

Kenosha Unified School District No. 1

Financial and Process Assessment Services

Date of Review:
December 1, 2010 – January 7, 2011

Date of Report:
January 31, 2011

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SECTION 1

INTRODUCTION

To Dr. Michele Hancock
Superintendent of Schools
Kenosha Unified School District No. 1
Kenosha, Wisconsin

We have conducted an evaluation of the organizational finance structure for Kenosha Unified School District No. 1 ("District"). We have made certain inquiries and have obtained certain information with respect to financial and process assessment services as specified in this report, and we present our observations herein. A substantial amount of the information contained in this report and exhibits was furnished to us by the District's personnel, and we have not performed procedures to verify the accuracy or completeness of the data provided to us.

It is our understanding that this report and exhibits are solely for the benefit and use of the District. Our procedures were not planned or conducted in contemplation of reliance by any other party and this report is not intended to benefit or influence any other party. It is understood that this report will be a matter of public record as defined by the Wisconsin Public Records Law.

Our procedures did not include an evaluation of the District's internal controls or other aspects of its operations beyond the items specified herein. Our report and the exhibits do not constitute an audit, review, or examination of the historical and prospective financial information conducted in accordance with generally accepted auditing standards or with other standards established by the American Institute of Certified Public Accountants. Accordingly, we are unable to express an opinion or any other form of assurance with respect to any of the historical financial information or whether the prospective financial information is presented in conformity with AICPA presentation guidelines.

We want to thank the District management for their assistance and cooperation during the engagement. Engagement materials requested were supplied in a timely manner and the information was provided in a completed form. We appreciate this opportunity to be of service to the District.



Crowe Horwath LLP

Oak Brook, Illinois
January 31, 2011

SECTION 2

GLOSSARY OF TERMS

Kenosha Unified School District No. 1
Section 2: Glossary of Terms

Abbreviation

Description

Reporting Periods:

Fiscal year 2011

Year ending June 30, 2011

Fiscal year 2012

Year ending June 30, 2012

Legal Names:

Board..... Board of Education

District Kenosha Unified School District No. 1

General Terms:

Board Policy 3340 School Board Policy 3340, *Monies in the
School Buildings*

CDO Collateralized debt obligations

Fund 10 General Fund

Fund 20 Special Projects Fund

Fund 30 Debt Service Fund

Fund 70 Trust Funds

FTE..... Full-time equivalent employee

GASB Governmental Accounting Standards
Board

GASB 43 GASB Statement 43 – *Financial
Reporting for Postemployment Benefit
Plans Other Than Pension Plans*

GASB 45 GASB Statement 45 – *Accounting and
Financial Reporting by Employers for
Postemployment Benefits Other Than
Pensions*

OPEB Other post-employment benefits

SAF Manual Student Activity Funds Regulations and
Guidelines, dated November 2009

SECTION 3

EXECUTIVE SUMMARY

OVERVIEW OF ENGAGEMENT

We have conducted an evaluation of the organizational finance structure for Kenosha Unified School District No. 1 (the "District"). We have made certain inquiries and have obtained certain information with respect to financial and process assessment services. Specifically, we performed procedures related to the following areas, identified by Report Section:

- Section 4 - Debt refinancing: Evaluation of current debt issuances for potential refunding opportunities to lower the District's annual debt service payments.
- Section 5 - Professional contracts: Assessment of the future costs of current professional contracts.
- Section 6 - Athletic and activity funds: Evaluation of financial controls surrounding athletic and activity funds.
- Section 7 - OPEB liability: Analysis of the unfunded liability in connection with post-employment benefits.
- Section 8 - Structural deficit: Determination of the amount, if any, of the structural deficit and forecast of whether reserve funds will help close the existing gap.
- Section 9 - Board financial reports: Evaluation of the adequacy of the Board's reports for making financial decisions.
- Section 10 - Finance and Human Resources organizational structure: Assessment of the following related to the organizational structure of the District: staffing, structure, controls and procedures manuals, systems, training and tools, and outsourcing.

This report contains a section related to each procedure listed above. Each section lists the specific procedures taken in further detail, and identifies personnel interviewed and information analyzed. We included observations and recommendations in each section involving improvements to staffing, structure, procedures, and systems, based on both the findings from the procedures we performed and industry best practices.

SUMMARY OF OBSERVATIONS

During our review procedures, we identified several opportunities for the District to improve its processes and procedures. The procedures we performed resulted in approximately 45 observations that are described in each section in more detail. There are seven observations that we believe have a significant impact on District operations and we have provided a timeline that will require near-term action. These observations are summarized in the table beginning on the next page.

SUMMARY OF OBSERVATIONS (Continued)

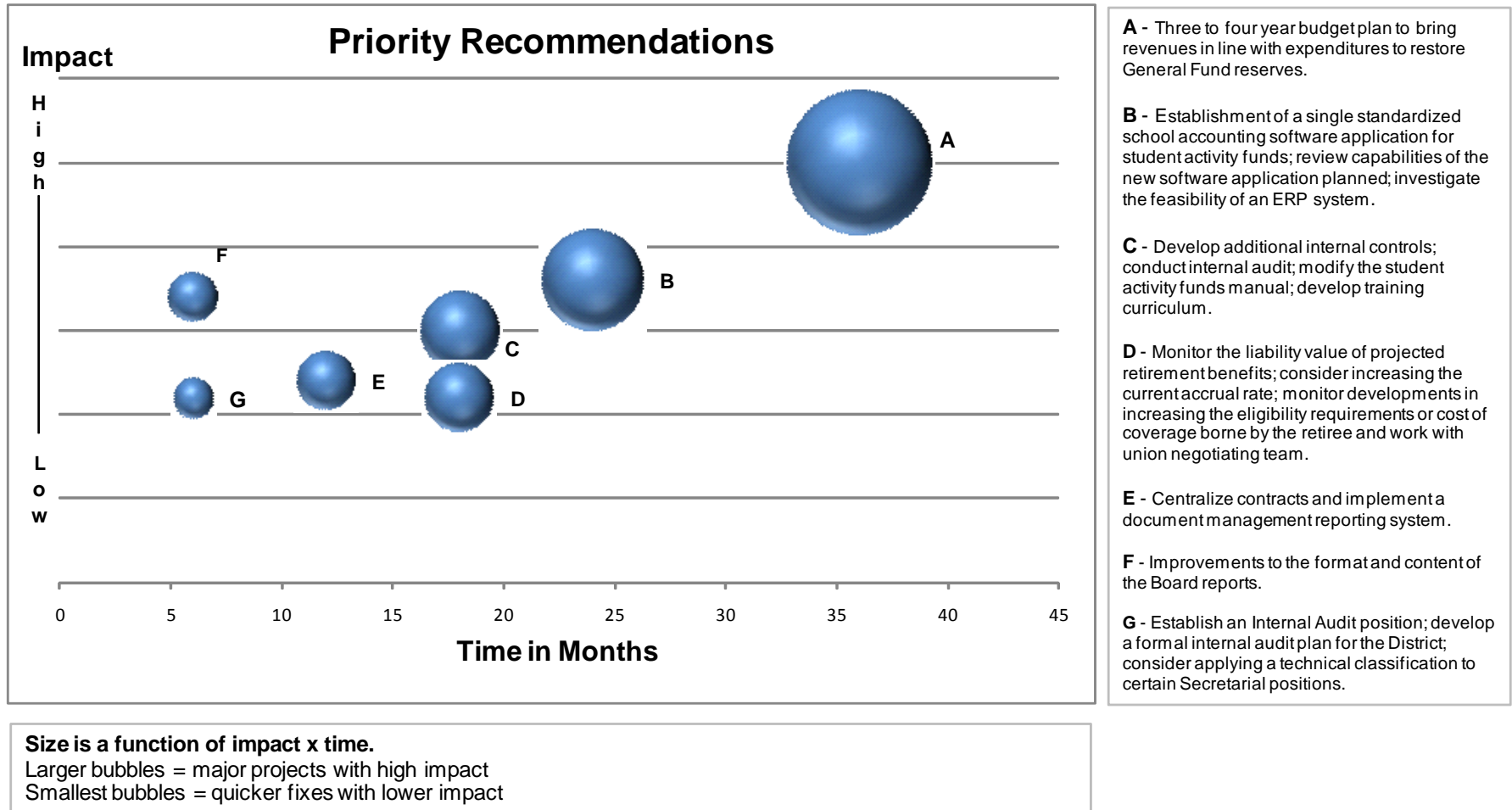
OBSERVATION	RECOMMENDATION
A. Structural Deficit	
For FY 2012, the loss of one-time federal stimulus funding, combined with contractual salary and benefits, plus other estimated cost increases, results in an estimated structural budget deficit of \$10.96 million, combined for the General and Special Projects Fund.	For budgeting purposes, the General Fund and Special Projects Fund must be considered as one fund due to the subsidy payment provided by the General Fund to fill revenue shortfalls in the Special Projects Fund. The District should develop a three to four year budget plan to bring revenues in line with expenditures and to restore General Fund reserves. An approximately 2% actual budget reduction followed by minimal (flat) growth for the next two to three years should allow the District to achieve structural balance, assuming state aid growth at current levels is maintained.
B & C. Athletic and Activity Funds	
Fundraising activities are not consistently being handled in accordance with Wisconsin Statutes, Board Policy, and the Student Activity Funds Manual and school staff personnel need training on the processes, policies and forms required to the various operational tasks.	Develop control procedures for reporting activities, cash receipts, and deposits; Conduct an annual internal audit review and analysis of thresholds and deposit schedules to determine if changes to Board Policy are appropriate; and Simplify the manual into operational friendly formats through summaries, checklists for key operational processes, and instructions for completing forms and develop training curriculum for secretaries and fund advisors.
A wide variety of accounting software applications are being utilized for tracking student activity accounts at schools. The array of systems increases the complexity of controls required and causes inefficiencies for District Finance when processing data. Also, personnel transferring between schools often need additional training on the software platform used at the school they are transferring to when platforms differ between schools.	Explore the establishment of a single school accounting software application to be used by all schools for student activity funds and balance sheet accounts; Conduct an annual internal audit review of the controls in place and the effectiveness of such controls related to the transfer of data between applications; Review the capabilities of the new software application it is planning to replace EPES with and investigate the feasibility of an enterprise resource system from a cost and efficiency standpoint.
D. OPEB Liability	
The present value of total projected retirement benefits exceeds \$300 million as of July 1, 2010. The assets that are earmarked for payment of this benefit are approximately \$5.5 million. The present liability value of total projected benefits presents a significant risk to future Boards and has the potential to negatively impact funding for programs that the Board and future Boards consider important to the District.	The Board should carefully monitor the liability value of projected benefits and consider increasing the current accrual rate to satisfy benefits paid on behalf of currently eligible retirees. Monitor developments in increasing the eligibility requirements or cost of coverage borne by the retiree and work with union negotiating team to consider the retiree benefits program as a component of future labor negotiations.

