

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Audited Financial Statements
Year Ended June 30, 2014

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Independent Auditors' Report

To the School Board
Cedarburg School District
Cedarburg, Wisconsin

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cedarburg 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to previously 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 District as of June 30, 2014, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 supplementary 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.

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 financial information listed in the table of contents as other supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Guidelines, and are also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

November 11, 2014
Milwaukee, Wisconsin

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014

To the Board of Education
Cedarburg School District

The discussion and analysis of the School District of Cedarburg's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on the school district's financial performance as a whole. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

At the close of fiscal 2014, the assets of the District exceeded liabilities by \$23,275,415 (*net position*). For the year, net position increased by \$1,126,840.

Total governmental activities revenues were \$35,302,093; including \$21,248,493 of property and other taxes, \$8,919,436 of federal and state unrestricted aid, \$72,179 of miscellaneous revenues, \$2,535,357 of grants and contributions, and \$2,526,628 of charges for services. Total governmental activities expenditures were \$34,175,253; including \$19,443,472 for direct instruction.

The following events took place during fiscal 2014:

- A conservative approach to the budgeting process continues to place the District in a positive financial position. A budget forecasting model is used in the budget development process which reviews two years of historical data, and looks at current year budgeted data to provide budget projections for an additional four years. The Personnel and Finance Committee met monthly to discuss the budget development process. Changes to revenue and expenditure estimates were tracked on a Budget Projection and Reconciliation spreadsheet.
- The solid financial position of the District has allowed for continuing maintenance and upgrade of the physical plant. In 2013-14 the District finished its security expansion and continued its program of roof repairs and room renovations, which included the Project Lead the Way classroom at Webster Transitional School. Technology improvements included the continuation of the equipment replacement cycle and a new Project Lead the Way lab at Webster Transitional School.
- The District retained its Aa1 rating from Moody's Investors Service. This high bond rating is an indicator of strong financial stability and enables the District to borrow at lower rates whereby a savings would be realized, should borrowing be needed.
- The District negotiated an 18 month rate guarantee with its current health insurance carrier for the period of July 1, 2013 to January 1, 2015.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

The *notes to the financial statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Management Discussion & Analysis

June 30, 2014

(Continued)

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position. • Statement of Activities. 	<ul style="list-style-type: none"> • Balance Sheet. • Statement of Revenues, Expenditures and Changes in Fund Balance. 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position. • Statement of Changes in Fiduciary Net Position.
Basis of accounting and measurement focus	<p>Accrual accounting.</p> <p>Economic resources focus.</p>	<p>Modified accrual accounting.</p> <p>Current financial resources focus.</p>	<p>Accrual accounting.</p> <p>Economic resources focus.</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

DISTRICT WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the District's assets plus deferred outflow of resources less liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2014 compared to 2013.

Table 1
Condensed Statement of Net Position
(In thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Percentage Change 2013-14</u>
Assets			
Current and other assets	\$ 9,167	\$ 9,162	0.05%
Capital assets	28,338	28,888	-1.94%
Total assets	<u>37,505</u>	<u>38,050</u>	-1.45%
Deferred Outflow of Resources			
Unamortized loss on refunding	<u>1,273</u>	<u>1,541</u>	-21.05%
Liabilities			
Long-term liabilities	12,208	14,164	-16.02%
Other liabilities	<u>3,294</u>	<u>3,292</u>	0.06%
Total liabilities	<u>15,502</u>	<u>17,456</u>	-19.01%
Net Position			
Net investment in capital assets	16,104	15,223	5.47%
Restricted	431	553	-28.31%
Unrestricted	<u>6,741</u>	<u>6,373</u>	5.46%
Total net position	<u>\$ 23,275</u>	<u>\$ 22,149</u>	4.84%

Note: Totals may not add due to rounding

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Management Discussion & Analysis

June 30, 2014

(Continued)

Table 2 provides summarized operating results and their impact on net position.

Table 2
Changes in Net Position from Operating Results
(In thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Percentage Change 2013-14</u>
Revenues			
Program revenues			
Charges for services	\$ 2,527	\$ 2,494	1.31%
Operating grants & contributions	2,505	2,548	-1.71%
Capital grants & contributions	30	---	
General revenues			
Property and other taxes	21,248	19,964	6.04%
State and federal unrestricted aid	8,919	9,137	-2.44%
Other	72	128	-77.78%
Total revenues	<u>35,302</u>	<u>34,271</u>	2.92%
Expenses			
Instruction	19,443	19,386	0.29%
Pupil & instructional services	3,459	3,385	2.14%
Administration & finance	4,051	4,038	0.32%
Maintenance & operations	3,412	3,368	1.29%
Transportation	1,170	1,162	0.68%
Interest on debt	513	715	-39.38%
Food service	841	888	-5.59%
Community services	106	107	-0.94%
Other	1,179	1,182	-0.25%
Total Expenses	<u>34,175</u>	<u>34,231</u>	-0.17%
Increase in net position	\$ <u>1,127</u>	\$ <u>40</u>	96.45%

Note: Totals may not add due to rounding

The District relies primarily on property taxes (60.2% of total governmental revenues) and state and federal unrestricted aid (25.26%) to fund governmental activities.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

Table 3 presents the cost of the nine major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3							
Net Cost of Governmental Activities							
<i>(in thousands of dollars)</i>							
		Total Cost		Percentage	Net Cost		Percentage
		of Services		Change	of Services		Change
		2014	2013	2013-14	2014	2013	2013-14
Expenses							
Instruction		19,443	19,386	0.29%	15,551	15,629	-0.50%
Pupil & Instructional Services		3,459	3,385	2.14%	3,357	3,284	2.17%
Admin, Central & Support Serv.		4,051	4,038	0.32%	4,051	4,038	0.32%
Maintenance & Operations		3,412	3,368	1.29%	3,329	3,205	3.72%
Transportation		1,170	1,162	0.68%	1,126	1,119	0.62%
Interest on Debt		513	715	-39.38%	513	715	-39.38%
Food Service		841	888	-5.59%	(70)	(54)	22.86%
Community Services		106	107	-0.94%	76	69	9.21%
Unallocated Depreciation		1,179	1,182	-0.25%	1,179	1,182	-0.25%
TOTAL EXPENSES		34,175	34,231	-0.16%	29,113	29,189	-0.26%

