital projects.

School district bookkeeping is detailed and complex. We recommend sending your business manager to continuing education that the Department of Public Instruction and similar organizations offer.

The limited number of office personnel does not allow proper separation of duties to assure adequate internal control. This is not unusual in school districts of this size; however, management should realize that their involvement and knowledge in matters relating to the school district are an important control function.

We appreciate the opportunity to serve the District. We would like to thank the employees of the District for their cooperation during the audit.

Sincerely,

Christine Taylor  
Certified Public Accountant

## **Long Term Capital Improvement Trust Fund (Fund 46)** **Wisconsin Statute 120.137 (2013 ACT 336)**

A school board with an approved long-term capital improvement plan (minimum of 10 years) may establish a “trust” that is funded with a transfer from the general fund. The contribution from Fund 10 to Fund 46 (Long-term Capital Improvement Trust Fund) is recorded as the expenditure for shared cost and equalization aid purposes. Future expenditures from Fund 46 are not part of shared costs. A school board is prohibited from removing money deposited into Fund 46 for a period of five years after the fund is created. After the initial five year wait period is over, funds may only be used for the purposes identified in the approved long-term capital improvement plan. Fund 46 assets may not be transferred to any other school district fund.

Although Fund 46 is not a legally established irrevocable trust, statutory restrictions give the Long-term Capital Improvement Trust Fund similar characteristics. Rather than funds being held in trust for another party (e.g. future employee benefits in an OPEB trust), funds are being held in “trust” for future capital improvement projects. The resources in Fund 46 may not be used for any purpose other than that for which the “trust” was established. For this reason a separate checking and/or investment account for these funds is required.

### Board actions required by June 30th of fiscal year in which Fund 46 is established:

1. Approve the long-term capital improvement plan (minimum of 10 years).
2. Pass the resolution creating the Long-term Capital Improvement Trust Fund.

### To utilize DPI accounts to record the Fund 10 transfer, provide copies of the following documents:

1. Official Board minutes approving the long-term capital improvement plan.
2. Signed resolution creating the Long-term Capital Improvement Trust Fund or official minutes documenting the creation of the fund.
3. Documentation that confirms the existence of a segregated bank/investment account.

### Limitations regarding Fund 46 activities and access to funds:

1. Funds may only be accessed five years after the establishment of the “trust” fund.
2. Fund balance may not be used for general fund cash flow purposes.
3. Funds may not be transferred to another fund or liquidated.
4. Loaning of money for other purposes or to other funds is not allowed.
5. Funds must be physically deposited and held in a segregated bank/investment (separate and distinct from other district accounts) until they are expended for capital improvement projects per the district’s plan.
6. Funds invested as per sec. 66.0603, Wis. Stats.

### Accounting Transactions

All accounting transactions must be cash transactions. The contribution must be a cash payment into the Fund 46 bank/investment account from the district’s general fund account(s). If the cash deposit to the Fund 46 account is posted by the financial institution after June 30<sup>th</sup>, but on or before July 30<sup>th</sup>, the district may record the transaction as a June 30<sup>th</sup> accrual.

For additional information or document submission contact Carey Bradley:  
[carey.bradley@dpi.wi.gov](mailto:carey.bradley@dpi.wi.gov) or (608) 267-3752.

WUFAR Transaction Codes

10E 411000 846	Transfer to Capital Improvement Trust Fund (contribution)
10B 812000	Due to Fund 46
46R 411000 110	Transfer from General Fund (contribution)
46R 000000 280	Earnings—Investments
46B 711000	Cash
46B 712000	Investments
46B 713300	Interest Receivable
46B 714000	Due from Fund 10
46B 936900	Restricted Fund Balance

Fund 46 Accounting Examples

District Transfer Prior to Year-End

Cash	DR	46B 711000	\$xxx,xxx	
Transfer from Fund 10		CR 46R 411000 110		\$xxx,xxx
Transfer to Fund 46	DR	10E 411000 846	\$xxx,xxx	
Cash		CR 10B 711000		\$xxx,xxx
(To record transfer from Fund 10 to Fund 46)				

District Transfer After Year-End (Deposit made between 7/1-7/30)

Due From Fund 10	DR	46B 714000	\$xxx,xxx	
Transfer from Fund 10		CR 46R 411000 110		\$xxx,xxx
Transfer to Fund 46	DR	10E 411000 846	\$xxx,xxx	
Due to Fund 46		CR 10B 812000		\$xxx,xxx
(To record transfer from Fund 10 to Fund 46)				

Cash	DR	46B 711000	\$xxx,xxx	
Due From Fund 10		CR 46B 714000		\$xxx,xxx
Due to Fund 46	DR	10B 812000	\$xxx,xxx	
Cash		CR 10B 711000		\$xxx,xxx
(To record cash payment from Fund 10 to Fund 46 in July)				

# **HUSTISFORD SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the District's Board of Education and management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions 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 is also not a required part of the basic financial statements.