SUMMARY OF OBSERVATIONS (Continued)

OBSERVATION	RECOMMENDATION
E. Professional Contracts	
Contract management is decentralized and the District does not have the ability to track contracts by their terms in the current financial information system.	Centralize contract management and implement a document management and reporting system that allows for contracts to be analyzed for future costs and potential overlap of contract services.
F. Board Financial Reports	
Currently, the Board receives only summary level information on the District as a whole and is not receiving a report package which provides consolidated District and school financial information. The report is strictly financial in nature and does not provide an overall picture of the District's funding and uses from a financial and non-financial position.	Implement improvements to the content and format of information provided to the Board in the reports packet by providing the Board with both a consolidated District financial report and reports based on the location code for each school in the District on a quarterly basis. Additionally, provide fund, object and function level reports and expand the FTE reporting details. Finally, provide the Board with a semi-annual graphical summary of charts on performance.
G. Organizational Structure	
A potential conflict exists with respect to the Internal Controls Analyst position in the Finance area. Internal audit work is controlled by the organization responsible for many of the processes subject to audit, and there is no District plan for internal controls projects and no accountability for implementing recommended improvements. Also, certain Secretaries provide technology application training for school staff as well as Human Resources and Finance staff. These roles are not within the scope of a secretarial classification.	Establish an internal audit position reporting to the Superintendent for administrative purposes and to the Finance Committee of the Board for operational purposes and develop a formal internal audit plan to hold managers accountable for acting on audit recommendations. Additionally, consider options for differentiating Secretary positions engaged in work such as process development, system requirements definition, system change testing, and conducting training from those Secretarial positions engaged exclusively in routine transaction processing. The differentiation should focus on the technical aspects of the non-secretarial work performed by certain incumbents as distinct from administrative or supervisory roles and consideration should be given to whether a Technical classification would be appropriate.

OBSERVATIONS IMPACT AND TIMELINE

We have plotted the seven significant observations listed above in a chart to represent the impact of implementation of the recommendation to resolve an observation and the expected timeline to effectively address the matter. Please see the chart on the following page.



SUMMARY OF OBSERVATIONS (Continued)

Following is a brief summary of the overarching issues identified within each section of this report. Each section of this report provides further details on our observations and specific recommendations in each area.

Debt refinancing:

We evaluated the potential for the District to refinance outstanding bonds and concluded that there are no bonds currently outstanding that we are recommending at this time for refunding to achieve savings in the District's annual debt service payments. We recommend to the District that it work with its financial advisor to regularly monitor its currently outstanding bonds for opportunities to refund for savings in the future.

Professional contracts:

Although the District was unable to provide a comprehensive listing of professional contracts for us to use in assessing the District's future contractual obligations, we were able to identify opportunities for the District to improve its contract management procedures. We identified the centralization of document management and implementation of a document management system as key recommendations in this area.

Athletic and activity funds:

We interviewed various District staff and reviewed policies and procedures surrounding student activity funds and District fees assessed for student athletics and registration. We identified a need for clarification of the applicable policies related to collecting and accounting for student activities and District funds, and for training principals, fund advisors, and secretaries in these policies. We found that the amount of funds being held in school vaults and the timeliness of deposits of such funds was often not in compliance with established District guidelines. We suggested several opportunities for the District to tighten controls related to the handling of cash receipts and deposits at local schools. In addition, we noted that numerous software platforms are being used across the various schools, and that the District may benefit from consolidating the systems used into one District-wide enterprise resource system.

OPEB liability:

We noted that the District has a significant unfunded liability for promised retiree healthcare benefits. The present value of total projected benefits exceeds \$300 million as of July 1, 2010. The assets that are earmarked for payment of this benefit are approximately \$5.5 million. The Board should carefully monitor the liability and earmarked assets with the objective of closing the gap in funded levels through a reduction in the liability, growth in earmarked assets or a combination of the two. We noted that the \$5.5 million figure does not place any value on the collateralized debt obligations ("CDO") that were purchased by the District. The District is participating as a plaintiff in litigation along with other school districts in Wisconsin that purchased CDO investments with the hope of a favorable settlement or judgment that would have a material impact on the assets earmarked for payment of these benefits. The outcome, however, is difficult to predict at this point. The current amount the District accrues for providing retiree benefits (3.5% of active employees' compensation) is sufficient to satisfy the promised benefits paid on behalf of currently eligible retirees. The Board should at least maintain, and possibly consider increasing, the current accrual rate of 3.5% of compensation paid. Also, the subject of retiree benefits is an important topic for the District to consider in collective bargaining negotiations.

Structural deficit:

We identified that the District will have a deficit of approximately \$10.96 million based on the budget for fiscal year ending June 30, 2012, based on estimated expenditures and estimated State Aid and local property taxes that may be levied for that fiscal year. The structural deficit includes an increase in the transfer of General Fund (Fund 10) revenues of \$4.3 million to the Special Projects Fund (Fund 20) in order to cover the loss of one-time federal stimulus funding for fiscal year 2011.

SUMMARY OF OBSERVATIONS (Continued)

Board financial reports:

We reviewed the contents of the current financial reports packet, researched industry best practices for reporting, and obtained an understanding of what information would be beneficial for the Board to have in the future. We recommend that the District should consider modifying several of their reports and add additional reports to its current Board financial reports packet, many of which the District already has the reporting capabilities to generate. The additional reports will help the Board to obtain better visibility to financial and budgetary results on a school by school basis, including budget to actual results, the usage of FTEs, and building expenses incurred. In addition, we suggest additional information to be provided to the Board related to cash disbursements and insurance carrier considerations, in order for the Board to be involved in the approval and decision making process in these areas. Finally, we also suggest that the Board have visibility to the results of both the external and internal audit functions.

Finance and Human Resources organizational structure:

We considered the structure of the District's Finance and Human Resources organizations by interviewing several District personnel and reviewing organizational charts, policies and procedures, job descriptions, and other applicable materials. We noted that the Internal Controls Analyst does not have a defined position or structure for the internal audit process she is assigned with, leaving several aspects of the internal audit needs of the District unaddressed. We recommend the Internal Controls Analyst's role be clarified and segregation of duties in this area be specified in order for the District to realize the benefits of the internal audit function. We noted opportunities for coordinating the Finance and Human Resources budget processes in order to align the timing and improve efficiencies. Finally, we noted several areas where exception tracking should be implemented to ensure issues related to payroll processing and absence administration are properly identified and addressed.

PRIMARY CONTACTS

During our consulting engagement, we had discussions with and obtained information from the following key employees at the District:

- Dr. Michele Hancock – Superintendent of Schools
- Ms. Sheronda Glass - Assistant Superintendent of Business Services
- Ms. Martha Guterrez - Director of Human Resources
- Mr. Bill Johnston – Chief Financial Officer

We also interviewed and interacted with numerous other District personnel who are identified in the respective sections of the report.

SECTION 4

DEBT REFINANCING

SECTION CONTENTS

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DEBT REFINANCING OVERVIEW

We were engaged to complete an evaluation and create recommendations related to the District's outstanding debt and to determine whether there are any opportunities to create savings in debt service payments through refunding of outstanding debt. Debt is issued for both referendum approved and non-referendum debt. A referendum is required for all bond issues over \$1 million. However, debt can be issued without a referendum if the School Board approves a resolution during a regularly scheduled meeting requiring bond funds, and in the resolution specifies the date, time and place for a public hearing on whether or not a referendum is required within ten days of posting. If at the hearing no vote takes place and after 30 days following no petition is filled with the required 7,500 electors or 20% of district electors, no referendum is required.

Our evaluation was intended to examine the current debt obligations of the District to determine if there are any potential savings or recommendations. To determine if any potential savings are present, we examined the existing interest rates and debt structure against potential investment and bond interest rates in today's market.

We noted one observation during the performance of our procedures.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Requested and received transcripts and/or official statements for all of the debt obligations of the District for review.
2. Examined each transcript to determine if it is an original issue or a refunding issue, the term of the issue, whether it is eligible for current or advance refunding, and the source of revenue for debt service payments.
3. Compiled a combined debt service schedule for all of the debt of the District.

OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1. Refunding opportunities

Observation:

The District has very few outstanding bond issues that would be eligible for near-term refunding. This is because it has only one note and one bond issue outstanding that is not either the result of a previous refunding issue or a Certificate of indebtedness issued to the State of Wisconsin Board of Commissioners of Public Lands as part of pooled, state-sponsored financing. The one note that would be eligible for near-term refunding is the District's Taxable Note Anticipation Note of 2006. This note matures in September of 2011 and a replacement financing will be undertaken by the District this year. The outstanding bond issue that might be eligible for refunding is the District's General Obligation Bonds Series 2002C. This bond has an optional refunding (call) date of April 1, 2013 for all maturities beginning on or after April 1, 2014. The final maturity date of this issue is April 1, 2016.

The 2002C Bond could be advance refunded, a process whereby a new bond is issued and the proceeds of the new bond are placed in an irrevocable escrow fund and invested in U.S. Treasury State and Local Government Series (SLGS) to pay for refunded bonds on their call date. However, the cost of issuing a new bond compared with the interest earnings that may be received from the SLGS in today's market would not make this a cost-effective transaction.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Although the District's own refunding issues could be refunded, they can only be refunded if the bonds are tax-exempt and eligible for a current refunding, or if they are taxable and it is economically feasible. A current refunding means that the outstanding bonds, under their stated terms, can be called for redemption at, or soon thereafter, the closing date of the refunding issue.

Of the District's own refunding issues, there is one taxable issue that has an optional, current redemption date of April 1, 2013 for maturities beginning on or after April 1, 2014. If the District were to undertake a refunding, it would have to be an advance refunding as described above. After this issue, the earliest optional call date for the District's outstanding debt is April 1, 2019. As with tax-exempt advance refundings, the current interest rate environment shows a significant negative difference between investment interest rates and rates to be paid on new debt; therefore, an advance refunding would not be economical at this time.

Recommendation:

The District should ask its financial advisor to provide a regular update of market conditions to determine if an advance or current refunding of any outstanding bond issues controlled by the District is feasible. This is particularly true as outstanding bond issues approach their optional call date for a possible current refunding. In evaluating whether an issue should be refunded, the District should keep in mind that Government Finance Officers Association (GFOA) best practices recommend that an issue should be refunded when the present value of savings from the refunding issue's debt service payments and costs of issuance (compared to current and future debt service of the bond to be refunded) is at least 3% or more of the principal amount of bonds to be refunded. Other conditions exist whereby a refunding may be undertaken when the present value of savings is not at least 3%, and these conditions include a refunding to improve cash flow, or to free up a substantial amount of funds that may be held in a debt service reserve.