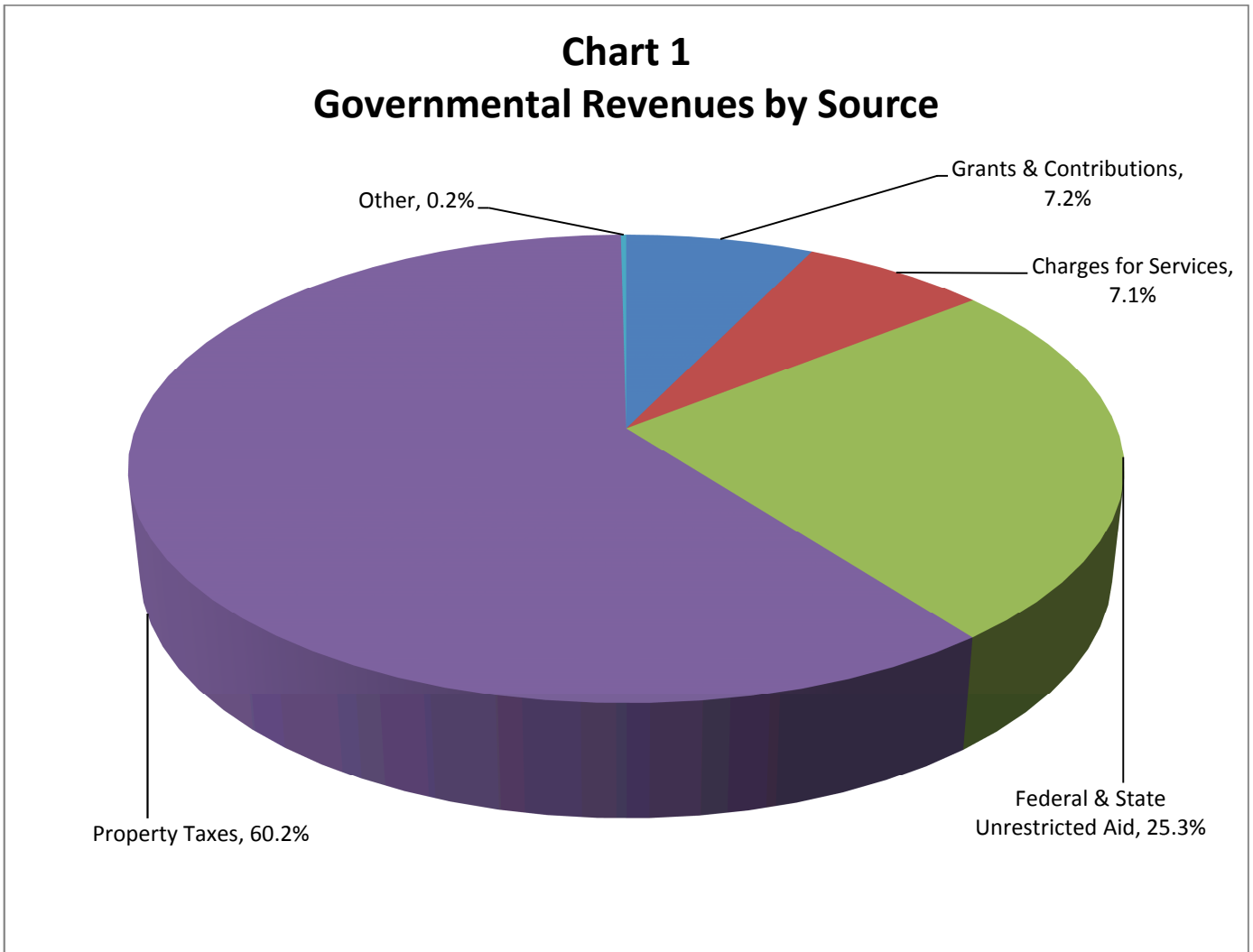
Note: totals may not add due to rounding.

The cost of all governmental activities in 2013-14 was \$34,175,253. Individuals who directly participated or benefited from a program offering paid for \$2,526,628 of costs. Federal and state governments and other organizations subsidized certain programs with grants and contributions of \$2,535,357. The net cost of governmental activities (\$29,113,268) was financed by general revenues of the District (\$21,248,493 property and other taxes, \$8,919,436 federal and state unrestricted aid and \$72,179 other).

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

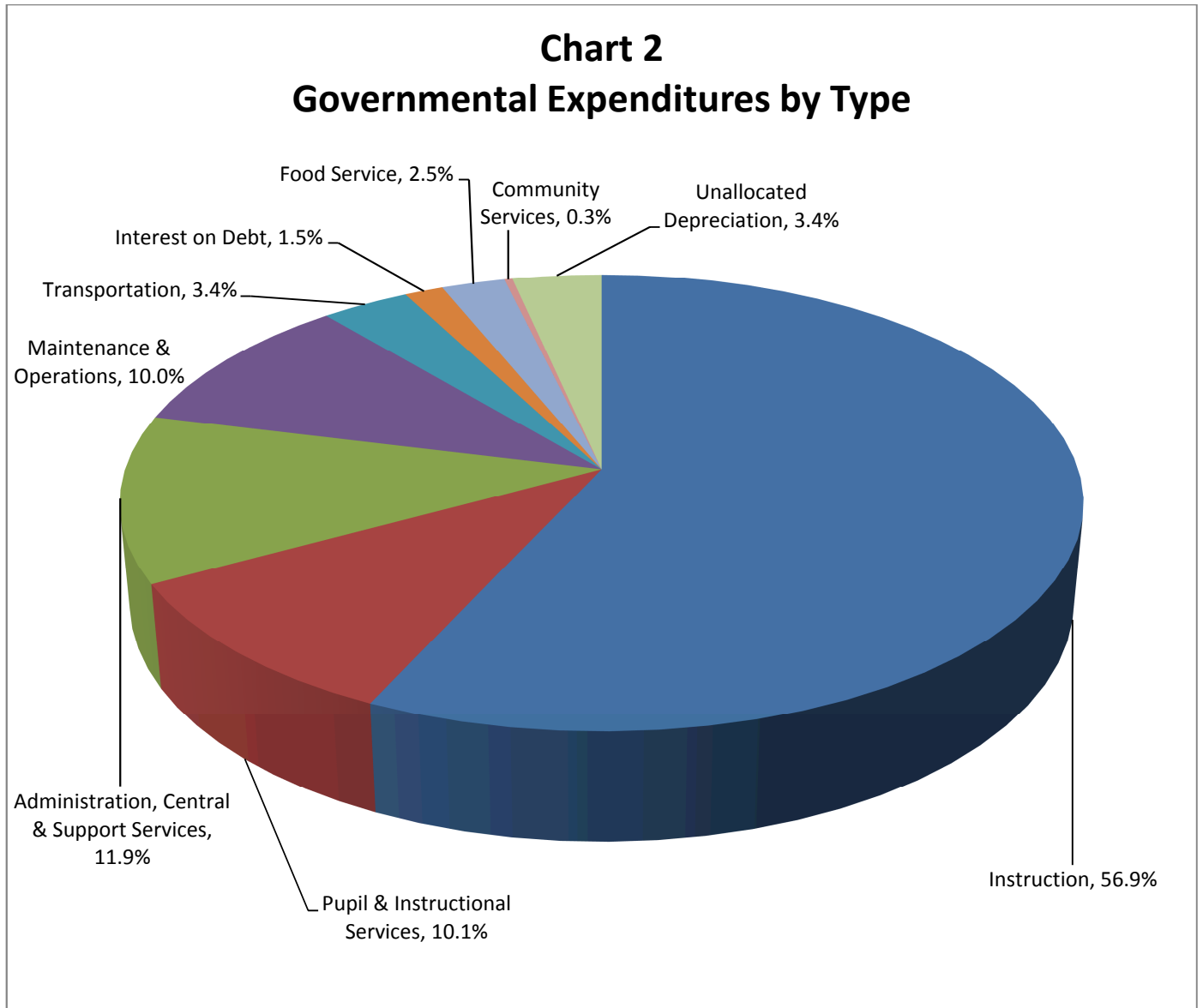
The composition of governmental revenues by source is illustrated below in Chart 1.



CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

The composition of governmental expenditures by type is illustrated below in Chart 2.



CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$7,676,053 down from last year's ending fund balance of \$7,656,904.

- The general fund had an increase in fund balance of \$119,945.
- The debt service fund had a decrease of \$204,077. The fund balance of the debt service fund will fluctuate each year based the amount of the first payment due the next fiscal year.
- The food service program increased its fund balance by \$70,949.
- The community service fund had a decrease in fund balance of \$9,225 for safety upgrades.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a preliminary budget in June for the subsequent year (beginning July 1st), consistent with current state statutes and regulations. This preliminary budget is approved in August and presented at the District's Budget Hearing. In October, following the determination of official enrollment and certification of states aids, the budget is amended and a final tax levy is approved. Additional budget revisions may be made during the fiscal year. Generally, the preliminary budget is not significantly modified. The District modified its preliminary budget in October 2013 to reflect:

- Increase in equalization aid from earlier estimates due to establishment of final shared costs, equalized values and guaranteed valuations.
- Decrease in Fund 39 levy to reduce tax rate by utilizing the remaining portion of accumulated fund balance.
- Revised estimates for open enrollment revenue and expense.
- Final hiring of teaching and support staff.
- Modifications in state and federal grants.

The District's preliminary budget for the general fund anticipated that expenditures would exceed revenues by \$80,882. The October budget revision estimated expenditures would exceed revenues by \$241,156. Actual results for the year show revenues exceeding expenditures by \$119,945.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the District had invested \$50,522,933 in capital assets, including buildings; sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$22,184,631. Asset acquisitions for governmental activities totaled \$651,530. The District recognized depreciation expense of \$1,179,359. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

Table 4
Capital Assets
(Net of depreciation, in thousands of dollars. Differences due to rounding.)

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2013-14</u>
Land	\$ 340	\$ 340	0.0%
Buildings & improvements	45,946	45,521	0.92%
Furniture & equipment	4,237	4,141	2.27%
Accumulated depreciation	<u>(22,185)</u>	<u>(21,114)</u>	4.83%
Net capital assets	<u>\$ 28,338</u>	<u>\$ 28,888</u>	-1.94%

Long-term Debt

At year-end the District had \$13,505,000 in notes payable and bonds payable outstanding – a decrease of \$1,705,000 (12.62%) from fiscal 2013. This decrease resulted from repayments of principal. An additional \$120,924 was outstanding for retirement stipends and \$106,373 for the obligation for compensated absences. (Detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Table 5
Outstanding Long-term Obligations
(In thousands of dollars. Differences due to rounding.)

	<u>2014</u>	<u>2013</u>	Percentage Change <u>2013-14</u>
General obligation bonds and notes	\$ 13,505	\$ 15,210	-12.62%
Retirement Obligations	121	316	-161.16%
Compensated absences	106	119	-12.26%
Net long-term obligations	<u>\$ 13,732</u>	<u>\$ 15,644</u>	-13.93%

General Obligation debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2014
(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the District's financial status in the future include:

- The resident count decreased in 2013-14 and is estimated to increase slightly in 2014-15. The potential impact of enrollment to class size and staffing is closely monitored as declining enrollment impacts the district revenue limit and equalization aid.
- Federal funds are expected to decrease for ESEA and Special Education grants.
- The Affordable Care Act could impact future health insurance costs for the district. The District will continue to monitor trend factors in healthcare to ensure penalties are not incurred and that the approaching 2018 Cadillac tax is closely examined.
- The next state budget will continue to provide challenges for school districts. The careful review and management of this budget will impact how and the extent to which the Cedarburg School District is able to provide outstanding results for its students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Dvornik, Director of Business Services, Cedarburg School District, (262) 376-6100, W68 N611 Evergreen Blvd. Cedarburg, WI 53012.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	\$ 4,340,428
Taxes receivable	4,445,336
Accounts receivable	39,100
Due from employee benefits trust	3,928
Due from agency fund	1,453
Due from other governments	262,198
Assets held for resale	1,506
Prepaid expense	72,580
Total current assets	9,166,529
Capital assets:	
Nondepreciable	414,500
Depreciable, net of accumulated depreciation	27,923,802
Total capital assets	28,338,302
Total assets	37,504,831
Deferred Outflow of Resources:	
Unamortized loss on refunding	1,272,806
Liabilities:	
Current liabilities:	
Accounts payable	648,396
Withholdings and related fringes payable	549,297
Accrued interest	63,332
Accrued salaries and related items	268,661
Due to other governments	6,485
Unearned revenues	17,637
Current portion of long-term debt	1,740,000
Total current liabilities	3,293,808
Noncurrent liabilities:	
Long-term obligations	11,992,297
Accrued liability for other post-employment benefits	218,679
Unamortized discount on issuance	(2,562)
Total noncurrent liabilities	12,208,414
Total liabilities	15,502,222
Net Position:	
Net investment in capital assets	16,103,546
Restricted for:	
Debt service	100,635
Food service	318,576
Other activities	11,867
Unrestricted	6,740,791
Total net position	\$ 23,275,415

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Statement of Activities

Year Ended June 30, 2014

	Program Revenues				Net
	Expenses	Charges for	Operating	Capital	(Expenses)
		Services	Grants and	Grants and	Revenues and
			Contributions	Contributions	Changes in
					Net Position
Governmental activities:					
Instruction:					
Regular instruction	\$ 13,786,434	\$ 1,600,282	\$ 312,415	\$ ---	\$ (11,873,737)
Special education instruction	3,728,961	7,543	1,876,506	---	(1,844,912)
Vocational instruction	808,409	---	---	---	(808,409)
Other instruction	1,119,668	95,456	---	---	(1,024,212)
Total instruction	19,443,472	1,703,281	2,188,921	---	(15,551,270)
Support services:					
Pupil services	1,498,534	---	---	---	(1,498,534)
Instructional staff services	1,960,888	---	102,743	---	(1,858,145)
Administration services	2,694,194	---	---	---	(2,694,194)
Operation and maintenance of plant	3,411,983	52,490	---	30,000	(3,329,493)
Pupil transportation	1,169,661	---	43,248	---	(1,126,413)
Central services	952,447	---	---	---	(952,447)
Other support services	404,330	---	---	---	(404,330)
Community services	105,674	29,555	---	---	(76,119)
Food service	841,408	741,302	170,445	---	70,339
Interest on debt	513,303	---	---	---	(513,303)
Unallocated depreciation	1,179,359	---	---	---	(1,179,359)
Total support services	14,731,781	823,347	316,436	30,000	(13,561,998)
Total school district	\$ 34,175,253	\$ 2,526,628	\$ 2,505,357	\$ 30,000	(29,113,268)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					19,433,160
Property taxes, levied for debt service					1,748,387
Property taxes, levied for specific purposes					66,600
Other taxes					346
Federal and state aid not restricted to specific purposes					
General					8,675,974
Other					243,462
Interest and investment earnings					3,399
Gain on asset retirement					356
Miscellaneous					68,424
					<u>68,424</u>
Changes in net position					1,126,840
Net position - beginning of year					<u>22,148,575</u>
Net position - end of year					<u>\$ 23,275,415</u>