The combining and individual non-major 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 basic financial statements. Such 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.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated on November 26, 2014, 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 Standard* in considering the Hustisford School District's internal control over financial reporting and compliance.

## **BASIC FINANCIAL STATEMENTS**

HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

	<u>ASSETS</u>	<u>Governmental Activities</u>
<b>Current Assets:</b>		
Cash and cash equivalents		\$ 1,092,242
Taxes receivable		893,474
Accounts receivable		425
Due from other governments		144,517
Total Current Assets		<u>2,130,658</u>
<b>Noncurrent Assets:</b>		
Land		40,700
Capital assets		8,517,395
Less: Accumulated depreciation		(6,312,018)
Total Noncurrent Assets		<u>2,246,077</u>
Total Assets		4,376,735
	<u>LIABILITIES</u>	
<b>Current Liabilities:</b>		
Cash overdraft		186,807
Accounts payable		86,531
Short-term notes payable		400,000
Accrued interest		2,193
Accrued salaries & wages		-
Health benefits payable		1,275
Current portion of long-term obligations		108,336
Total Current Liabilities		<u>785,142</u>
<b>Noncurrent Liabilities:</b>		
Noncurrent portion of long-term obligations		<u>1,185,984</u>
Total Liabilities		<u>1,971,126</u>
	<u>NET POSITION</u>	
Net investment in capital assets		2,246,077
Restricted		61,826
Unrestricted		97,706
Total Net Position		<u>\$ 2,405,609</u>

HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 2,247,000	\$ 216,853	\$ 75,682	\$ (1,954,465)
Vocational	162,780	-	-	(162,780)
Special education	442,049	8,238	227,042	(206,769)
Other	256,286	13,324	-	(242,962)
Total Instruction	3,108,115	238,415	302,724	(2,566,976)
Support Services:				
Pupil services	206,214	-	-	(206,214)
Instructional staff	210,866	-	20,060	(190,806)
General administration	188,411	-	-	(188,411)
School administration	265,685	-	-	(265,685)
Business services	145,122	-	-	(145,122)
Operations and maintenance	501,023	-	-	(501,023)
Pupil transportation	144,584	-	10,434	(134,150)
Central	141,199	-	-	(141,199)
Insurance	32,589	-	-	(32,589)
Other support services	100,512	-	-	(100,512)
Food service	178,647	89,509	88,916	(222)
Community service	295,390	33,086	-	(262,304)
Interest and principal	8,854	-	-	(8,854)
Depreciation - unallocated	121,619	-	-	(121,619)
Total Support Services	2,540,715	122,595	119,410	(2,298,710)
<b>Total Governmental Activities</b>	<b>\$ 5,648,830</b>	<b>\$ 361,010</b>	<b>\$ 422,134</b>	<b>(4,865,686)</b>
<b>General Revenues:</b>				
Taxes				
Property taxes, levied for general purposes				2,798,947
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				1,538,109
Interest and investment earnings				7,750
Miscellaneous				28,461
Gain on disposal of assets				-
<b>Changes in Net Position</b>				<b>(230,098)</b>
<b>Net Position:</b>				
Beginning of year				2,635,707
End of year				<u>\$ 2,405,609</u>

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

HUSTISFORD SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>																		
<b><u>ASSETS</u></b>																					
Cash and cash equivalents	\$ 894,673	\$ 197,569	\$ 1,092,242																		
Taxes receivable	893,474	-	893,474																		
Accounts receivable	425	-	425																		
Due from other governments	144,517	-	144,517																		
Due from other funds	18,371	1	18,372																		
Other assets	-	-	-																		
Total Assets	<u>\$ 1,951,460</u>	<u>\$ 197,570</u>	<u>\$ 2,149,030</u>																		
<b><u>LIABILITIES</u></b>																					
Cash overdraft	\$ 186,807	\$ -	\$ 186,807																		
Accounts payable	80,375	6,156	86,531																		
Short-term notes payable	400,000	-	400,000																		
Accrued interest	1,745	-	1,745																		
Accrued salaries & wages	-	-	-																		
Health benefits payable	1,275	-	1,275																		
Due to other funds	1	18,371	18,372																		
Total Liabilities	<u>670,203</u>	<u>24,527</u>	<u>694,730</u>																		
<b><u>FUND BALANCES</u></b>																					
Restricted	-	61,826	61,826																		
Assigned	1,281,257	111,217	1,392,474																		
Total Fund Balances	<u>1,281,257</u>	<u>173,043</u>	<u>1,454,300</u>																		
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,951,460</u>	<u>\$ 197,570</u>																			
<p>Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:</p> <p>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 position:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Governmental capital assets</td> <td style="text-align: right;">\$ 8,558,095</td> <td></td> </tr> <tr> <td>Governmental accumulated depreciation</td> <td style="text-align: right;"><u>(6,312,018)</u></td> <td style="text-align: right;">2,246,077</td> </tr> </table> <p>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 position that are not reported in the funds balance sheet are:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">General obligation debt</td> <td style="text-align: right;">(195,638)</td> <td></td> </tr> <tr> <td>Accrued interest on general obligation debt</td> <td style="text-align: right;">(448)</td> <td></td> </tr> <tr> <td>Vested employee benefits</td> <td style="text-align: right;"><u>(1,098,682)</u></td> <td style="text-align: right;">(1,294,768)</td> </tr> <tr> <td><b>Total Net Position - Governmental Activities</b></td> <td></td> <td style="text-align: right;"><u>\$ 2,405,609</u></td> </tr> </table>				Governmental capital assets	\$ 8,558,095		Governmental accumulated depreciation	<u>(6,312,018)</u>	2,246,077	General obligation debt	(195,638)		Accrued interest on general obligation debt	(448)		Vested employee benefits	<u>(1,098,682)</u>	(1,294,768)	<b>Total Net Position - Governmental Activities</b>		<u>\$ 2,405,609</u>
Governmental capital assets	\$ 8,558,095																				
Governmental accumulated depreciation	<u>(6,312,018)</u>	2,246,077																			
General obligation debt	(195,638)																				
Accrued interest on general obligation debt	(448)																				
Vested employee benefits	<u>(1,098,682)</u>	(1,294,768)																			
<b>Total Net Position - Governmental Activities</b>		<u>\$ 2,405,609</u>																			

HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Other Governmental	Total Governmental
<b>REVENUES</b>			
Property taxes	\$ 2,798,947	\$ 262,321	\$ 3,061,268
Other local sources	53,827	122,867	176,694
Interdistrict sources	192,066	-	192,066
Intermediate sources	36,157	-	36,157
State sources	1,667,636	3,745	1,671,381
Federal sources	167,534	85,170	252,704
Other	28,461	-	28,461
<b>Total Revenues</b>	<b>4,944,628</b>	<b>474,103</b>	<b>5,418,731</b>
<b>EXPENDITURES</b>			
Instruction:			
Regular	2,202,305	-	2,202,305
Vocational	161,334	-	161,334
Special	436,550	-	436,550
Other	241,963	-	241,963
<b>Total Instruction</b>	<b>3,042,152</b>	<b>-</b>	<b>3,042,152</b>
Support Service:			
Pupil services	205,377	-	205,377
Instructional staff services	206,019	-	206,019
General administration services	187,079	-	187,079
School administration services	262,566	-	262,566
Business services	148,548	-	148,548
Operations and maintenance	492,368	5,181	497,549
Pupil transportation	144,584	-	144,584
Central services	135,517	-	135,517
Insurance	32,589	-	32,589
Food service	-	177,911	177,911
Community service	-	297,900	297,900
Principal and interest	3,267	23,321	26,588
Other	99,787	-	99,787
<b>Total Support Services</b>	<b>1,917,701</b>	<b>504,313</b>	<b>2,422,014</b>
<b>Total Expenditures</b>	<b>4,959,853</b>	<b>504,313</b>	<b>5,464,166</b>
Excess of Revenues Over (Under) Expenditures	(15,225)	(30,210)	(45,435)
<b>Other Financing Sources (Uses)</b>			
Transfer in	-	-	-
Transfer (out)	-	-	-
Sales of assets	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(15,225)</b>	<b>(30,210)</b>	<b>(45,435)</b>
<b>Fund Balances -</b>			
Beginning of year	1,296,482	203,253	1,499,735
End of year	<u>\$ 1,281,257</u>	<u>\$ 173,043</u>	<u>\$ 1,454,300</u>

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

**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, 2014**

Net change in fund balances - total governmental funds \$ (45,435)

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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	28,804	
Depreciation expense reported in the statement of activities	(195,301)	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(166,497)

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:	-	
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	94,968	
Special termination benefits earned in current year	(130,868)	
Amounts paid are greater (less) than amounts earned by		(35,900)

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 net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:		17,693
---	--	--------

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	5,628	
The amount of interest accrued during the period.	(5,587)	
Interest paid is greater (less) than interest accrued by		41

Change in Net Position - Governmental Activities		\$ (230,098)
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**HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2014**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 73,193
Investments	-
Accounts receivable	-
Total Assets	<u>73,193</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	-
Due to student groups	73,193
Total Liabilities	<u>\$ 73,193</u>

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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 position 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 District does not operate any business type activities.

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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Basis of Presentation (continued)**

*Fund Financial Statements: (continued)*

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. The general fund includes all activity of the special education fund.

The District's 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.

**Measurement Focus and Basis of Accounting**

The District-wide 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.

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.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Measurement Focus and Basis of Accounting – continued**

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 positions 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.

**Cash 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.

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

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

All investments are stated at fair market value. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

**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.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Property Tax Levy – continued**

The District's property taxes are levied on or before October 31<sup>st</sup> 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 31<sup>st</sup>, and a final payment no later than July 31<sup>st</sup>. 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 15<sup>th</sup>, and by the 20<sup>th</sup> of each subsequent month thereafter. On or before August 20<sup>th</sup>, 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 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1<sup>st</sup>, 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 30<sup>th</sup> and are available to pay current liabilities.