Kenosha Unified School District No. 1
Section 4: Debt Refinancing
Exhibit A: Long-Term Debt Retirement Schedule

Kenosha Unified School District No. 1 Long Term Debt Retirement Schedule - Calendar Year														
	Fund 31 \$11.21 M 8/15/2005 Mahone (Refinancing)	Fund 32 \$20.45 M 7/15/2009 ITA (Refinancing)	Fund 32 \$20.0 M 7/15/2009 ITA (BAB)	Fund 32 \$10.0 M ** 6/10/2010 EBSOLA (Bond)	Fund 33 \$14.725 M 12/10/2002 EBSOLA (Bond)	Fund 34 \$1.28 M 7/15/2009 Mahone (Refinancing)	Fund 35 \$21.0 M 2/1/2006 Nash (Bond)	Fund 37 \$35.815 M 1/1/2005 Pre 1993 Notes (Refinancing)	Fund 38 \$16.71 M 11/26/2002 Pension (Refinancing)	Fund 38 \$9.5 M 9/29/2006 OPEB (Note)	Fund 38 \$8 M 6/20/2007 Brass Site (Bond)	Fund 38 \$8.31 ** 6/10/2010 Reuther (BAB/QSCB/QZAB)	Totals	
2010														
Interest 10/1	267,825.00	491,093.75	800,000.00		198,325.00	28,053.13	475,956.25	318,625.00	296,305.00	265,050.00	#	160,368.75		3,301,601.88
2011														
Principal 4/1				160,000.00	175,000.00		440,000.00	6,260,000.00	1,050,000.00			295,000.00	552,000.00	* 8,932,000.00
Interest 4/1	267,825.00	491,093.75	401,777.78	323,698.63	198,325.00	28,053.13	475,956.25	318,625.00	296,305.00	265,050.00	#	160,368.75	268,993.00	3,496,071.29
Interest 10/1	267,825.00	491,093.75	520,000.00		194,825.00	28,053.13	467,156.25	162,125.00	272,155.00	220,875.00	##	154,100.00		2,778,208.13
2012														
Principal 4/1	310,000.00			87,000.00			1,020,000.00	6,485,000.00	1,175,000.00	9,500,000.00	##	305,000.00	637,000.00	* 19,519,000.00
Interest 4/1	267,825.00	491,093.75	520,000.00	95,647.12	194,825.00	28,053.13	467,156.25	162,125.00	272,155.00			154,100.00	119,486.00	2,772,466.25
Interest 10/1	262,012.50	491,093.75	520,000.00		194,825.00	28,053.13	446,756.25		244,542.50			147,237.50		2,334,520.63
2013														
Principal 4/1	2,790,000.00	2,130,000.00		475,000.00	2,200,000.00	140,000.00	660,000.00		1,300,000.00			320,000.00	798,000.00	* 10,813,000.00
Interest 4/1	262,012.50	491,093.75	520,000.00	(8,243.25)	194,825.00	28,053.13	446,756.25		244,542.50			147,237.50	35,265.00	2,361,542.38
Interest 10/1	206,212.50	448,493.75	520,000.00		145,325.00	25,603.13	433,556.25		213,667.50			140,037.50		2,132,895.63
2014														
Principal 4/1	2,670,000.00	2,225,000.00		500,000.00	2,300,000.00	* 145,000.00	845,000.00		1,450,000.00	*		335,000.00	816,000.00	* 11,286,000.00
Interest 4/1	206,212.50	448,493.75	520,000.00	(20,187.50)	145,325.00	25,603.13	433,556.25		213,667.50			140,037.50	17,854.00	2,130,562.13
Interest 10/1	137,793.75	401,212.50	520,000.00		95,012.50	22,703.13	416,656.25		178,505.00			132,500.00		1,904,383.13
2015														
Principal 4/1	2,870,000.00	2,120,000.00		500,000.00	2,350,000.00	* 150,000.00	910,000.00		1,625,000.00	*		345,000.00	827,000.00	* 11,697,000.00
Interest 4/1	137,793.75	401,212.50	520,000.00	(21,250.00)	95,012.50	22,703.13	416,656.25		178,505.00			132,500.00	5,764.00	1,888,897.13
Interest 10/1	64,250.00	353,512.50	520,000.00		43,312.50	19,703.13	398,456.25		138,286.25			124,737.50		1,662,258.13
2016														
Principal 4/1	2,570,000.00			1,950,000.00	* 1,925,000.00	* 155,000.00	1,940,000.00		1,800,000.00	*		360,000.00	838,000.00	* 11,538,000.00
Interest 4/1	64,250.00	353,512.50	520,000.00	(20,295.44)	43,312.50	19,703.13	398,456.25		138,286.25			124,737.50	(5,514.00)	1,636,448.69
Interest 10/1		353,512.50	520,000.00			16,312.50	349,956.25		92,836.25			116,637.50		1,449,255.00
2017														
Principal 4/1				2,050,000.00	* (83,829.56)	160,000.00	1,465,000.00	* 349,956.25	1,975,000.00	*		380,000.00	853,000.00	* 6,883,000.00
Interest 4/1		353,512.50	520,000.00			16,312.50			92,836.25			116,637.50	(18,044.00)	1,347,381.44
Interest 10/1		353,512.50	520,000.00			12,712.50	313,331.25		42,967.50			108,087.50		1,350,611.25
2018														
Principal 4/1				2,125,000.00	* (83,725.00)	170,000.00	1,410,000.00	* 313,331.25	1,685,000.00	*		395,000.00	873,000.00	* 6,658,000.00
Interest 4/1		353,512.50	520,000.00			12,712.50			42,967.50			108,087.50	(28,075.00)	1,238,811.25
Interest 10/1		353,512.50	520,000.00			8,781.25	278,081.25					99,693.75		1,260,068.75

Kenosha Unified School District No. 1
Section 4: Debt Refinancing
Exhibit A: Long-Term Debt Retirement Schedule

Kenosha Unified School District No. 1													
Long Term Debt Retirement Schedule - Calendar Year													
Fund 31	Fund 32	Fund 32	Fund 32	Fund 33	Fund 34	Fund 35	Fund 37	Fund 38	Fund 38	Fund 38	Fund 38	Fund 38	
\$11.21 M	\$20.45 M	\$20.0 M	\$10.0 M **	\$14.725 M	\$1.28 M	\$21.0 M	\$35.815 M	\$16.71 M	\$9.5 M	\$8 M	\$8.31 **		
8/15/2005	7/15/2009	7/15/2009	6/10/2010	12/10/2002	7/15/2009	2/1/2006	1/1/2005	11/26/2002	9/29/2006	6/20/2007	6/10/2010	Totals	
Mahone	ITA	ITA	EBSOLA	EBSOLA	Mahone	Nash	Pre 1993 Notes	Pension	OPEB	Brass Site	Reuther		
(Refinancing)	(Refinancing)	(BAB)	(Bond)	(Bond)	(Refinancing)	(Bond)	(Refinancing)	(Refinancing)	(Note)	(Bond)	(BAB/QSCB/QZAB)		
2019													
Principal 4/1			2,153,000.00 *		175,000.00	1,450,000.00 *				415,000.00 *	887,000.00 *	5,080,000.00	
Interest 4/1	353,512.50	520,000.00	(90,312.50)		8,781.25	278,081.25				99,693.75	(37,103.00)	1,132,653.25	
Interest 10/1	353,512.50	520,000.00			4,625.00	241,831.25				90,875.00		1,210,843.75	
2020													
Principal 4/1	2,560,000.00 *				185,000.00	1,520,000.00 *				435,000.00 *	1,229,000.00 *	5,929,000.00	
Interest 4/1	353,512.50	520,000.00	(91,502.50)		4,625.00	241,831.25				90,875.00	(37,554.00)	1,081,787.25	
Interest 10/1	289,512.50	520,000.00				203,831.25				81,631.25		1,094,975.00	
2021													
Principal 4/1	2,910,000.00 *					1,595,000.00 *				455,000.00 *		4,960,000.00	
Interest 4/1	289,512.50	520,000.00				203,831.25				81,631.25	(52,376.00)	1,042,599.00	
Interest 10/1	216,762.50	520,000.00				165,950.00				71,962.50		974,675.00	
2022													
Principal 4/1	3,060,000.00 *					1,670,000.00 *				475,000.00 *		5,205,000.00	
Interest 4/1	216,762.50	520,000.00				165,950.00				71,962.50		974,675.00	
Interest 10/1	140,262.50	520,000.00				126,287.50				61,571.88		848,121.88	
2023													
Principal 4/1	3,220,000.00 *					1,755,000.00 *				500,000.00 *		5,475,000.00	
Interest 4/1	140,262.50	520,000.00				126,287.50				61,571.88		848,121.88	
Interest 10/1	57,750.00	520,000.00				84,606.25				50,634.38		712,990.63	
2024													
Principal 4/1	2,200,000.00 *	1,210,000.00 *				1,840,000.00 *				525,000.00 *		5,775,000.00	
Interest 4/1	57,750.00	520,000.00				84,606.25				50,634.38		712,990.63	
Interest 10/1		471,600.00				40,906.25				39,150.00		551,656.25	
2025													
Principal 4/1		3,430,000.00 *				1,925,000.00 *				550,000.00 *		5,905,000.00	
Interest 4/1		471,600.00				40,906.25				39,150.00		551,656.25	
Interest 10/1		351,340.00								26,775.00		378,115.00	

Kenosha Unified School District No. 1
Section 4: Debt Refinancing
Exhibit A: Long-Term Debt Retirement Schedule