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 3,785,123	\$ ---	\$ 555,305	\$ 4,340,428
Taxes receivable	4,445,336	---	---	4,445,336
Accounts receivable	13,435	---	25,665	39,100
Due from other funds	275,000	---	---	275,000
Due from employee benefits trust	3,928	---	---	3,928
Due from agency fund	1,453	---	---	1,453
Due from other governments	256,900	---	5,298	262,198
Assets held for resale	1,506	---	---	1,506
Prepaid expense	68,007	---	4,573	72,580
Total assets	\$ 8,850,688	\$ ---	\$ 590,841	\$ 9,441,529
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 639,028	\$ ---	\$ 9,368	\$ 648,396
Withholdings and related fringes payable	548,720	---	577	549,297
Accrued payroll	268,661	---	---	268,661
Due to other funds	---	275,000	---	275,000
Due to other governments	6,485	---	---	6,485
Unearned revenues	13,415	---	4,222	17,637
Total liabilities	1,476,309	275,000	14,167	1,765,476
Fund Balances:				
Nonspendable	69,513	---	4,573	74,086
Restricted	---	---	426,505	426,505
Committed	40,428	---	---	40,428
Assigned	---	---	145,596	145,596
Unassigned	7,264,438	(275,000)	---	6,989,438
Total fund balances	7,374,379	(275,000)	576,674	7,676,053
Total liabilities and fund balances	\$ 8,850,688	\$ ---	\$ 590,841	\$ 9,441,529

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**

June 30, 2014

Total fund balances - governmental funds \$ 7,676,053

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 50,522,933	
Accumulated depreciation	<u>(22,184,631)</u>	
		28,338,302

Long-term debt, and related items, are not due and payable in the current period and therefore are not reported in the governmental funds. Debt and related items at year-end consists of:

Bonds payable	13,240,000	
Accrued liability for other post employment benefits	218,679	
Unamortized discounts	(2,562)	
Unamortized loss on refunding	(1,272,806)	
Promissory note	265,000	
Compensated absences and retirement stipends	<u>227,297</u>	
		(12,675,608)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (63,332)

Total net position - governmental activities \$ 23,275,415

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 19,953,046	\$ 30,000	\$ 2,732,472	\$ 22,715,518
Interdistrict payments within Wisconsin	1,243,362	---	---	1,243,362
Intermediate sources	48,964	---	---	48,964
State	10,210,399	---	7,203	10,217,602
Federal	844,830	---	163,242	1,008,072
Other	89,793	---	649	90,442
Total revenues	32,390,394	30,000	2,903,566	35,323,960
 Expenditures:				
Instruction:				
Current	18,998,944	---	92,975	19,091,919
Interdistrict	369,451	---	---	369,451
Capital outlay	29,842	---	34,794	64,636
Support Services:				
Current	12,273,671	---	953,940	13,227,611
Capital outlay	586,894	---	---	586,894
Debt service	11,647	---	1,952,653	1,964,300
Total expenditures	32,270,449	---	3,034,362	35,304,811
Excess (deficiency) of revenues over expenditures	119,945	30,000	(130,796)	19,149
 Fund Balances (Deficit) - Beginning of year	 <u>7,254,434</u>	 <u>(305,000)</u>	 <u>707,470</u>	 <u>7,656,904</u>
 Fund Balances (Deficit) - End of year	 <u><u>\$ 7,374,379</u></u>	 <u><u>\$ (275,000)</u></u>	 <u><u>\$ 576,674</u></u>	 <u><u>\$ 7,676,053</u></u>

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**

Year Ended June 30, 2014

Total net change in fund balances - governmental funds \$ 19,149

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

Depreciation expense	\$ (1,179,359)	
Capital outlays	<u>651,530</u>	(527,829)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (21,868)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	1,580,000	
Promissory note	<u>125,000</u>	1,705,000

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. (718)

Amortization reduces the balance of the respective liabilities and deferred outflows. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

Unamortized discount on debt issuance	(4,433)	
Unamortized loss on refunding	<u>(268,316)</u>	(272,749)

In the statement of activities compensated absences and retirement stipends are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 207,109

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 18,746

Change in net position of governmental activities \$ 1,126,840

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private</u>	<u>Employee</u>	<u>Agency</u>
	<u>Purpose Trusts</u>	<u>Benefit Trusts</u>	<u>Fund</u>
Assets:			
Cash and investments	\$ 48,209	\$ 328,278	\$ 244,453
Accounts receivable	---	4,111	---
Total assets	<u>48,209</u>	<u>332,389</u>	<u>244,453</u>
Liabilities:			
Due to student groups	---	---	243,000
Due to other funds	---	3,928	1,453
Total liabilities	<u>---</u>	<u>3,928</u>	<u>244,453</u>
Net Position:			
Restricted	48,209	328,461	---
Total net position	<u>\$ 48,209</u>	<u>\$ 328,461</u>	<u>\$ ---</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	<u>Private</u>	<u>Employee</u>
	<u>Purpose Trusts</u>	<u>Benefit Trusts</u>
Additions:		
Interest	\$ 13	\$ 281
Gifts	36,138	---
Contributions to employee benefit trust	---	1,325,029
Total additions	<u>36,151</u>	<u>1,325,310</u>
Deductions:		
Trust fund disbursements	<u>23,365</u>	<u>1,262,644</u>
Change in net position	12,786	62,666
Net position - June 30, 2013	---	265,795
Prior period adjustment	<u>35,423</u>	<u>---</u>
Net position - June 30, 2013, as adjusted	<u>35,423</u>	<u>265,795</u>
Net position - June 30, 2014	<u>\$ 48,209</u>	<u>\$ 328,461</u>

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

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

A. Introduction

The Cedarburg School District is organized as a unified school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Cedarburg School District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Component Units

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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 nonmajor funds. The District reports the following major governmental funds:

General Fund - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

Capital Projects Fund – This fund accounts for the financial resources of the District to be used for capital expenditures related to buildings and sites.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund and for scholarships in a private purpose trust fund.

D. 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 property taxes is recognized in the fiscal year for which the taxes are levied. 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. Ninety days is used for governmental grant contracts due to delays in receiving governmental reimbursements on those contracts. Using ninety days minimizes the likelihood that any of the funds will unnecessarily reflect a deficit fund balance. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted resources 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.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The District's cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

F. Receivables and Payables

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Washington and Ozaukee County purchase the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

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

G. Interfund Transactions

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2014 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
None			
Due to/from:			
Operations	General	Capital Projects	\$ 275,000
Operations	General	Agency Fund	1,453
Operations	General	Employee Benefit Trust	<u>3,928</u>
			<u>\$ 280,381</u>

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 25,000	Straight-line	20 - 50 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

I. Net Position

The Government Accounting Standards Board (GASB) has established standards for reporting deferred outflows and inflows of resources and net position. Under GASB, the District classifies net position in the government wide financial statements as follows:

- Net Investment in Capital Assets – includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- Restricted Net Position – includes assets that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted Net Position – includes unrestricted liquid assets

The District applies restricted resources when expense is incurred for purposes for which both a restricted and unrestricted net position are available.