**Accounts Receivable**

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof deemed to be uncollectable are written off to the allowance for doubtful accounts. As of June 30, 2014, there was no allowance for doubtful accounts.

**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**

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

**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 position.

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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Capital Assets – continued**

*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.

**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.

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

**Equity Classifications**

*District-wide Statements:*

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

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Equity Classifications** – continued

Net investment in capital assets – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Amount of net position that is subject to restrictions that are imposed 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 position – Net position that is neither classified as restricted nor as net investment in capital assets.

*Fund Financial Statements:*

The District reports its fund balance classifications in 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 a 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.

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

**New GASB Pronouncements**

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

In March 2013, GASB issued a Statement No. 66, *Technical Corrections – 2013*. The objective of this Statement is to improve accounting and financial reporting for government reporting by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. This Statement improves financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**New GASB Pronouncements – continued**

Pronouncements issued, but not yet effective, which will be adopted by the District in future years:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the District in fiscal year 2015. The District is in the process of evaluating the impact of this pronouncement on its financial statements.

**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.

**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.



HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014

NOTE B – CASH AND INVESTMENTS – continued

	Category			Total	Carrying Amount
	1	2	3		
Financial institutions	\$ 250,000	\$ 850,000	\$ 365,888	\$ 1,465,888	\$ 966,485
Wisconsin Local Government Investment Pool				12,143	12,143
Total deposits and investments				\$ 1,478,031	\$ 978,628
Per statement of net position:					
Cash and investments					\$ 1,092,242
Cash overdraft					(186,807)
Per statement of net position - fiduciary funds:					
Agency					73,193
Total					\$ 978,628

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

The Federal Deposit Insurance Corporation (FDIC) insures deposits in financial institutions in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest 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. This coverage has not been considered in computing the amounts of category 1 above.

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

Investment 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, 2014, the District held no investments in government securities. The District does invest in the state investment pool which is not rated.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE B – CASH AND INVESTMENTS – continued**

Custodial Credit Risk The District is currently holding deposits with one local financial institution. The District has no policy regarding custodial credit risk.

**NOTE C – FUND BALANCES**

On June 30, 2014, 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	\$ 3,881
Capital Projects	Special projects	57,945
<u>Fund Type</u>	<u>Assigned</u>	
Community Service	Community services	43,783
Food Service	Food program	67,434

**NOTE D – SHORT-TERM NOTES PAYABLE**

Short-term notes payable at June 30, 2014 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	10/30/13	0.65%	\$ 700,000	\$ -	\$ 700,000	\$ -
Note Payable	10/30/14	0.65%	-	400,000	-	400,000
			<u>\$ 700,000</u>	<u>\$ 400,000</u>	<u>\$ 700,000</u>	<u>\$ 400,000</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 \$3,267.

**NOTE E – INTERFUND BALANCES AND ACTIVITY**

There were no interfund transfers for the year ended June 30, 2014.

Interfund receivable and payable balances were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1	\$ 18,371
Debt Service Fund	-	1
Capital Projects Fund	18,371	-
	<u>\$ 18,372</u>	<u>\$ 18,372</u>

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE F – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Sites (land)	\$ 40,700	\$ -	\$ -	\$ 40,700
Capital assets being depreciated:				
Buildings	6,818,671	13,300	-	6,831,971
Furniture and equipment	1,669,920	15,504	-	1,685,424
Total capital assets being depreciated	8,488,591	28,804	-	8,517,395
Less accumulated depreciation for:				
Buildings	(4,693,221)	(134,919)	-	(4,828,140)
Furniture and equipment	(1,423,496)	(60,382)	-	(1,483,878)
Total accumulated depreciation	(6,116,717)	(195,301)	-	(6,312,018)
Total capital assets being depreciated, net of accumulated depreciation	2,371,874	(166,497)	-	2,205,377
<b>Total Governmental Activities</b>	<b>\$ 2,412,574</b>	<b>\$(166,497)</b>	<b>\$ -</b>	<b>\$2,246,077</b>

Depreciation was charged to governmental functions as follows:

Regular instruction	\$ 27,184
Special education instruction	3,368
Other instruction	12,254
Instructional staff services	3,692
Operations and maintenance	3,878
Business services	2,734
Community services	885
Central services	5,682
School administration services	705
Depreciation not charged to a specific function	134,919
<b>Total Depreciation for Governmental Activities</b>	<b>\$ 195,301</b>

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE G – LONG-TERM OBLIGATIONS**

Long-term liability balances and activity for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>General Obligation Debt</b>					
Bonds and notes payable					
Other than capital projects	\$ 213,331	\$ -	\$ 17,693	\$ 195,638	\$ 18,169
<b>Total General Obligation Debt</b>	<b>213,331</b>	<b>-</b>	<b>17,693</b>	<b>195,638</b>	<b>18,169</b>
<b>Other Liabilities</b>					
Vested employee benefits					
Vacation and sick pay	15,845	-	2,232	13,613	1,361
Early retirement benefits	1,046,937	130,868	92,736	1,085,069	88,806
<b>Total Other Liabilities</b>	<b>1,062,782</b>	<b>130,868</b>	<b>94,968</b>	<b>1,098,682</b>	<b>90,167</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 1,276,113</b>	<b>\$ 130,868</b>	<b>\$ 112,661</b>	<b>\$ 1,294,320</b>	<b>\$ 108,336</b>

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.