Kenosha Unified School District No. 1 Long Term Debt Retirement Schedule - Calendar Year													
	Fund 31 \$11.21 M 8/15/2005	Fund 32 \$20.45 M 7/15/2009	Fund 32 \$20.0 M 7/15/2009	Fund 32 \$10.0 M ** 6/10/2010	Fund 33 \$14.725 M 12/10/2002	Fund 34 \$1.28 M 7/15/2009	Fund 35 \$21.0 M 2/1/2006	Fund 37 \$35.815 M 1/1/2005	Fund 38 \$16.71 M 11/26/2002	Fund 38 \$9.5 M 9/29/2006	Fund 38 \$8 M 6/20/2007	Fund 38 \$8.31 ** 6/10/2010	Totals
	Mahone (Refinancing)	ITA (Refinancing)	ITA (BAB)	EBSOLA (Bond)	EBSOLA (Bond)	Mahone (Refinancing)	Nash (Bond)	Pre 1993 Notes (Refinancing)	Pension (Refinancing)	OPEB (Note)	Brass Site (Bond)	Reuther (BAB/QSCB/QZAB)	
2026													
Principal 4/1			3,600,000.00	*							580,000.00	*	4,180,000.00
Interest 4/1			351,340.00								26,775.00		378,115.00
Interest 10/1			255,360.00								13,725.00		269,085.00
2027													
Principal 4/1			3,755,000.00	*							610,000.00	*	4,365,000.00
Interest 4/1			255,360.00								13,725.00		269,085.00
Interest 10/1			155,560.00										155,560.00
2028													
Principal 4/1			3,920,000.00	*									3,920,000.00
Interest 4/1			155,560.00										155,560.00
Interest 10/1			51,330.00										51,330.00
2029													
Principal 4/1			4,085,000.00	*									4,085,000.00
Interest 4/1			51,330.00										51,330.00
Interest 10/1			(57,190.00)										(57,190.00)
2030													
Principal 4/1													0.00
Interest 4/1			(57,190.00)										(57,190.00)
Interest 10/1													0.00
Totals:													
Principal	11,210,000.00	20,425,000.00	20,000,000.00	10,000,000.00	8,950,000.00	1,280,000.00	20,445,000.00	12,745,000.00	12,060,000.00	9,500,000.00	7,280,000.00	8,310,000.00	142,205,000.00
Interest	2,411,837.50	9,589,675.00	17,177,777.78	0.00	1,743,250.00	389,200.06	8,886,637.50	961,500.00	2,958,530.00	750,975.00	3,239,450.02	268,696.00	48,377,528.86

Note: This debt service is callable and can be pre-paid on the first date eligible (see the *)

The debt service payments on the Fund 38 OPEB Notes will be made from the General Fund (see the #) with the last payment made on September 1, 2011 (see the ##)

These loans obtained from the State Trust Fund and the annual debt service and interest payment is due March 15th of each year (see the **)

SECTION 5

PROFESSIONAL CONTRACTS

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PROFESSIONAL CONTRACTS OVERVIEW

We attempted to conduct a review of the District's professional contracts with the objective of evaluating future costs of contracted services. The District was unable to provide a comprehensive listing of its professional contracts. While we could not accomplish the original objective within the scope and schedule of the engagement, we did obtain an understanding of purchasing procedures and controls surrounding contracts, in order to be able to comment on potential improvements in this area.

One observation was noted during this review.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Performed reviews of the District's procurement policies and procedures.
2. Performed reviews of the District's current professional contracts.
3. Discussed a draft listing of one-year contracts with District staff.
4. Held meetings on December 15, 2010, to discuss the availability of professional contracts data.
 - District meeting attendees follow: Mr. Johnston and Mr. Robert Hoffer, Purchasing Agent
5. Held a meeting on December 16, 2010, to discuss the professional contracts data availability.
 - District meeting attendees follow: Ms. Glass

OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1. Professional contracts reporting

Observation:

The District does not have a listing of current professional contracts with vendor names, start/end dates, contract terms, descriptions of service, and amounts. Therefore, we were unable to evaluate the future costs of contracted services.

Schools are provided with contracting authority without requiring the approval of District Purchasing and Finance. Consequently, not all contracts are managed in a centralized location. Furthermore, the District does not currently have the ability within its current financial information system to track the contracts it is aware of by terms. Instead, all contracts that the District maintains centrally are included on a shared folder on the network.

The District indicated that it is currently evaluating the implementation of a document management system, which will ultimately be dependent on integration of such a module with the District's financial system.

(See also Athletic and Activities Fund, Section 6 - Observation No. 6 and Finance Organizational Structure, Section 10, Observation No. 7)

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Recommendation:

We recommend that the District centralize its contract management by requiring all contract procurements to flow through District Purchasing and Finance for review and approval, in order to ensure compliance with District purchasing requirements and to monitor contract performance and payments.

The District should implement a document management system or reporting function that will enable management to develop reports listing all professional contract vendors, contract start/end dates, contract terms, descriptions of service, contract amounts and year-to-date contract expenditures. This will allow management to analyze contracts by vendor or amount and will also allow the District to analyze future contract costs and potential overlaps of contracted services.

SECTION 6

ATHLETIC AND ACTIVITY FUNDS

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ATHLETIC AND ACTIVITY FUND OVERVIEW

We conducted a review of the District's Athletic and Activity Fund with the objective of evaluating specific financial controls.

This report provides a summary of the observations and recommendations from our review. We noted 13 observations during the performance of our procedures.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Held entrance meetings on December 6, 2010, to discuss the structure of the Athletic and Activity Fund, to introduce the Crowe review team and the District finance and Athletic and Activity Fund personnel, and to gain an understanding of the current Athletic and Activity Fund administration environment.

District meeting attendees included the following: Ms. Glass, Mr. Johnston, and Ms. Heather Kraueter, Internal Controls Analyst.

2. Reviewed the current District Athletic and Activity Funds guidelines/manual.
3. Obtained the policies and procedures pertaining to student activity funds describing current deposit, disbursement, reconciliation and reporting procedures. Assessed these policies and procedures for alignment with District and Board policy, and evaluated whether internal controls exist to provide reasonable assurance that issues of noncompliance or fraud would be detected.
4. Reviewed a listing of all Athletic and Activity Funds currently in use, identifying the name of the faculty or staff member responsible for each fund
5. Reviewed a student activity report listing the balance of each individual activity fund as of June 30, 2010, receipts and disbursements from July 1, 2010 through October 31, 2010, and the balance as of October 31, 2010.
6. Conducted interviews with eight District staff that were assigned cash handling responsibility for various activity funds, in order to gain an understanding of processes in place and to gather clarification regarding existing policies and practices. We noted any departures from the District's deposit, disbursement, reconciliation and reporting policies and procedures.
7. Conducted interviews with various school fund advisors that are responsible for cash handling for eight different activity funds, in order to gain an understanding of processes in place and to clarify existing policies and practices. We noted any departures from the District's deposit, disbursement, reconciliation and reporting policies and procedures.
8. Performed a walkthrough of receipt and disbursement transactions for three different schools on the Athletic and Activity Funds of the District to assess alignment with District and Board policy and the existence of internal controls to provide reasonable assurance that issues of noncompliance or fraud would be detected.

REVIEW PROCEDURES (Continued)

9. Performed a walkthrough of receipt and disbursement transactions with two fund advisors of Athletic and Activity Funds of the District to assess alignment with District and Board policy and the existence of internal controls to provide reasonable assurance that issues of noncompliance or fraud would be detected.
10. Held an exit conference on January 7, 2011, to discuss observations noted, and to validate the factual nature of data collected and the related observations.

District meeting attendees included the following: Ms. Glass, Mr. Johnston.

OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1. Activity funds account authorization and allocation

Observation:

The budget, authorization, and allocation of the registration base fee and athletic activity, which are components of the District's Activity Funds, are not clearly presented to the school staff maintaining the funds, Board members, or District office staff. Staff at each of these levels also indicated to us during interviews that parents have reported concerns over not clearly understanding the policies and uses for the fees assessed for the funds.

The District's Activity Funds, which includes the registration base fee and athletic activity fee components, is part of the annual discretionary budget development process. Information detailing the budget, authorization, and allocation process of the District's Activity Funds is distributed across guidance manuals, and inter-office communications, but is not compiled in a comprehensive document that provides a clear overview of the process as a whole.

The local school staff that is processing fees does not have knowledge of the full process under which student fees are allocated to the school's budget. For example, staff is not aware that the discretionary funds received by the school from registration base fees are allocated to the schools based on the Third Friday Head Count and the General Fund absorbs the difference between the school allocation and uncollected fees. . Also, school staff is not aware of the reasons why deposits of activity funds must be first processed under the District account, followed by a request from the school to the District to receive the funds. These factors cause some school staff to circumvent the prescribed procedures and to post the funds directly to the school. Because staff does not understand the reason for the additional postings and requests, they erroneously believe that the simplification of the process is more efficient and allows more funds to stay within the school.

Recommendation:

We recommend that the District provide a detailed accounting of budget to actual performance of the Discretionary Funds in the Board Financial Reports of the discretionary budget allocations, which includes the registration base fee and athletic activity fee components of the District's Activity Funds and list each school's budget to actual report performance for the District Activity Funds.

The District should also prepare a comprehensive overview document that describes the budget authorization and allocation process of the District's Activity Funds, which includes the registration base fee and athletic activity fee components in the discretionary budget (example provided in **Exhibit A**), and provide this document to the principal and secretaries at each school. This document should provide process flow charts of District Activity fees to show how fees are processed and how fees flow to the schools. Also, the District should instruct principals to share the details of the discretionary budget that is supplied to them with the secretarial staff that are maintaining the funds.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 1. Activity funds account authorization and allocation (Continued)

We recommend providing refresher instructions on budgeting components for principals that have been in their position for a few years, as principals usually receive such instructions only when they are new administrators.

Finally, we recommend that the District implement controls for review and approval of journal entries and for the supporting documentation required for each entry, in order to ensure fees are properly accounted for and to reduce the risk of fraud or errors.

Observation No. 2 Fundraising activities

Observation:

Fundraising activities within school districts are governed by:

- Wisconsin Statute Section 103.23 – Minor student involvement in fundraising activities
- Wisconsin Statute Section 118.112 – Sales/promotions on school premises
- Wisconsin Statute Section 118.113 – Student discrimination prohibited
- Wisconsin Statute Section 118.127 – Acceptance of gifts to the schools
- Wisconsin Statute Chapter 440, Subchapter II – Solicitation of funds for charitable purposes
- Wisconsin Administrative Code, PI 9.03(1) – Student nondiscrimination requirements
- Board Policy 1212 – Provision of printed materials in non-English language version
- Board Policy 1330 – Facilities use
- Board Policy 1400 – Gifts, Grants and Bequests
- Board Policy 1410 – Free Materials
- Board Policy 1500 – Public Solicitations/Fundraising
- Board Policy 1510 – Advertising/Promotions in Schools
- Board Policy 1520 – Distribution of Materials and Literature to Students
- Board Policy 1600 – Visitors
- Board Policy 3321 – Student Activity Funds
- Board Policy 6740 – Fundraising Permission Form
- Board Policy 6740 – Student Fund Raising Activities
- Board Policy 6741 – Raffles

During our interviews we were informed that parents often conduct fundraising activities in school buildings without permission of the respective school principal or oversight of the District to ensure District policies are adhered to.

Requests for activities to raise funds are being handled through informal processes including verbal agreements between the principals and advisors and e-mails from the principals to the secretaries responsible for accounting and reporting on the fundraising activities.

Funds are not processed through the schools consistently for fundraising activities. Purchases are occasionally made independently by parents who are conducting fundraising activities and then “donated” to the school or clubs directly by the parents, without any school accountability for the activities or the funds. These instances are exclusive of any Parent-Teacher Association activities.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 2 Fundraising activities (Continued)

Recommendation:

We recommend that the District enforce the statutes and policies related to fundraising and donations. This requires any fundraising in the name of the District or any individual school or department to be conducted with the knowledge and approval of the Superintendent of Schools (or designee) and in accordance with District policy and Wisconsin statutes (see **Exhibits B and C**).