J. Fund Balances

The Government Accounting Standards Board (GASB) has defined the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. Fund Balances (Continued)

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the School Board has authorized the Director of Business Services to assign funds. The intent of the assigned funds may change with appropriate approvals as decided by the Director of Business Services.
- *Unassigned* - the residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Order of Fund Balance Spending Policy: The District has established the following order of spending when various funding sources exist: (1) Restricted, (2) Committed, (3) Assigned, (4) Unassigned.

K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Teachers are granted ten paid sick days per year, cumulative to seventy-five days. Non-teachers are granted up to ten sick days per year, cumulative to seventy-five days. Unused sick pay is not paid out upon retirement or termination of employment.

Unused accumulated employee vacation is paid out upon retirement or termination of employment. The District accrued that vacation and sick leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

The District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Other Assets

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represent payments made by the District for which benefits extend beyond June 30th and have not yet been earned by the recipient.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 11, 2014). Except for the information in Note 3 regarding short-term borrowing, there were no subsequent events that required recognition or disclosure.

2. Cash and Investments

Cash and equivalents and investments as shown on the District's statement of net position are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Petty cash	\$ 1,350	
Demand deposits	4,942,971	Custodial
Wisconsin Investment Series Cooperative	15,152	Interest rate and custodial
Local government investment pool	1,895	Custodial
Total cash and investments	\$ 4,961,368	

The District's cash and equivalents are reported in the financial statements as follows:

Statement of net position:	
Cash and investment	\$ 4,340,428
Statement of fiduciary net position:	
Cash and investment	620,940
Total cash and investments	\$ 4,961,368

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 statement as increases or decreases in investment income.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits and the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. 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 districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits and LGIP were \$4,944,866 at June 30, 2014 and the bank's carrying value was \$5,252,744, of which \$632,492 was fully insured and \$4,620,252 was collateralized by pledged securities. The District did not have deposits that were uninsured and uncollateralized. The District does not have a policy on custodial risk.

Custodial Risk – Investment: Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

2. Cash and Investments (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. All investments have a maturity date of less than one year.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

The LGIP does not have a credit quality rating. It is part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operated under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Funds invested in the LGIP are due to the District on demand. The District has relied on data provided by the LGIP for the valuation of pooled investments.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2014 are as follows:

<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>June 30, 2013</u>				<u>June 30, 2014</u>
\$	---	\$	2,500,000	\$
			2,500,000	---

The note was dated November 7, 2013 due March 27, 2014, with an interest rate of 1.0%. Interest for the year ended June 30, 2014 was \$9,722. The note was for general district operation. Subsequent to year end, a new note in the amount of \$2,500,000 was entered into.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

4. Capital Assets

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

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:				
Sites	\$ 339,600	\$ ---	\$ ---	339,600
Construction in progress	---	74,900	---	74,900
Capital assets being depreciated:				
Buildings and improvements	45,556,342	346,046	31,000	45,871,388
Equipment	4,105,649	230,584	99,188	4,237,045
Total capital assets being depreciated	49,661,991	576,630	130,188	50,108,433
Less accumulated depreciation	21,113,592	1,179,359	108,320	22,184,631
Total capital assets being depreciated, net of accumulated depreciation	<u>28,548,399</u>	<u>(602,729)</u>	<u>21,868</u>	<u>27,923,802</u>
Capital assets, net of accumulated depreciation	<u>\$ 28,887,999</u>	<u>\$ (527,829)</u>	<u>\$ 21,868</u>	<u>\$ 28,338,302</u>

All Depreciation expense was charged to unallocated depreciation.

5. Deferred Outflows of Resources

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65, in addition to assets, the statement of financial 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

6. Long-Term Liabilities

Long-term Liabilities of the District are as follows:

<u>Type</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>	Amounts due within <u>one year</u>
G.O. Bonds	\$ 14,820,000	\$ ---	\$ 1,580,000	\$ 13,240,000	\$ 1,610,000
Note Anticipation Note	390,000	---	125,000	265,000	130,000
Retirement stipends	315,695	99,596	294,367	120,924	---
Compensated absences	118,711	---	12,338	106,373	---
Total	<u>\$ 15,644,406</u>	<u>\$ 99,596</u>	<u>\$ 2,011,705</u>	<u>\$ 13,732,297</u>	<u>\$ 1,740,000</u>

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

6. Long-Term Liabilities (Continued)

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2014 on long-term liabilities was \$246,778 and \$228,029, respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

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

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2014</u>
\$2,690,000 G.O. Promissory note	7/1/08	4.3 – 5.35%	3/1/17	\$ 265,000
\$13,860,000 G.O. Refunding bond	12/4/12	0.35 – 2.85%	9/1/25	13,240,000
Total				<u>\$ 13,505,000</u>

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,097,306,419. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,097,306,419)	\$ 209,730,642
Deduct long-term debt applicable to debt margin	13,505,000
Margin of indebtedness	<u>\$ 196,225,642</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,740,000	\$ 189,995	\$ 1,929,995
2016	1,755,000	174,770	1,929,770
2017	1,775,000	155,735	1,930,735
2018	1,795,000	139,760	1,934,760
2019	1,815,000	119,118	1,934,118
2020-2024	4,390,000	207,200	4,597,200
2025-2029	235,000	6,698	241,698
Totals	<u>\$ 13,505,000</u>	<u>\$ 993,276</u>	<u>\$ 14,498,276</u>

Certain outstanding debt of the District has been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts. The principal and interest amounts in escrow provide cash flows sufficient to pay principal and interest of the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The balance of defeased bonds outstanding at June 30, 2014 is \$23,385,000.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

7. Excess of Actual Expenditures Over Budget in Individual Funds

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2014:

Fund 10:	
Vocational curriculum	\$ 1,672
Physical curriculum	1,993
Business administration	199,337
Central services	92,204
Insurance and judgments	4,235
Other support services	9,891
Fund 27:	
Co-curricular activities	684
Purchased instructional software	26,324

The excess expenditures were funded with existing fund balance.

8. Fund Balances

As of June 30, 2014, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Assets held for resale	\$ 1,506	\$ ---	\$ ---	\$ ---
Prepaid expense	68,007	---	---	---
Teacher bonus compensation	---	---	40,428	---
Special revenue trust	---	11,867	---	---
Food service:				
Prepaid expense	4,573	---	---	---
Food service program	---	314,003	---	---
Debt service	---	100,635	---	---
Community service	---	---	---	145,596
Total	\$ <u>74,086</u>	\$ <u>426,505</u>	\$ <u>40,428</u>	\$ <u>145,596</u>

The general fund has committed funds consisting of the unexpended portion of teacher bonus compensation and the corresponding benefits of \$40,428. The District will be using the committed amounts to cover teacher bonus compensation in future years.

The capital projects fund had a deficit fund balance at June 30, 2014 of \$275,000. This deficit will be financed through future revenues of the fund.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

9. Employee Retirement Plans

All eligible Cedarburg School District employees 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 1,200 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.

The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 for employee and employer were 6.65%; this increased to 7.0% in 2014.