Total interest expense of long-term obligations for the year totaled \$5,587.

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 06/30/14
Promissory Note	1/19/2004	1/1/2014	2.75%	358,447	\$ -
Promissory Note	1/1/2014	1/1/2024	2.75%	203,047	195,638
<b>Totals General Obligation Debt</b>					<b>\$ 195,638</b>

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, 2014 is:

Equalized value certified by Wisconsin Department of Revenue for 2013:	\$ 296,524,851
Margin of indebtedness at 10%	29,652,485
Deduct long-term debt applicable to debt margin	195,638
<b>Margin of indebtedness</b>	<b>\$ 29,456,847</b>

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

Governmental Activities Year Ended June 30	Principal	Interest	Total
2015	\$ 18,169	\$ 5,152	\$ 23,321
2016	18,675	4,646	23,321
2017	19,195	4,126	23,321
2018	19,729	3,592	23,321
2019	20,279	3,042	23,321
2020-24	99,591	6,458	106,049
<b>Total</b>	<b>\$ 195,638</b>	<b>\$ 27,016</b>	<b>\$ 222,654</b>

**HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014**

**NOTE H – EMPLOYER’S 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.

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 2014 are:

	<u>Employee</u>	<u>Employer</u>
<b>General (including Teachers)</b>	7.00%	7.00%
<b>Executives &amp; Elected Officials</b>	7.75%	7.75%
<b>Protective with Social Security</b>	7.00%	10.10%
<b>Protective without Social Security</b>	7.00%	13.70%

The payroll for the Hustisford School District employees covered by the WRS for the year ended June 30, 2014 was \$2,351,999; the employer’s total payroll was \$2,747,607. The total required contribution for the year ended June 30, 2014 was \$323,256, which consisted of 6.65%-7.00% of payroll from the employer and 6.65%-7.00% payroll from employees. Total contributions for the years ended June 30, 2013 and 2012 were \$292,985 and \$267,690, 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.

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.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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. Previously, teachers with a minimum service of 15 years at retirement qualify to receive the post employment benefits. Effective July 1, 2012, teachers with a minimum service of 20 years at retirement qualify to receive post employment benefits.

Plan membership consisted of the following as of July 1, 2012, the date of the latest actuarial valuation:

Retirees receiving health benefits	10
Active plan members	<u>34</u>
Total	<u><u>44</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, 2014 medical care premium expenditures on the pay-as-you-go basis amounted to \$92,736. As of June 30, 2014, 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	\$ 149,058
Interest on net OPEB obligation	40,809
Adjustment to the ARC	<u>(58,999)</u>
Total annual OPEB cost	130,868
Contribution made	<u>(92,736)</u>
Increase in net OPEB obligation	38,132
Net OPEB obligation:	
Beginning of year	<u>1,046,937</u>
End of year	<u><u>\$ 1,085,069</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, 2014, are as follows:

Annual OPEB Cost	\$ 130,868
Percentage of Annual OPEB Cost Contributed	70.9%
Net OPEB Obligation	\$ 1,085,069

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

Actuarial Valuation Date	July 1, 2012
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL) – Projected Unit Credit	\$ 1,362,213
Unfunded AAL (UAAL)	\$ 1,362,213
Funded Ratio	0.0%
Covered Payroll	\$ 1,719,057
UAAL as a Percentage of Covered Payroll	126.2 %

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE I – OTHER POST EMPLOYMENT BENEFITS - continued**

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, 2012, 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 including inflation of 10%, reduced by decrements to an ultimate rate of 5%. 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 using the level dollar amount method. The remaining amortization period at July 1, 2012 was thirty years.

**NOTE J – OPERATING LEASES**

Equipment rentals, excluding items rented on a short-term basis, amounted to \$35,778 for the year ended June 30, 2014.

**NOTE K – 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.

The District entered into a capital lease with Providence Capital Network, LLC for technology equipment with payments of \$62,470 for four years starting during the 2014-2015 school year.

**NOTE L – 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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE M – SUBSEQUENT EVENTS**

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 26, 2014, the date on which the financial statements were available to be issued.

The District passed two referendums in November 2014. The first was to exceed the revenue limit by \$150,000 for four years. The second was to exceed the revenue limit by \$240,000 on a recurring basis to move expense previously paid from a Fund 80 tax levy to Fund 10, where the revenue limit applies.