Also, the District should implement controls requiring all funds received or disbursed to be associated with an approved fundraising permission form, in order to ensure any fundraising activity within an individual school building has the approval of the principal. This will also help to ensure that the funds raised for the benefit of school groups or organizations, or for school activities that are subsidized by District funds, are maintained by the District Business Office and disbursed in accordance with established procedures.

Finally, we recommend that the District conduct an annual internal audit review of compliance with fundraising activity policies and consider addressing non-compliance through performance reviews.

Observation No. 3 Cash collections

Observation:

Procedures within the Student Activity Funds Regulations and Guidelines dated November 2009 ("SAF Manual") for cash receipts of student activity funds are not consistently adhered to, as evidenced by the following:

- Funds that have not been counted are submitted to secretaries by fund advisors.
- Money raised by student activities is not being properly receipted and deposited at the local school offices on the date of receipt.
- A student identification number is not being applied on all checks received.
- The back of each check is not being stamped "For Deposit Only" on the endorsement line.
- Cash and checks are not being submitted in sealed District issued deposit bags.
- Bank deposit slips or internal District deposit slips are not being submitted with cash receipts.
- Supporting documentation for cash collections that provides the source and amount of the money collected is not being provided by Fund Advisors when funds are submitted to the school office.
- Receipts are not consistently provided in return for cash received from students, parents, or others.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 3 Cash collections (Continued)

Recommendation:

We recommend that the District enforce the requirements for cash receipts and deposits as stated in the SAF Manual. The District could implement this by developing a checklist for students and advisors to adhere to when receiving cash and checks for student activity funds. Also, the District should develop a checklist for each school's office to adhere to when receiving cash for student activity funds.

In addition, the District should develop control procedures for reporting activities and daily cash collections. We suggest that management maintains a log of all active fundraising activities and daily cash collections, to give the District visibility to the activities taking place and the ability to monitor compliance with timely remittances of cash.

Observation No. 4 Cash deposits and safeguards

Observation:

Not all money raised by student activities is being properly receipted and deposited at the school office on the same day received as required by the SAF Manual, nor is all money deposited in accordance with School Board Policy 3340, *Monies in the Schools Buildings*.

- Cash collected for student activities of more than \$250 is held by fund advisors and not deposited timely or secured appropriately. Cash is being held by fund advisors for as long as two weeks without being safeguarded in the school's vault. Funds from student activity fundraising are frequently locked in drawers and cash bags that are not put in the school's vaults.
- In some instances, individual student activity funds or clubs hold funds in their own safes; however, these funds are often in excess of the depository requirements established by the Board.
- Secretaries who are responsible for safeguarding cash are unable to ensure that cash and checks collected are appropriately safeguarded until advisors choose to notify the secretary of receipt of the funds or to submit the funds collected to the secretary. In addition, secretaries often received funds from advisors and place the monies in the school's vault without first accounting for the funds or reviewing supporting documentation.
- Bank deposits are occurring at an average frequency of twice a week. The average deposits of some schools are as great as \$2,000. Deposits should be made more frequently when the volume of collections is high.
- The guards who typically come by the schools to pick up deposits twice a week during the rest of the school year are not available to accept and transport cash deposits to the bank during registration at the beginning of the school year.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 4 Cash deposits and safeguards (Continued)

- Current thresholds established by Board Policy 3340 requiring monies collected in excess of \$250 to be deposited within 24 hours in designated depositories and monies in excess of \$200 to not be left in the schools or departments over the weekend are not being followed. The volume of funds collected, school depository schedules, and procedures that schools have established are not consistent with the requirements. In addition, the policies in the SAF Manual and Board policy 3340 conflict. The SAF Manual establishes a threshold of \$200 for deposits, with a minimum of one deposit per week, and Board Policy 3340 establishes monies in excess of \$250 as a depository threshold.

Recommendation:

We recommend that the District enforce the requirements for cash receipts and deposits as stated in the SAF Manual and Board Policy 3340. This should include developing procedures for recording cash collections received for deposit, such as maintaining a log of all daily submissions that are occurring and deposits made. This will allow the district to ensure that all money raised by student activities is being properly receipted and deposited at the school office on the same day received as required by the SAF Manual and Board Policy 3340.

In addition, the District should establish procedures for after hours deposits to safeguard cash and checks collected under special circumstances and for concession activities that regularly occur outside of normal operating hours.

The District should revise the SAF Manual to provide examples of proper supporting documentation for collections and a sample completed deposit slip which shows where to annotate the purpose of deposit.

Also, the District should conduct an annual internal audit review and analysis of daily, weekly, monthly, and annual cash collections in order to evaluate and establish appropriate thresholds and deposit schedules. The District should compare the results of this internal audit to established Board Policy on an annual basis to determine if changes to Board Policy are appropriate.

Finally, the District should correct the inconsistency between the SAF Manual and Board Policy 3340 to align or correct the depository thresholds as necessary.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 5 Segregation of duties

Observation:

Secretaries that are performing bookkeeping functions and responsible for making deposits, are acting as fund advisors, who are responsible for supervising activities and collection cash for student clubs or organizations.

The process for submitting deposits varies throughout the different schools, and the procedures specified in the SAF Manual are not consistently followed. The SAF Manual states, "all cash collections require two signatures – the individual collecting and handling the money, and the individual recording the money." Deposits are not consistently being submitted to secretaries in sealed envelopes with an accounting of the funds for deposit and dual signatures as specified in the SAF Manual. This results in secretaries both accounting for the cash and preparing the deposit.

Recommendation:

We recommend that the District require all cash collections to be signed off by fund advisors and the signed off collection forms be submitted to Finance along with the proof of deposit. Finance should review deposits and the supporting accountings.

We suggest that the District amend the SAF Manual to clarify that secretaries performing bookkeeping functions should not act as fund advisors, in order to maintain segregation of duties.

Also, we recommend that the District require schools to submit cash collection logs, along with student fund activity reconciliations, to the District Finance office on a monthly basis. Cash collection logs should include the signatures of the individual collecting and handling the money and the individual recording the money. Internal Audit should review for dual signatures to ensure that proper segregation of duties is occurring, and District Finance should be notified in instances where accounting sign offs and deposits do not support proper segregation of duties.

Observation No. 6 Expenditures

Observation:

The SAF Manual requires that schools obtain approval by District Finance for purchases of items over \$1,000. However, schools may circumvent this requirement by issuing numerous smaller purchase orders to the same vendor, which in total may be greater than \$1,000, in order to avoid exceeding the threshold for approval. The SAF Manual is not clear as to whether or not approval by the District is required when multiple purchase orders over \$1,000 to the same vendor or for the same item total are made.

Schools have the authority to enter into contracts without first obtaining the approval of District Purchasing and Finance. Therefore, not all contracts are managed in a centralized location or brought to the attention of the District in a timely fashion.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 6 Expenditures (Continued)

Recommendation:

We recommend that the District conduct an annual internal review of expenditures from student activity accounts. Specifically, the District should review purchasing activity by vendor and date for possible violations of the purchase order approval threshold. In addition, the District should consider revising the SAF Manual to require approval by District Finance of multiple purchases to the same vendor that amount to greater than \$1,000 within a certain timeframe.

We suggest that the District centralize contract management by requiring all contract procurements to be reviewed and approved by District Purchasing and Finance, in order to ensure compliance with District purchasing requirements and to monitor contract performance and payments.

We also recommend the District review purchasing procedures conducted by schools to test for compliance with purchasing bid requirements and policies.

Observation No. 7 Monthly reconciliations

Observation:

Not all school secretaries are consistently providing fund advisors with monthly activity ledger reports of funds deposited and expenditures processed from EPES or Bi-Tech as recommended in the SAF Manual. Based on our interviews, many of the fund advisors that do receive month end statements are not reconciling their receipts to the statements to determine if adjustments or errors have occurred to the fund activity balances that they are responsible for as recommended in the SAF Manual.

There are no formal processes or record keeping requirements for secretaries or fund advisors to communicate fund activity accounts adjustments.

During our interviews we were informed that monthly activity ledger reconciliations of receipts and disbursements to individual student fund activities are not being performed consistently. The following requirements of the SAF Manual are not occurring on a regular basis.

- All student activity bank accounts and student activity fund ledgers must be reconciled monthly. An EPES or Bi-Tech "Bank Reconciliation Report" with detailed "List of Outstanding Checks" and a summary "General Ledger Report" by activity account must be provided to both the school principal and the District accounting department monthly.
- The District will suspend all cash disbursement activity for any school with reconciliation reports more than 60 days past due.
- All student activity advisors must be provided with a monthly activity report for all clubs with activity during the month, and must receive a balance report for all clubs with zero activity during the month.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 7 Monthly reconciliations (Continued)

Recommendation:

We recommend that the District revise the SAF Manual to require, rather than recommend, that secretaries provide a Reconciliation Report from EPES or Bi-Tech each month for each activity account for the advisor to review.

We propose that the District establish a policy requiring that communication and recording of adjustments is performed prior to the monthly submission of reconciliations to both the school principal and the District accounting department.

We suggest that the District conduct an annual internal audit review of reconciliations for compliance with required monthly schedules and enforce the suspension of accounts that are more than 60 days past due.

Observation No. 8 Training

Observation:

Based on our interviews and the number of observations where the SAF Manual is not being followed (See Observation No.4), school staff personnel appear to have limited knowledge of the SAF Manual as it relates to the following areas.

- Proper accounting for funds raised for school activities subsidized by District funds
- Allowable use of funds
- Fundraising activity approvals
- Cash receipts
- Safeguarding of cash and checks collected
- Depository requirements
- Segregation of duties
- Formulation and allocation of student fees
- Budgetary and accounting policies and guidelines for discretionary funds
- Responsibilities of fund advisors to safeguard receipts of funds and deposits
- Roles, responsibilities, and segregation of duties related to fund advisors

The SAF Manual presents policies and procedures from an accounting orientation which that is difficult to translate into operational practices. This makes it difficult for secretaries and fund advisors to determine the appropriate processes, policies, and forms required for compliance with the various operational tasks

The only training fund advisors receive on the SAF Manual is provided by secretaries. The information communicated during the training often omits key policies and requirements.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 8 Training (Continued)

Recommendation:

We recommend that the District update the SAF Manual to simplify the policies, procedures, and forms into an operational friendly format by making the following changes.