The payroll for Cedarburg School District employees covered by the WRS for the year ended June 30, 2014 was \$16,955,777; the employer's total payroll was \$17,848,235. The total required contribution for the year ended June 30, 2014 was \$2,328,552, which consisted of \$1,164,276, or 6.9% of payroll from the employer and \$1,164,276, or 6.9% of payroll from employees. Total contributions for the year ending June 30, 2013 and 2012 were \$2,184,100 and \$1,972,560, 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. Final average earnings are the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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 are immediately vested. Participants who initially become a WRS member on or after July 1, 2011 must accrue five years of credible service to be vested in the WRS.

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 which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

10. Cedarburg School District Post-Employment Benefits

The following information conforms to the requirements of Governmental Accounting Standards Board (GASB).

Description of Plan

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other postemployment benefit (OPEB), the latter commonly referred to as an implicit rate subsidy.

Employees participating in the OPEB benefit consisted of the following at July 1, 2013 the date of the latest actuarial valuation:

Retirees	60
Active	<u>174</u>
Number of participating employees	<u>234</u>

The District also provides the superintendent and teachers who have met the age and years of service requirements with a stipend (supplemental pension) benefit upon their retirement.

Funding Policy

OPEB

The District is required to provide contributions on a pay-as-you-go basis. Active plan members are not required to contribute toward these benefits. The Board of Education has established an irrevocable Employee Benefit Trust for funding the other post-employment benefit liability. Payments are expended in the general fund and the revenue is recorded in the Employee Benefit Trust Fund. For the year ended June 30, 2014, the District contributed \$1,280,000 into the trust. For fiscal year 2014, the District paid \$779,316 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2014 in the amount of \$438,299.

Stipend (Supplemental Pension)

The District is required to provide contributions on a pay-as-you-go basis. Active plan members are not required to contribute toward these benefits. The District has not established a trust to fund these liabilities. For the year ended June 30, 2014, the District paid \$273,828 for the benefit of retirees.

Annual OPEB and Stipend Costs and Recognized Obligation

The District's annual other post-employment benefit (OPEB) and stipend costs (expenses) are calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

10. Cedarburg School District Post-Employment Benefits (Continued)

Annual OPEB and Stipend Costs and Recognized Obligation (Continued)

The following table shows the components of the District's annual OPEB and stipend costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB and stipend obligations:

	<u>OPEB</u>	<u>Stipend</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 1,288,800	\$ 83,812	\$ 1,372,612
Interest on net OPEB/stipend obligation	11,988	15,785	27,773
Adjustment to ARC	(20,070)	(20,540)	(40,610)
Annual OPEB/ stipend cost	1,280,718	79,057	1,359,775
Contributions made	(1,280,000)	(273,828)	(1,553,828)
Change in net OPEB/ stipend obligation	718	(194,771)	(194,053)
Net OPEB/stipend obligation – beginning of year	217,961	315,695	533,656
Net OPEB/stipend obligation – end of year	\$ 218,679	\$ 120,924	\$ 339,603

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 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,280,718	99%	\$ 218,679
2013	1,261,317	87%	217,961
2012	1,261,307	101%	53,744

The District's annual stipend (supplement pension costs), the percentage of annual supplemental pension costs contributed to the plan, and the net supplemental pension benefits obligation for the year ended June 30, 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Supplemental Pension Cost</u>	<u>Percentage of Annual Supplemental Pension Costs Contributed</u>	<u>Net Supplemental Pension Obligation</u>
2014	\$ 79,057	346%	\$ 120,924
2013	99,097	193%	315,695
2012	97,431	213%	407,391

Funding Status and Funding Progress

The funded status of the OPEB and stipend benefits as of the most recent actuarial valuation date (July 1, 2013) and schedule of employer contributions can be found in the required supplementary information.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

10. Cedarburg School District Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to 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.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/13
Actuarial cost method	Unit credit
Amortization method	17 (OPEB) and 30 (Stipend) year open level dollar
Remaining amortization period	17 years (OPEB), 30 years (Stipend)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.50% (OPEB), 5.00% (Stipend)
Medical care trend*	10.00% decreasing by 1.00% per year down to 5.00%
* implicit in this rate is an assumed rate of inflation of 4.00%	

11. Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This 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

12. Risk Management

The Cedarburg School 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.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

13. Commitments and Contingencies

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2014, are not likely to have a material adverse impact on the District's financial position.

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

14. Leases

The District leases multiple copiers. Payments on these leases for the year ended June 30, 2014 totaled \$95,467. Future minimum payments under this lease are as follows:

<u>Year Ended June 30,</u>	
2015	\$ 100,390
2016	50,053
2017	26,465
2018	13,233
	<u>\$ 190,141</u>

15. GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Government Accounting Standards Board has issued Statement No. 68 which will require the District to disclose their net pension (stipend) liability on their statement of net position, effective for the year ending June 30, 2015. GASB Statement No. 68 defines the liability as the difference between the total pension (stipend) liability and the value of assets set aside to pay benefits. This statement will have a material effect on the District's pension (stipend) liability compared to what is disclosed under current standards. As of June 30, 2014 the District's net pension (stipend) liability, as defined by GASB Statement No. 68 was \$825,478.

16. Prior-Period Adjustment

An adjustment of \$35,423 was made to increase June 30, 2013 net position of the Private Purpose Trust Fund. The adjustment was a result of the District transferring scholarship funds from the Agency Fund to establish the Private Purpose Trust Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Local	\$ 19,928,279	\$ 19,920,226	\$ 19,952,806	\$ 32,580
Interdistrict payments within Wisconsin	1,257,360	1,260,908	1,236,059	(24,849)
Intermediate sources	5,084	16,522	16,110	(412)
State	9,074,088	9,095,311	9,083,907	(11,404)
Federal	173,854	157,802	197,042	39,240
Other	38,100	38,100	89,793	51,693
Total revenues	<u>30,476,765</u>	<u>30,488,869</u>	<u>30,575,717</u>	86,848
Expenditures:				
Instruction:				
Current	15,474,202	15,586,808	15,405,720	181,088
Interdistrict	409,688	409,688	369,451	40,237
Capital outlay	29,242	29,242	29,842	(600)
Support Services:				
Current	11,005,524	11,044,541	11,192,326	(147,785)
Capital outlay	685,990	546,471	586,894	(40,423)
Debt service	37,000	37,000	11,647	25,353
Total expenditures	<u>27,641,646</u>	<u>27,653,750</u>	<u>27,595,880</u>	57,870
Excess of revenues over expenditures	<u>2,835,119</u>	<u>2,835,119</u>	<u>2,979,837</u>	144,718
Other Financing Uses:				
Operating transfers out	<u>(3,076,275)</u>	<u>(3,076,275)</u>	<u>(2,859,892)</u>	216,383
Total other financing uses	<u>(3,076,275)</u>	<u>(3,076,275)</u>	<u>(2,859,892)</u>	216,383
 Net change in fund balances	 (241,156)	 (241,156)	 119,945	 361,101
 Fund Balances - Beginning of year	 <u>7,254,434</u>	 <u>7,254,434</u>	 <u>7,254,434</u>	 ---
 Fund Balances - End of year	 <u>\$ 7,013,278</u>	 <u>\$ 7,013,278</u>	 <u>\$ 7,374,379</u>	 <u>\$ 361,101</u>