**REQUIRED SUPPLEMENTAL INFORMATION**

HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND  
 ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2014

	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		(Unfavorable)	Original	Final		(Unfavorable)		(Unfavorable)
<b>REVENUES</b>										
Property taxes	\$ 2,893,618	\$ 2,798,947	\$ 2,798,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,798,947	\$ -
Other local sources	51,725	51,725	53,827	2,102	-	-	-	-	53,827	2,102
Interdistrict sources	190,992	190,992	183,828	(7,164)	-	-	8,238	8,238	192,066	1,074
Intermediate sources	2,100	2,100	899	(1,201)	22,511	22,511	35,258	12,747	36,157	11,546
State sources	1,484,938	1,555,534	1,585,283	29,749	109,350	109,350	82,353	(26,997)	1,667,636	2,752
Federal sources	95,400	95,400	58,103	(37,297)	104,550	104,550	109,431	4,881	167,534	(32,416)
Other	14,500	14,500	28,461	13,961	-	-	-	-	28,461	13,961
<b>Total Revenues</b>	<b>4,733,273</b>	<b>4,709,198</b>	<b>4,709,348</b>	<b>150</b>	<b>236,411</b>	<b>236,411</b>	<b>235,280</b>	<b>(1,131)</b>	<b>4,944,628</b>	<b>(981)</b>
<b>EXPENDITURES</b>										
Instruction:										
Regular	2,154,731	2,204,640	2,202,305	2,335	-	-	-	-	2,202,305	2,335
Vocational	163,320	163,320	161,334	1,986	-	-	-	-	161,334	1,986
Special	115	115	-	115	415,058	415,308	436,550	(21,242)	436,550	(21,127)
Other	249,998	249,998	241,963	8,035	-	-	-	-	241,963	8,035
<b>Total Instruction</b>	<b>2,568,164</b>	<b>2,618,073</b>	<b>2,605,602</b>	<b>12,471</b>	<b>415,058</b>	<b>415,308</b>	<b>436,550</b>	<b>(21,242)</b>	<b>3,042,152</b>	<b>(8,771)</b>
Support Services:										
Pupil services	95,152	95,152	113,750	(18,598)	92,909	92,659	91,627	1,032	205,377	(17,566)
Instructional staff services	124,350	107,667	88,191	19,476	125,125	125,125	117,828	7,297	206,019	26,773
General administration services	184,256	184,256	187,079	(2,823)	-	-	-	-	187,079	(2,823)
School administration services	253,254	253,254	262,566	(9,312)	-	-	-	-	262,566	(9,312)
Business services	149,306	148,548	148,548	-	-	-	-	-	148,548	-
Operations and maintenance	516,100	479,068	492,368	(13,300)	-	-	-	-	492,368	(13,300)
Pupil transportation	148,620	144,584	144,584	-	11,000	11,000	-	11,000	144,584	11,000
Central services	144,146	144,146	135,517	8,629	3,300	3,300	-	3,300	135,517	11,929
Insurance	40,900	40,900	32,989	8,311	-	-	-	-	32,989	8,311
Principal and interest	6,665	6,665	3,267	3,398	-	-	-	-	3,267	3,398
Other support services	91,529	91,279	98,787	(8,508)	-	-	-	-	98,787	(8,508)
<b>Total Support Services</b>	<b>1,754,278</b>	<b>1,695,519</b>	<b>1,708,246</b>	<b>(12,727)</b>	<b>232,334</b>	<b>232,084</b>	<b>209,455</b>	<b>22,629</b>	<b>1,917,701</b>	<b>9,902</b>
<b>Total Expenditures</b>	<b>4,322,442</b>	<b>4,313,592</b>	<b>4,313,848</b>	<b>(256)</b>	<b>647,392</b>	<b>647,392</b>	<b>646,005</b>	<b>1,387</b>	<b>4,959,853</b>	<b>1,131</b>
Excess of Revenues Over (Under) Expenditures	410,831	395,606	395,500	(106)	(410,981)	(410,981)	(410,725)	256	(15,225)	150
Other Financing Sources (Uses)										
Transfer from special education	-	-	-	-	-	-	-	-	-	-
Transfer to special education	(410,981)	(410,981)	(410,725)	256	-	-	-	-	(410,725)	256
Transfer to general operations	-	-	-	-	-	-	-	-	-	-
Transfer from general operations	-	-	-	-	410,981	410,981	410,725	(256)	410,725	(256)
Transfer to food service fund	-	-	-	-	-	-	-	-	-	-
Sale of assets	150	150	-	(150)	-	-	-	-	-	(150)
<b>Net Other Financing Sources (Uses)</b>	<b>(410,831)</b>	<b>(410,831)</b>	<b>(410,725)</b>	<b>106</b>	<b>410,981</b>	<b>410,981</b>	<b>410,725</b>	<b>(256)</b>	<b>-</b>	<b>(150)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(15,225)</b>	<b>(15,225)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,225)</b>	<b>-</b>
<b>Fund Balances -</b>										
Beginning of year	1,296,482	1,296,482	1,296,482	-	-	-	-	-	1,296,482	-
End of year	\$ 1,296,482	\$ 1,281,257	\$ 1,281,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,281,257	\$ -