- Organize the manual with a table of contents that corresponds to tabbed sections.
- Develop summary sheets listing the key points contained in each section.
- Develop checklists for key operational processes including:
 - Fundraising activity approval
 - Conflict of interest
 - Cash receipts
 - Safeguarding and deposits
 - Disbursement
 - Reconciliation
 - Reporting
- Assign numbers to forms and annotate the date each form was updated.
- Provide a list of common approvals and activities requiring forms, and note the form to be utilized.
- Create instructions for each form to assist users in completing the forms accurately.
- Develop a list of activities that are allowable and unallowable.
- Develop a list of costs that are allowable and unallowable.
- Produce a list of roles and responsibilities for each participant involved in student fund activities, including:
 - District Superintendent
 - District Treasurer
 - Principal
 - Secretary
 - Fund advisors
 - Parents
 - Students
 - Accounts Receivable
 - Accounts Payable
 - Internal Audit
- Include an index to the manual to assist users with locating key items and information.

In addition, we recommend that the District develop fund advisor training curriculum and materials that can be provided to new teachers or advisors.

We also suggest that the District develop formal training curriculum and conduct interactive training sessions for principals, secretaries, and advisors with workshop activities that focus on areas where deficiencies have been noted. Each session should be tailored to the roles and responsibilities of the respective group in attendance.

Furthermore, we recommend that the District conduct a mid-year in-service training session to focus on problem areas.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 9 Bus fees

Observation:

Schools collect fees for bus passes, deposit the fees into student activity funds, and then write a check to the District. The District then writes a check to Kenosha Transit. The District office gets billed by the city transit office for all available passes. The schools subsequently send any passes that are not purchased back to the District, and the District reconciles the balance it is due back with Kenosha Transit.

District Finance reported that the District Transportation Supervisor recently requested a District general ledger account to be set up that can be billed when the invoice from city transit is received, and for the schools to deposit the funds received locally directly into to the District's bank account.

Recommendation:

We recommend that the District amend the District deposit sheet to have a line item for bus passes added.

We suggest that the District implement the Transportation Supervisor's request for a separate District general ledger account and begin directing the schools to deposit bus fees collected directly into the District bank account. This will increase the timeliness in which the bus fees are available for the District to disburse to Kenosha Transit, and will streamline the accounting for the fees.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 10 Accounting software and technology

Observation:

A wide variety of accounting software applications are being utilized for tracking student activity accounts at elementary schools, middle schools and high schools. Bi-Tech, EPES, Zangle, Quicken, and Excel spreadsheets are currently used, depending on the school and function. Also, at least one school is planning to implement QuickBooks in the near future. The array of systems increases the complexity of controls required and causes inefficiencies for District Finance when processing data. Also, personnel transferring between schools often need additional training on the software platform used at the school they are transferring to when platforms differ between schools.

Bi-Tech is used by elementary schools for the processing and recording of all receipts and disbursements of student activity funds throughout the school year. Also, all schools are required to use Bi-Tech financial software for student activity fund year-end balance reporting.

EPES is used by middle schools and high schools to maintain detailed general ledger and activity fund records and to process activity fund transactions throughout the school year.

Zangle is used by all schools for tracking District funds. This system provides reports of general ledger account balances and activity.

Quicken is used by some of the schools (in addition to Bi-Tech or EPES) to track student activity fund accounts.

The District indicated that it is planning to replace EPES during spring 2011.

We noted certain limitations of the current systems. EPES does not provide balances of each account after deposits. Also, credit card purchase capabilities are not available in school stores. Moreover, the systems do not have the ability to produce an electronic purchase order. Finally, data issues prevent some schools from being able to open the District bank statement via e-mail, requiring the statement to be sent to District Finance in order to make the file readable.

Recommendation:

We recommend that the District explore the establishment of a single standardized application for school accounting software to be used by all schools for student activity funds and balance sheet accounts.

We suggest that the District conduct an annual internal audit review of the software technology being utilized by the schools in order to ensure that authorization, licensing, and technical support exists and is effective. Also, we propose that the District conduct an annual internal audit review of the controls in place and the effectiveness of such controls related to the transfer of data between applications.

We recommend that the District review the capabilities of the new software application it is planning to replace EPES with, to ensure that the new system is capable of providing balances of each account after deposits. Also, the District should understand whether the new system will include an electronic purchase order, and, if not, the District should develop an electronic purchase order to increase efficiencies in processing.

We further recommend that the District investigate the feasibility of an enterprise resource system from a cost and efficiency standpoint. Also, the District should consider evaluating the appropriateness of implementing credit card purchase capabilities in school stores.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 10 Accounting software and technology (Continued)

Finally, we suggest that the District identify the data issues that are preventing some schools from being able to open the District bank statement via e-mail, and resolve these issues by producing the file in a format that is readable by all schools or by providing the appropriate software to the schools so schools may open the file independently.

STUDENT AND DISTRICT ACTIVITY FUND OVERVIEW

Student Activity Funds (Fund 60) overview:

- This includes funds which are owned, operated, and managed by organizations, clubs, or groups within the student body under the guidance and direction of faculty or staff members for educational, social, or cultural purposes.
- Disbursing monies from the student activity fund is subject to approval by the student organization and its advisor, rather than by the Board of Education. Student activity funds remain under the control of the school principal and are accounted for at the school site.
- These organizations receive their funding through fundraising events, dues from student members or contributions from other organizations.
- Student activity funds must be accounted for and reported in Fund 60, an Agency Fund, over which the District has custodial responsibility, not ownership.
- Fund 60 is used to account for assets held by the District for pupil organizations or to record returnable fees collected or temporarily record non-returnable fees until revenues are turned over to the District for placement in required funds. This fund is treated only as a balance sheet account on the District's financial statements.
- Acting as an agent, the District is responsible for maintaining records and properly accounting for the activity within the funds (student activity funds).

District Activity Funds (Fund 10) overview:

- District activity funds consist of co-curricular activities in which students participate, but which are administered and supported by the District. According to The Department of Public Instruction ("DPI"), co-curricular activities, "supplement the regular instructional activities".
- Any activity that purposefully supports and enhances a corresponding District curriculum is co-curricular. An activity is co-curricular any time a student receives a grade or a credit for participation in the activity or any time the District provides funding, including salaries, to support the activity.
- District activity money belongs to the District, not the students, and the funds are accounted for in the District general operating fund subject to all District policies and approvals.
- This includes District Athletic Activity funds.
- This includes student registration base fees.

For school year 2010 – 2011, a \$1 million budget exists for the District fees (Base fees, Athletic fees, and Physical Education fees). The fees are allocated to the schools as a part of their Discretionary Budget, which is \$4 million for school year 2010-2011, and is consistent with prior years.

Development of the student fees for District Activities is a component of the annual budget development process. An annual review of fees charged (including student fees, building use fees, and recreation fees) is conducted by District Finance. Annual meetings are held with stakeholders that administer fees in order to provide an opportunity to communicate issues that relate to student fees.

At the start of the 2003-2004 school years, Finance met with a representative group of principals and, collectively, established new guidelines for the billing and collection of student fees. A key component of this change was the determination that all free and reduced-lunch students were subsequently recommended to pay the required student fees.

STUDENT AND DISTRICT ACTIVITY FUND OVERVIEW (Continued)

District Activity Funds (Fund 10) overview (Continued)

Base fees are collected to cover the student assignment notebook/calendar, computer supplies such as toner and paper, and a portion of the rising cost of supplies and materials that are allocated to the schools. There is not a specific dollar value associated with any one category.

Base fees are allocated to the schools based on the Third Friday Head Count. The General Fund absorbs the difference between the school allocation and uncollected fees.

Direct educational fees are not assessed for indigent children (per federal McKinney Act). Indigent pupils are those students who are homeless or living on their own through various social service organizations.

With correct legal documentation, Foster Care or Kinship children also have their fees waived. Foster Care/Kinship parents are not legally responsible for the financial obligations of a child. However, the legal guardian or parents can be billed for the fees of these students.

Under no circumstances are any fees waived that are related to assessments for social and extracurricular activities, damage to District property, field trips, sport fees, lost books or computers, student identification cards, and library fines, or similar items.

Payments plans are available for all students.

Returned ("NSF") checks are subject to all bank charges, school and District collection fees, and suspension of check writing privileges within the District. Fees related to NSF checks are not waived.

In addition to student base fees, the following other fees are collected.

- All middle schools and high schools: Athletic fees for Physical Education to defray the cost of towels
- High schools only: Athletic fees charged for Physical Education to defray the cost of swimsuits
- Lakeview: (Technology) \$30
- Washington: (One to One Laptop) \$30
- Indian Trail Academy: (One to One Laptop) \$30
- Indian Trail: (ROTC) \$25

ATHLETIC AND ACTIVITY FUND - WISCONSIN STATUTES

Section 103.23	Minor student involvement in fundraising activities
Section 118.12	Sales/promotions on school premises
Section 118.13	Student discrimination prohibited
Section 120.13	Board power to do all things reasonable for the cause of education
Section 118.27	Acceptance of gifts to the schools
Chapter 440, Subchapter III	Solicitation of funds for charitable purposes
PI 9.03(1), Wisconsin Administrative Code	Student nondiscrimination policy requirements

Kenosha Unified School District No. 1
Section 6: Athletic and Activity Funds
Exhibit C: Athletic and Activity Fund – Board Policies

ATHLETIC AND ACTIVITY FUND – BOARD POLICIES

Below are the policies adopted by the Kenosha Unified School District No. 1 Board of Education which relate to student activities.

1131	Memorials and Dedications within the Schools	3523	Vending Machines for Food Items
1212	Provision of Printed Materials in Non-English Language Version	4224	Employee Code of Ethics
1330	Facilities Use	4240	Staff Gifts
1400	Gifts, Grants and Bequests	4332	Criminal Background Checks
1410	Free Materials	5110	Equal Educational Opportunity/Student Discrimination Complaint
1500	Public Solicitations/Fundraising	5127	Photographing Elementary Students
1510	Advertising/Promotions in Schools	5138.1	Entering and Leaving Building
1520	Distribution of Materials and Literature to Students	5580	School Wellness
1600	Visitors	6100	Mission, Beliefs, and Learning Objectives
1812	Relations with Parent-Teacher Organizations	6110	Instructional Program Mission and Beliefs
3121	Financial Accounting	6520	Field Trip/Co-curricular Trips
3260	School Sale of Student Supply Items	6520A	Field Trip/Co-curricular Trip Request Form
3220	Funding Proposals and Grants	6520D	Walking Field Trips
3310	Depository of Funds	6520E	Student Responsibilities on Field Trips
3313	Non-Sufficient Funds Checks (NSF)	6520F	Chaperone Responsibilities for Field Trips
3321	Student Activity Funds	6520G	Field Trip/Co-curricular Check Off List
3340	Monies in School Buildings	6700	Extracurricular Activities and Programs
3420	Purchasing	6710	School Organizations
3422	Exclusivity Agreements with Vendors	6740	Fundraising Permission Form
3430	Payment for Supplies, Equipment and Services	6740	Student Fund Raising Activities
3514	Use of Privately Owned Vehicles to Transport Students	6741	Raffles

SECTION 7

POST EMPLOYMENT BENEFIT OBLIGATIONS

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POST EMPLOYMENT BENEFIT OBLIGATIONS OVERVIEW

Crowe has conducted a review of the District's OPEB Liability with the objective of analyzing the unfunded liability in connection with post-employment medical and life insurance benefit programs.