See Independent Auditors' Report

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Local	\$ 80	\$ 80	\$ 240	\$ 160
Interdistrict payments within Wisconsin	17,103	17,103	7,303	(9,800)
Intermediate sources	30,000	30,000	32,854	2,854
State	1,124,133	1,124,133	1,126,492	2,359
Federal	634,233	650,733	647,788	(2,945)
Total revenues	<u>1,805,549</u>	<u>1,822,049</u>	<u>1,814,677</u>	<u>(7,372)</u>
Expenditures:				
Instruction:				
Current	3,745,823	3,756,548	3,593,224	163,324
Support Services:				
Current	1,136,001	1,141,776	1,081,345	60,431
Total expenditures	<u>4,881,824</u>	<u>4,898,324</u>	<u>4,674,569</u>	<u>223,755</u>
Excess (deficiency) of revenues over expenditures	<u>(3,076,275)</u>	<u>(3,076,275)</u>	<u>(2,859,892)</u>	<u>216,383</u>
Other Financing Sources:				
Operating transfers in	3,076,275	3,076,275	2,859,892	(216,383)
Total other financing sources	<u>3,076,275</u>	<u>3,076,275</u>	<u>2,859,892</u>	<u>(216,383)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Post-Employment Healthcare</u>						
July 1, 2010	\$ 36,085	\$ 11,153,555	\$ 11,117,470	0.3%	\$ 18,431,232	60.3%
July 1, 2011	91,971	10,423,986	10,332,015	0.9%	17,959,944	57.5%
July 1, 2013	265,794	9,172,653	8,906,859	2.9%	17,848,235	49.9%
<u>Supplemental Pension</u>						
July 1, 2010	\$ ---	\$ 1,320,628	\$ 1,320,628	0.0%	\$ 18,431,232	7.2%
July 1, 2011	---	1,065,416	1,065,416	0.0%	17,959,944	5.9%
July 1, 2013	---	825,478	825,478	0.0%	17,848,235	4.6%

1. The data presented in this schedule was taken from the calculation prepared by the report issued by the actuary, except the covered payroll data which was supplied by the District.

Schedule of Employer Contributions

Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
<u>Post-Employment Healthcare</u>			
July 1, 2010	\$ 1,192,540	\$ 1,138,043	95.4%
July 1, 2011	1,262,060	1,262,060	100.0%
July 1, 2013	1,288,800	1,280,000	99.3%
<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
<u>Supplemental Pension</u>			
2009	N/A	N/A	N/A
2010	\$ 259,877	\$ 152,205	58.6%
2011	137,698	89,971	65.3%
2012	105,241	208,000	197.6%
2013	105,241	191,333	181.8%
2014	83,812	273,828	326.7%

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Required Supplemental Information
June 30, 2014

Note A – Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below.

	<u>General Fund</u>		<u>Special Education Fund</u>
Revenues			
Actual amounts (budgetary basis)	\$ 30,575,717	\$	1,814,677
Reclassification of special education	1,814,677		(1,814,677)
Total revenues (GAAP)	32,390,394		---
Expenditures			
Actual amounts (budgetary basis)	27,595,880		4,674,569
Reclassification of special education	4,674,569		(4,674,569)
Total expenditures (GAAP)	32,270,449		---
Excess of Revenues Over (Under) Expenditures			
Actual amounts (budgetary basis)	2,979,837		(2,859,892)
Reclassification of special education	(2,859,892)		2,859,892
Excess of revenues over (under) expenditures (GAAP)	119,945		---
Other Financing Sources (Uses)			
Actual amounts (budgetary basis)	(2,859,892)		2,859,892
Reclassification of special education	2,859,892		(2,859,892)
Total other financing sources (uses) (GAAP)	---		---
Net Change in Fund Balance			
Actual amounts (budgetary basis and GAAP)	119,945		---
Fund Balance – Beginning of year			
Actual amounts (budgetary basis and GAAP)	7,374,434		---
Fund Balance – End of year			
Actual amounts (budgetary basis and GAAP)	\$ 7,494,379	\$	---

See Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2014

	Special Revenue <u>Trust</u>	Debt <u>Service</u>	Food <u>Service</u>	Community <u>Service</u>	<u>Total</u>
Assets:					
Cash and investments	\$ 9,503	\$ 100,635	\$ 287,073	\$ 158,094	\$ 555,305
Accounts receivable	3,120	---	22,477	68	25,665
Due from other governments	---	---	5,298	---	5,298
Prepaid expense	---	---	4,573	---	4,573
Total assets	\$ 12,623	\$ 100,635	\$ 319,421	\$ 158,162	\$ 590,841
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 756	\$ ---	\$ 845	\$ 7,767	\$ 9,368
Withholdings and related fringes payable	---	---	---	577	577
Unearned revenues	---	---	---	4,222	4,222
Total liabilities	756	---	845	12,566	14,167
Fund Balances:					
Nonspendable	---	---	4,573	---	4,573
Restricted	11,867	100,635	314,003	---	426,505
Assigned	---	---	---	145,596	145,596
Total fund balances	11,867	100,635	318,576	145,596	576,674
 Total liabilities and fund balances	 \$ 12,623	 \$ 100,635	 \$ 319,421	 \$ 158,162	 \$ 590,841

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue <u>Trust</u>	Debt Service <u>Service</u>	Food Service <u>Service</u>	Community Service <u>Service</u>	<u>Total</u>
Revenues:					
Local	\$ 146,181	\$ 1,748,576	\$ 741,473	\$ 96,242	\$ 2,732,472
State	---	---	7,203	---	7,203
Federal	---	---	163,242	---	163,242
Other	3	---	439	207	649
Total revenues	146,184	1,748,576	912,357	96,449	2,903,566
 Expenditures:					
Instruction:					
Current	92,975	---	---	---	92,975
Capital outlay	34,794	---	---	---	34,794
Support Services:					
Current	6,858	---	841,408	105,674	953,940
Debt service	---	1,952,653	---	---	1,952,653
Total expenditures	134,627	1,952,653	841,408	105,674	3,034,362
Excess (deficiency) of revenues over expenditures	11,557	(204,077)	70,949	(9,225)	(130,796)
 Net change in fund balances	 11,557	 (204,077)	 70,949	 (9,225)	 (130,796)
 Fund Balances - Beginning of year	 310	 304,712	 247,627	 154,821	 707,470
 Fund Balances - End of year	 \$ 11,867	 \$ 100,635	 \$ 318,576	 \$ 145,596	 \$ 576,674

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/14</u>
Assets:				
Cash and investments	\$ 270,202	\$ 2,229,295	\$ 2,255,044	\$ 244,453
Liabilities:				
Due to student groups:				
Cedarburg High School	\$ 206,662	\$ 2,123,880	\$ 2,138,238	\$ 192,304
Webster Middle School	62,356	103,962	115,622	50,696
Due to other funds	1,184	1,453	1,184	1,453
Total liabilities	<u>\$ 270,202</u>	<u>\$ 2,229,295</u>	<u>\$ 2,255,044</u>	<u>\$ 244,453</u>