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

**HUSTISFORD SCHOOL DISTRICT  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2014**

**Schedule of Funding Progress**

Actuarial Valuation Date	07/01/12
Actuarial Value of Assets ( a )	\$ -
Actuarial Accrued Liability (AAL) - Projected Unit Credit ( b )	\$ 1,362,213
Unfunded AAL (UAAL) ( a-b )	\$ 1,362,213
Funded Ratio ( a/b )	0.0%
Covered Payroll ( c )	\$ 1,719,057
UAAL as a Percentage of Covered Payroll ( (b-a)/c )	126.2%

**Schedule of Employer Contributions**

Year Ended	<u>6/30/14</u>	<u>6/30/13</u>	<u>6/30/12</u>
Annual OPEB Cost	\$ 130,868	\$ 130,868	\$ 273,529
Percentage of Annual OPEB Cost Contributed	70.9%	79.6%	27.5%
Net OPEB Obligation	\$ 1,085,069	\$ 1,046,937	\$ 1,020,221

**OTHER SUPPLEMENTAL INFORMATION**

HUSTISFORD SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Non-Major Governmental</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 3,880	\$ 78,013	\$ 70,477	\$ 45,199	\$ 197,569
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	1	-	-	-	1
Total Assets	<u>\$ 3,881</u>	<u>\$ 78,013</u>	<u>\$ 70,477</u>	<u>\$ 45,199</u>	<u>\$ 197,570</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ -	\$ 1,697	\$ 3,043	\$ 1,416	\$ 6,156
Due to other funds	-	18,371	-	-	18,371
Total Liabilities	<u>-</u>	<u>20,068</u>	<u>3,043</u>	<u>1,416</u>	<u>24,527</u>
<b><u>FUND BALANCES</u></b>					
Fund Balances:					
Restricted	3,881	57,945	-	-	61,826
Assigned	-	-	67,434	43,783	111,217
Total Fund Balances	<u>3,881</u>	<u>57,945</u>	<u>67,434</u>	<u>43,783</u>	<u>173,043</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,881</u>	<u>\$ 78,013</u>	<u>\$ 70,477</u>	<u>\$ 45,199</u>	<u>\$ 197,570</u>

HUSTISFORD SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Debt Service	Capital Projects	Food Service	Community Service	Total Non-major Governmental
<b>REVENUES</b>					
Property taxes	\$ 23,321	\$ -	\$ -	\$ 239,000	\$ 262,321
Other local sources	-	272	89,509	33,086	122,867
State sources	-	-	3,745	-	3,745
Federal sources	-	-	85,170	-	85,170
Total Revenues	23,321	272	178,424	272,086	474,103
<b>EXPENDITURES</b>					
Instruction:					
Regular	-	-	-	-	-
Vocational	-	-	-	-	-
Other	-	-	-	-	-
Total Instruction	-	-	-	-	-
Support Service:					
Operations and maintenance	-	5,181	-	-	5,181
Community service	-	-	-	297,900	297,900
Food service	-	-	177,911	-	177,911
Principal and Interest	23,321	-	-	-	23,321
Other	-	-	-	-	-
Total Support Services	23,321	5,181	177,911	297,900	504,313
<b>Total Expenditures</b>	<b>23,321</b>	<b>5,181</b>	<b>177,911</b>	<b>297,900</b>	<b>504,313</b>
Excess of Revenues Over (Under) Expenditures	-	(4,909)	513	(25,814)	(30,210)
<b>Other Financing Sources (Uses)</b>					
Transfer in	-	-	-	-	-
Transfer (out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(4,909)</b>	<b>513</b>	<b>(25,814)</b>	<b>(30,210)</b>
<b>Fund Balances -</b>					
Beginning of year	3,881	62,854	66,921	69,597	203,253
End of year	\$ 3,881	\$ 57,945	\$ 67,434	\$ 43,783	\$ 173,043

HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ACTIVITY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 64,414	\$ 160,526	\$ 151,747	\$ 73,193
<b><u>LIABILITIES</u></b>				
Due to student organizations	\$ 64,414	\$ 160,526	\$ 151,747	\$ 73,193

HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2014

<u>Federal or State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA/ State Id Number</u>	<u>Expenditures</u>
<b>Federal Programs:</b>		
U.S. Department of Agriculture		
Wisconsin Department of Public Instruction		
Child Nutrition Cluster		
Food Donation Program	10.555	\$ 13,412
School Breakfast Program	10.553	12,889
National School Lunch Program	10.555	58,871
Total		<u>85,172</u>
U.S. Department of Education		
Wisconsin Department of Public Instruction		
Title I Grants to Local Education Agencies	84.010	20,275
Rural Education Achievement Program	84.358A	27,977
Improving Teacher Quality State Grants	84.367	9,851
Special Education Cluster		
Special Education Grants to States	84.027	67,277
Improved Access for Students with Disabilities	84.027	11,475
Special Education Discretionary	84.027	448
Special Education Preschool Grants	84.173	8,637
Total Special Education Cluster		<u>87,837</u>
CESA #6		
Career and Technical Education Basic Grants to States	84.048	899
U.S. Department of Health & Human Services		
Wisconsin Forward Health		
Medical Assistance Program-School Based Services	93.778	21,594
<b>Total Federal Awards</b>		<u>\$ 253,605</u>
<b>State Programs:</b>		
Wisconsin Department of Public Instruction		
Special Education and School age Parents	255.101	\$ 82,353
State School Aid Lunch	255.102	1,919
Common School Fund Library Aid	255.103	20,060
General Transportation Aid	255.107	10,434
WI Morning Milk Program	255.109	687
General Equalization Aid	255.201	1,399,932
Sparsity Aid	255.212	102,788
Alcohol and Other Drug Abuse	255.306	13,000
School Breakfast Program	255.344	1,138
Educator Effectiveness Grant	255.940	3,680
Per Pupil Adjustment Aid	255.945	32,400
CESA #6		
Aid for Handicap Education	255.101	35,258
Wisconsin Department of Revenue		
Computer Aid	*	2,989
		<u>\$ 1,706,638</u>

\* Information not provided.



**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2014**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule 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 the Wisconsin Department of Public Instruction. 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 2013 – 2014 eligible costs under the State Special Education Program are \$460,722.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the District had food commodities totaling \$13,412.

**NOTE D – OVERSIGHT AGENCIES**

The U.S. Department of Education has been designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

**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, 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 Hustisford School District ("District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hustisford School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hustisford School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hustisford School District's internal control.

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

Our consideration of internal control 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying summary of auditor's results that we consider to be significant deficiencies as items 14-1, 14-2, and 14-3.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **Hustisford School District's Response to Findings**

We noted certain matters that we reported to management of the District in a separate letter dated November 26, 2014.

The Hustisford School District's response to the findings identified in our audit is described in the accompanying summary of auditor's results. We did not audit the District's response 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 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.

Certified Public Accountants

Ripon, Wisconsin  
November 26, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR STATE PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

To the Board of Education  
Hustisford School District  
Hustisford, Wisconsin

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

We have audited the 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 a direct and material effect on each of the District's designated state major aid programs for the year ended June 30, 2014. The District's designated state major aid programs are identified in the accompanying summary of auditors' results.

**Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its designated major state aid programs is the responsibility of the District's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for each designated major state program. However, our audit does not provide a legal determination on the District's compliance.

**Opinion on Each Major State Program**

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, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants 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.

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 deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

*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 designated state aid 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. We consider the deficiency in internal control over compliance described in the accompanying summary of auditor's results as item 14-1 to be a significant deficiency.

The District's responses to the findings identified in our audit are described in the accompanying summary of auditor's results. We did not audit the District's responses and accordingly, we express no opinion on the response.

The purpose of this report is intended solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the Wisconsin Department of Public Instruction. Accordingly, this report is not suitable for any other purpose.

Certified Public Accountants

November 26, 2014  
Ripon, Wisconsin

**HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2014**

**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 noted?	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 noted?	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	General Equalization Aid
255.212	Sparsity Aid

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**14-1 - Segregation of Duties**

**Criteria:**

The District should segregate accounting 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.

**Condition Found:**

The District does not have adequate segregation of duties in its accounting functions. Specifically, one individual is responsible for the entire payroll process. Also, one individual has the ability to cut checks, print the automatic signatures on the checks, and performs the bank reconciliations.

**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.

**HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS – continued**

**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.

**14-2 – 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.

**Condition Found:**

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.

**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.

**HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS - Continued**

**14-2 – Preparation of Financial Statements - Continued**

**Response:**

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

**14-3 – Fund 80 Compliance**

**Criteria:**

The Wisconsin Department of Public Instruction has established Fund 80 for the reporting of community programs. This fund is used to account for activities that have a primary function of serving the community. Actual additional expenditures for these activities are to be recorded in Fund 80, but K-12 instructional or instructional support activities are not allowed.

**Condition Found:**

The District recorded expenditures in Fund 80 that were for instructional or instructional support activities that should have been recorded in Fund 10.

**Cause and Effect:**

During the 2013-2014 year, the state of Wisconsin imposed stricter guidelines on the types of expenses that were allowed in Fund 80. The District had already set the tax levy and budget for the 2013-2014 school year, so they continued on with the expenditures being recorded in Fund 80 as planned. The Board also started discussing how to change in order to be in compliance with the new rules by 2014-2015.

**Recommendation:**

We recommend all misclassified expenses in Fund 80 be paid out of Fund 10 in the future.

**Response:**

The District passed a referendum in November 2014 that allows them to exceed revenue limits on a recurring basis, so all costs for instructional or instructional support that were classified in Fund 80 will be recorded as costs in Fund 10 in the future.

**SECTION III – STATE PROGRAM FINDINGS**

**14-1 – Segregation of Duties**

See finding in Section II – Financial Statement findings.