Our analysis considers the accrual of a percentage of active employees' salary and the assets earmarked by the District in a fund for future payment of the contractual benefits. We also considered the various collective bargaining agreements that address the eligibility, period of coverage and retiree cost sharing for the benefits program.

A primary objective for our engagement is to inform the District and its Board of Directors of the status of the retiree benefits program, its corresponding liability and the potential impact on the current and future Board's ability provide funding for this and other programs considered vital to the District.

We noted six observations during this review.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Held an entrance meeting in November 2010, to discuss the structure of the review, conduct introductions of the Crowe team and the District's personnel, and to gain an understanding of the current arrangement regarding post-retirement benefit obligations.

Meeting attendees from the District follow: Dr. Hancock and Ms. Glass.

2. Requested and received the following materials used in our analysis:
 - Actuarial Valuation of GASB 43/GASB 45 Benefits as of July 1, 2010 prepared by Milliman, Inc. and signed October 22, 2010
 - Group Life Insurance Program Review presented by Minnesota Life dated November 15, 2010
 - School Board Policies Rules and Regulations – Rule 3240 concerning investments approved August 24, 1999 and most recently revised March 23, 2010
 - The balance sheet and schedule of revenues and expenditures for Fund 70 – *Trust Funds* for the fiscal years ending June 30, 2007 through 2010
 - Activity statements from the Wisconsin Investment Series Cooperative (WISC) for the period November 1, 2010 – November 30, 2010 showing the market value of earmarked assets
 - Collective bargaining agreements covering the employees participating in the post-retirement benefits program
 - Documents identifying the governance structure over assets earmarked for post-retirement medical obligations, including investment committee, professional investment advisor, and applicable minutes of investment committee meetings
3. Conducted live interviews and had phone conversations concerning the post-retirement benefits program in December 2010 and January 2011 with the following individuals:
 - Ms. Sheronda Glass
 - Mr. Johnston
 - Ms. Judy Ashley, Payroll Manager
 - C.J. Krawczyk of the law firm Kravit Hovel & Krawczyk, representing the District in the collateralized debt obligation ("CDO") litigation
 - Mr. William Hogan, FSA, MAAA of Milliman, Inc., the actuarial firm performing the valuation of GASB 43/GASB 45 benefits

REVIEW PROCEDURES (Continued)

4. Held an exit conference on January 7, 2011, to discuss observations noted, and to validate the factual nature of data collected and the related observations.

District meeting attendees were Ms. Glass and Mr. Johnston.

OBSERVATIONS AND RECCOMENDATIONS

Observation No. 1. Significance of retiree medical liability

Observation:

The liability that has accumulated for promised retiree healthcare benefits is significant. The present value of total projected benefits exceeds \$300 million as of July 1, 2010. Included in this projection of benefits is approximately \$27 million to 297 retired participants. Approximately \$274 million of benefits are projected for 2,373 active employees who may qualify for benefits under the terms of the current collective bargaining agreements. These liability estimates are calculated using actuarial assumptions including claim costs, premium rates, annual trends in the utilization and cost of medical care, participation rates, termination rates, retirement rates, disability rates and mortality based on information provided by the District and the actuary's judgment. Milliman, Inc. is the firm that has completed the actuarial determination of the benefit costs.

The assets that are earmarked for payment of this benefit are approximately \$5.5 million. The liability presents a significant risk to future Boards that will be responsible for building the retiree benefits costs into their budgets. The liability also has the potential to negatively impact funding for programs that the Board and future Boards consider important to the District.

Recommendation:

The Board should carefully monitor the liability and earmarked assets with the objective of closing the gap in funded levels through a reduction in the liability, growth in earmarked assets, or a combination of the two. The Board should work with its actuarial advisors to understand the assumptions that are used to determine the liability and the impact of healthcare reform and other market conditions on the liability calculation. Concerning the actuarial liability, the Board should request attendance at least annually of the actuary to deliver a presentation of the GASB 43/ GASB 45 report. Prior to the meeting the Board should ask the actuary to be prepared to discuss the reasonableness of the actuarial assumptions used as well as the sensitivity of certain assumptions (for example employee turnover and medical cost trends) on the overall liability. In addition, the Board should ask the actuary to explain what changes to current plan provisions, if made to the collective bargaining agreements, would have the largest impact on reducing benefit liabilities (for example, raising the minimum age to 60 or requiring retirees to pay a larger percentage of the premiums). In addition to monitoring the total liability and earmarked assets, the Board should consider other tangible measures such as the liability per active employee and liability per current retiree (current levels are approximately \$116,000 per active employee and \$91,000 per current retiree) to measure progress over time. The liability per active employee and per retiree is determined by dividing the total liability for each group by the number of active employees and retirees, respectively. Included in the calculation of projected liabilities are assumptions such as employee termination rates, projected costs of medical care, etc. as described above in the observation. Accordingly, calculation takes into account that not all employees will qualify to receive a benefit under this program. Instead, an estimate is made for the cost of providing the benefits for those that qualify upon retirement. This measure can be included in the Board materials following each year's annual actuarial valuation which is generally completed in October.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 2. Accrual for current retiree benefit payments

Observation:

The current amount the District accrues for providing retiree benefits (3.5% of active employees' compensation) is sufficient to satisfy the promised benefits paid on behalf of currently eligible retirees. In other words, the accrual made into the Fund 70 pays for the current retiree benefit cost and the District's share of the litigation expense related to the CDO litigation, and contributes a small surplus towards assets earmarked for payment of future benefit liabilities. For the 2009-2010 fiscal year, approximately \$4.6 million was received by the trust fund through the interfund payment representing 3.5% of active employees' compensation. Approximately \$3.2 million was used to purchase benefits under the program, approximately \$300,000 was paid to the litigation trustee and approximately \$1.1 million was added to the assets earmarked for future benefits. If the District is able to grow additional assets in the Fund 70, the risk to the current Board and future Boards is decreased by having additional protection in the event that promised benefit payments to current retirees exceed the accrual in a given year.

Recommendation:

The Board should at least maintain, and possibly consider increasing, the current accrual rate of 3.5% of compensation paid. As part of the annual presentation from the actuary on benefit liabilities, a discussion of the performance of earmarked assets should also be included.

Observation No. 3. The potential for a favorable judgment or settlement in the CDO litigation is uncertain

Observation:

The amount considered as assets earmarked for future retiree benefits (currently \$5.5 million) does not place any value on the CDO investments that were purchased by the District. The District is participating as a plaintiff in litigation along with other school districts in Wisconsin that purchased CDO investments with the hope of a favorable settlement or judgment that would have a material impact on the assets earmarked for payment of these benefits. The outcome, however, is difficult to predict at this point. The defendants include organizations that managed and sold the CDO investments. While the District and its attorneys hope to prevail in this matter, the amount and timing of any proceeds the District should expect to receive are unknown.

A metric sometimes applied to self-insured medical programs is to consider the level of capital that would be required by insurance company regulators. If such a measure were applied to the current value of earmarked assets, it would be insufficient relative to the risk for payment of future benefit liabilities. A favorable judgment or settlement in the CDO litigation could have a significantly positive impact on the value of earmarked assets.

Recommendation:

The Board should monitor the level of assets earmarked for future payment of retiree benefits along with the status of the CDO litigation. An objective should be that the earmarked assets grow at a faster rate than the growth of retiree benefit liabilities.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 4. The investment policy in place for earmarked assets did not prevent a large percentage of assets from being invested in the CDO asset class

Observation:

The investment policy in place for earmarked assets provides in part that “authorized investment categories include commercial securities of the highest or second highest rating.” The CDO investment was marketed as an AA- security that would meet the investment policy criteria. While the investment policy appears sound, a large percentage of the earmarked assets were invested in the CDO instruments.

Recommendation:

The Board should monitor compliance with the investment policy with future investment decisions and ask for frequent updates concerning the diversification and investment performance of earmarked assets.

Observation No. 5. The group term life insurance liability of the retiree benefits program is small in comparison to the retiree medical liability

Observation:

The retiree benefits program consists of medical coverage for eligible retirees up to age 65 as well as group term life insurance coverage. The liability for group term life insurance is insignificant in comparison to the retiree medical coverage. The District has received proposals and recommendations for providing the promised group term life insurance coverage in a cost effective an efficient manner.

Recommendation:

The Board should monitor management’s progress in reaching a desired long-term solution for providing the term life insurance coverage. However, the Board’s primary focus in monitoring the retiree benefits program should be with regard to medical benefits.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 6. The subject of retiree benefits is an important topic for collective bargaining negotiations

Observation:

The District has discussed the subject of retiree benefits with union representatives in the collective bargaining process. Specifically, the District has considered increasing the eligibility requirements for retiree benefits eligibility and/or increasing the cost of coverage borne by the retiree. To date, these discussions have not resulted in changes to the plan provisions contained in the various collective bargaining agreements. Across the United States, there are other organizations involved in the same type of discussion and negotiations that are making dramatic changes to their retiree benefits programs, including, for example, the University of California Board of Regents.

Recommendation:

The Board should monitor developments in this area and work with its union negotiating team to consider the retiree benefits program as a component of future labor negotiations.

SECTION 8

STRUCTURAL DEFICIT

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STRUCTURAL DEFICIT OVERVIEW

We were engaged to complete a structural deficit analysis for the district's General Fund (Fund 10), the Special Projects Fund (Fund 20) and the Debt Service Fund (Fund 30). A structural deficit occurs when ongoing, or permanent, annual sources of budgeted revenue are less than ongoing annual budgeted expenditures.

In order to determine levels of ongoing budgeted revenue, one-time or time-limited revenues (e.g., certain grants) are removed from current annual revenues, and adjustments as permitted or required by state and local law, and local policy, are made to an established base of revenue. These adjustments are most commonly made, but not exclusively so, to state aid and local property taxes.

To determine the level of ongoing expenditures, the budgeted cost of temporary or time limited staffing and related costs (e.g., those funded with time-limited grants) are removed from current annual expenditures, and upward adjustments to the current level of budgeted expenditures are made as a result of scheduled or required cost increases, such as contractual salary increases, scheduled utility rate increases, insurance increases, or other such items.

After adjustments to revenue and expenditures are completed, the difference between adjusted revenues and adjusted expenditures and its impact on fund balances are noted. This calculation is a conservative estimate of what the budget will look like in the 2011-2012 school year based on assumptions provided by the District Financial department as well as our own calculated adjustments. The budget must be estimated since the necessary data to calculate the 2011-2012 school year budget is not yet available.