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2014

Awarding Agency	State	Accrued or		State	Accrued or
Pass-Through Agency	I.D.	(Unearned)		Disbursements/	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>
		<u>7/1/13</u>			<u>6/30/14</u>
Wisconsin Department of Public Instruction					
Special education and school-age parents **	255.101	\$ ---	\$ 1,119,658	\$ 1,119,658	\$ ---
State school lunch	255.102	---	7,203	7,203	---
Common school fund library aid	255.103	---	102,743	102,743	---
Pupil transportation	255.107	---	43,248	43,248	---
Per pupil adjustment aid	255.925	---	216,450	216,450	---
Equalization aids	255.201	164,824	9,545,581	9,530,120	149,363
High cost special education	255.210	---	6,834	6,834	---
Peer review and mentoring	255.301	5,022	5,022	---	---
Educator effectiveness grant	255.940	---	18,480	18,480	---
Passed through CESA 1:					
Transit special ed, school-age parents	255.101	10,057	42,911	32,854	---
Total Wisconsin Department of Public Instruction		179,903	11,108,130	11,077,590	149,363
Wisconsin Department of Workforce Development					
Passed through GPS Education Partners:					
Youth Apprenticeship Grant	445.112	---	900	900	---
Total state assistance		\$ 179,903	\$ 11,109,030	\$ 11,078,490	\$ 149,363

** total DPI aidable expenditures for the year ended June 30, 2014 were \$4,178,562.

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Awarding Agency	Federal	Accrued or			Accrued or
Pass-Through Agency	Catalog	(Unearned)	Revenue at	Federal	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>7/1/13</u>	<u>Receipts</u>	<u>Disbursements/</u>	<u>Revenue at</u>
				<u>Expenditures</u>	<u>6/30/14</u>
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
<i>Child Nutrition Cluster:</i>					
Donated Commodities	10.555	\$ ---	\$ 43,979	\$ 43,979	\$ ---
Food Service Aid - Lunch	10.555	5,064	119,588	119,263	4,739
<i>Total Child Nutrition Cluster</i>		<u>5,064</u>	<u>163,567</u>	<u>163,242</u>	<u>4,739</u>
Total U.S. Department of Agriculture		5,064	163,567	163,242	4,739
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Health Services:					
Medical Assistance program	93.778	---	184,441	216,002	31,561
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title II-A Teacher Principal Training	84.367	10,593	44,031	41,560	8,122
ESEA Title I-A Basic	84.010	16,886	81,035	79,313	15,164
<i>Special Education Cluster:</i>					
IDEA Preschool Entitlement	84.173	1,395	10,912	10,210	693
High Cost Special Education	84.027	---	25,902	25,902	---
IDEA Discretionary	84.027	1,000	1,000	---	---
IDEA Flow Through	84.027	101,009	570,039	471,842	2,812
<i>Total Special Education Cluster</i>		<u>103,404</u>	<u>607,853</u>	<u>507,954</u>	<u>3,505</u>
Passed through CESA #1:					
Title III Immigrant Children and Youth	84.365	---	5,736	5,736	---
Carl Perkins	84.048	1,116	10,590	9,474	---
Total U.S. Department of Education		<u>131,999</u>	<u>749,245</u>	<u>644,037</u>	<u>26,791</u>
Total Awards		<u>\$ 137,063</u>	<u>\$ 1,097,253</u>	<u>\$ 1,023,281</u>	<u>\$ 63,091</u>

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2014

1. General

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the School Board
Cedarburg School District
Cedarburg, Wisconsin

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cedarburg School District (the "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 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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.

Compliance and Other Matters

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

Purpose of this Report

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

November 11, 2014
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

To the School Board
Cedarburg School District
Cedarburg, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Cedarburg School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and State Single Audit Guidelines that that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State Single Audit Guidelines. Those standards, OMB Circular A-133 and State Single Audit Guidelines 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 a major federal or state program 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 major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major federal and state program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

November 11, 2014
Milwaukee, Wisconsin

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Prior Audit Findings
Year Ended June 30, 2014

No prior year audit findings.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

A. Summary of Auditors Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | No |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| A. Material weakness(es) identified: | No |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | No |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |
| 7. Identification of major programs: | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Child Nutrition Cluster:</u>
10.555	Donated Commodities
10.555	Food Service Aid - Lunch
93.778	Medical Assistance Program

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

A. Summary of Auditors Results (Continued)

State Awards

10. Internal control over financial reporting:

- | | |
|--|----|
| A. Material weakness identified | No |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | No |

11. Type of auditors' report issued on compliance for major programs: Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? No

13. Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School-Age Parents
255.103	Common School Fund Library Aid
255.107	Pupil Transportation
255.201	Equalization Aid
255.210	High Cost Special Education Aid
255.925	Per Pupil Adjustment Aid

B. Financial Statement Findings

None

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

C. Federal and State Award Findings and Questioned Costs

Finding 2014-001

Department: U.S. Department of Health and Human Services
Program Name: Medical Assistance Program
Federal ID Number: 93.778

Condition and Criteria: The District claimed reimbursement for transportation and psychological services for students without an Individual Education Program (IEP) for those services. In order to be reimbursed by Medicaid, all school-based services must be identified in the student's IEP.

Effect: Reimbursement was made for transportation services for four students and psychological services for one student whose IEP did not document the need for these services.

Questioned Costs: Transportation reimbursement of \$1,750 and psychological services reimbursement of \$41.

Cause: Transportation reimbursement occurred because the provider thought the student had an IEP for these services. The psychological services were billed at the recommendation of MJ Care.

Recommendation: When submitting claims for reimbursement verify the services are approved in an IEP.

District's Response: IEP's will be reviewed by the assigned Psychologist and Special Education secretary to ensure that services are approved before submitting claims for reimbursement. The District contact for DPI is the Director of Business Services at 262-376-6114.

Finding 2014-002

Department: United States Department of Education
Program Name: Child Nutrition Cluster
Federal ID Number: 10.555

Condition and Criteria: Federal award guidelines require auditors to ascertain if the required eligibility determinations were performed and the individual was determined to be eligible in accordance with the income eligibility guidelines published by the Wisconsin DPI. Per the DPI Eligibility Manual for School Meals, a district has the responsibility to verify for cause all questionable applications. For one out of the forty students sampled, the District was unable to provide support that additional verification procedures were performed on a questionable application.

Effect: The District is not in compliance with federal guidelines related to determining eligibility.

Questioned Costs: Undeterminable

Cause: The District did not conduct and document additional procedures to verify a questionable application. An application was submitted with both parents income listed and was properly denied. Five days later, the family submitted another application in which only one parent's income was listed. Both applications were retained by the District; however there is no indication that the District verified the second application was accurate.

Recommendation: We recommend that the District establish guidelines for verifying all questionable applications and that all supporting documentation used to determine if a student is eligible for free or reduced meals be retained.

District's Response: Specific guidelines have been written and will be followed by the Business Office secretary to ensure documentation for questionable applications is retained on file. The District contract for DPI is the Director of Business Services at 262-376-6114.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014
(Continued)

D. Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction Yes

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner _____
Carrie A. Gindt

5. Date of Report November 11, 2014