We noted four observations during the performance of our procedures.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Estimated revenues for the District. The two largest sources of revenue, State Aid and Property Taxes, are not available until after October of 2011. We calculated the estimated State Aid amount by using all of the current year adopted budget inputs, since the audited amounts will not be available until after the end of the fiscal year ending June 30, 2011. The State Aid figure is also necessary in order to calculate the Revenue Limit, which helps determine how much the District can levy in property taxes to support its General Fund. The adjustments to grants were provided by District Finance. The engagement team assumed that any grants which will not be discontinued will be renewed at their current dollar amount.
2. Obtained estimated salary increases from the Finance Department in order to estimate expenditures. Teachers, substitutes, interpreters, and service employees all have contract increases due for the upcoming school year. In addition to the contracted salary increases, all of these groups, with the exception of Substitutes, are eligible for a step increase in base salary based on years of experience. The District also anticipates incurring costs related to contract increases for Nursing, Police Officers, and with the City of Kenosha for transportation.
3. Identified detailed adjustments necessary as part of our estimate of the 2011-2012 school year budget. The detailed adjustments are listed in Exhibit B of this section and are listed in order of their corresponding footnote on the structural deficit calculation.
4. Used debt service schedules provided by District Finance to determine the debt obligations of the district in the upcoming fiscal year.

OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1. General Fund structural deficit

Observation:

After adjustments have been made to revenues and expenditures, we have estimated the structural deficit for the fiscal year 2012 budget to be approximately \$10.96 million. This estimate is the result of adjustments due to contractual and other assumed operating costs increases totaling \$12.19 million, (an increase of approximately 8% to the current level of budgeted expenditures), and a net increase, after adjustments, to ongoing revenue of approximately \$1.23 million. The net increase in adjusted revenues includes an estimated increase of approximately \$8.4 million in combined State Aid and local property taxes. Should State Aid be reduced below current assumed levels, or should the District determine not to levy the full amount of property taxes allowed, the net adjusted revenue may be reduced further. As a result, if the District were to fully fund the adjusted expenditures, it would be required to draw from its current fund balance of approximately \$23.6 million, thereby reducing this balance in fiscal year 2012 to approximately \$12.67 million (see Exhibit A).

Recommendation:

A structural budget deficit can only be sustained by drawing upon reserves, which are a finite resource, or reducing actual expenditures over a fiscal year below budgeted expenditures to match revenues. To achieve budget sustainability, the District must increase revenues, decrease expenditures, or both. Approximately 90% of the District's General Fund revenues are derived from State Aid and local property taxes; thus, there is very little flexibility to increase permanent revenues to match the current level and projected growth rate of expenditures. Therefore, the District must concentrate on reducing expenditures so that both baseline expenditures and the growth rate in expenditures can be sustained by existing permanent revenue sources and the associated growth rate of these revenues. Although contractual obligations and price increases may result in unavoidable cost growth over the short term, reduction of consumption, including both personnel services and other operating expenses, and negotiating lower price increases can result in lower expenditure growth over the long term.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 2. Special Projects Fund structural deficit

Observation:

The fiscal year 2011 budget for the Special Projects Fund was essentially balanced, with an approximately \$75,000 structural deficit as adopted by the District. The fiscal year 2012 adjusted budget reflects a structural balance between revenues and expenditures, but achieving this balance relies on a significant increase in revenue transfers from the General Fund. The loss of approximately \$2.6 million in federal American Recovery and Reinvestment Act stimulus grant funding, combined with approximately \$2.1 million in contractual salary increases and related benefits, results in the need for approximately \$4.7 million of additional revenue to achieve structural balance. The \$4.7 million deficit of funding is addressed by transferring an additional \$4.5 million from the General Fund and by increasing State Aid by approximately \$170,000 (see Exhibit B).

Recommendation:

The increase in General Fund transfer for fiscal year 2012 contributes significantly to the structural deficit of the General Fund (\$10.96 million for fiscal year 2012 – please see Observation No. 1 above.) The loss of federal stimulus funding represents a loss of over 5% of the approximately \$48.9 million revenue budgeted for fiscal year 2011 for the Special Projects Fund. Because of the interrelationship between General Fund transfers and the funding of the Special Projects Fund budget, the General Fund structural deficit can be considered to be shared between these two funds. Approximately \$9.3 million of federal stimulus funding is being lost without a corresponding substitute of permanent revenues. Therefore, as we have recommended for the General Fund structural deficit, the District must concentrate on reducing expenditures so that both baseline expenditures and the growth rate in expenditures can be sustained by existing permanent revenue sources and the associated growth rate of these revenues. We recommended that the General Fund and Special Projects Fund be examined as if they were one fund in order for the District to determine which expenses may be either reduced or limited in growth below current revenue growth rates.

Achieving structural balances across both of these funds may not be accomplished in a single year; however, the current deficit level cannot be sustained for more than approximately two and a half years before reserves are exhausted. Eliminating the structural deficit can be achieved over the course of three to four years (about \$2.3 to \$3.0 million per year), but reserves may be significantly reduced to undesirable levels of about 5% to 7% of budgeted revenues.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 3. Debt Service Fund structural deficit

Observation:

Debt service is paid primarily from property taxes either as part of debt authorized by referendum or by non-referendum debt that does not exceed certain parameters. The fiscal year 2012 adjusted budget for the Debt Service Fund is estimated at approximately \$9.8 million. This is due primarily to the need for the District to refinance a \$9.5 million note issued to fund other pension benefit liabilities with a maturity date of September 2011.

Recommendation:

We recommend that the District begin planning for the permanent financing of this note. Although it is possible that the District may receive other outside funding sufficient to pay any outstanding principal of this note within the next few years, we suggest that the District plan a redemption strategy that will allow for the payment of the maturing principal to be paid through a new note issuance that includes early redemption flexibility (if a new note), or a permanent financing that allows the principal to be called in 30 days or less, or, if needed, converted to a long term amortization.

Observation No. 4. Budget presentation

Observation:

In meetings with the District's Superintendent and certain members of the District's School Board, it was noted that the presentation of the annual budget did not facilitate the desired level of analysis and decision making necessary to allocate the District's resources effectively. The annual budget is adopted in a format required by the State Department of Public Instruction that aggregates revenues and expenditures at the program and fund level but does not provide a break down of how resources are budgeted to individual schools and programs within each school. Therefore, understanding the full potential impact of budget recommendations and decisions is limited by the current budget format used in the adoption process.

Recommendation:

The District should examine the feasibility of using position control numbers that identify the location, program and funding source of staff and combining this with breakdowns of other operating expenses by physical location. Using this information, the District's annual budget could be presented in an additional format that identifies expenditures by school location, then program name, then funding source. This type of format will enable the District to examine critical measurements of program impact as it contemplates the necessary adjustments needed to address its structural deficits. Moreover, personnel expenditures comprise 80% of the District's budget, and understanding the allocation of these human resources to each school and school program is essential to effective budget management and education policy-making.

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit A: Structural Deficit Calculations

	Adopted 2010-2011	Adjustment	Notes	Adjusted Forecast 2011-2012
General Fund (Fund 10)				
Beginning Fund Balance	\$ 23,633,695			\$ 23,633,695
Revenues and Other Financing Sources				
Operating Transfer				
110 Transfers in From Other Funds	-	-		-
Local Sources				
210 Taxes	79,457,892	3,228,150	(1)	82,686,042
240 Payments for Services	5,000	-		5,000
260 Non-Capital Sales	225,468	-		225,468
270 School Activity Income	90,000	-		90,000
280 Interest on Investments	345,000	-		345,000
290 Other Revenue, Local Sources	2,490,535	-		2,490,535
Other School Districts Within Wisconsin				
310 Transit of Aids	-	-		-
340 Payments for Services	306,000	-		306,000
380 Medical Service Reimbursements	-	-		-
390 Other Inter-district, Within Wisconsin	-	-		-
Intermediate Sources				
510 Transit of Aids	-	-		-
540 Payments for Services	-	-		-
590 Other Immediate Services	84,500	-		84,500
State Sources				
610 State Aid-Categorical	1,247,043	-		1,247,043
620 State Aid-General	147,403,705	5,160,617	(2)	152,564,322
630 Special Project Grants	1,864,826	-		1,864,826
640 Payment for Services	60,000	-		60,000
650 SAGE	3,193,271	-		3,193,271
660 State Revenue Through Local Units	-	-		-
690 Other Revenue	448,276	-		448,276
Federal Sources				
710 Federal Aid-Categorical	212,472	-		212,472
730 Special Projects Grants	3,445,556	(595,784)	(3)	2,849,772
750 ECIA, Title I & Title VI	7,754,734	(2,327,788)	(4)	5,426,946
760 JIPA	-	-		-
780 Federal Aid thru State (not DPI)	4,232,263	(4,232,263)		-
790 Direct Revenue from Federal Sources	109,418	-		109,418
Other Financing Sources				
860 Compensation, Fixed Assets	-	-		-
870 Long Term Obligations	-	-		-
Other Revenues				
960 Adjustments	-	-		-
970 Refund or Disbursement	-	-		-
980 Medical Services Reimbursement	-	-		-
990 Miscellaneous	-	-		-
Total Revenues	\$ 252,975,959	\$ 1,232,933		\$ 254,208,892

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit A: Structural Deficit Calculations

	Adopted 2010-2011	Adjustment	Notes	Adjusted Forecast 2011-2012
General Fund (Fund 10)				
Expenditures				
Instruction				
110000 Undifferentiated Curriculum	80,355,398	3,474,242	(5)	83,829,640
120000 Regular Curriculum	47,447,542	2,249,333	(6)	49,696,875
130000 Vocational Curriculum	5,822,633	275,404	(7)	6,098,037
140000 Physical Curriculum	5,519,901	260,345	(8)	5,780,245
150000 Special Curriculum	-	-		-
160000 Co-Curricular Activities	2,133,868	10,006	(9)	2,143,874
170000 Other Special Programs	1,288,912	48,326	(10)	1,337,239
Support Services				
210000 Pupil Services	8,934,250	406,631	(11)	9,340,881
220000 Instructional Staff Services	13,370,153	338,892	(12)	13,709,046
230000 General Administration	1,680,044	20,135	(13)	1,700,178
240000 School Building Administration	15,191,969	298,467	(14)	15,490,436
250000 Business Administration	34,608,067	906,002	(15)	35,514,069
260000 Central Services	5,172,057	70,867	(16)	5,242,923
270000 Insurance and Judgments	624,957	162,807	(17)	787,764
280000 Debt Services	506,943	-		506,943
290000 Other Support Services	-	-		-
Non-Program Transactions				
410000 Interfund Operation	29,134,765	3,673,865		32,808,630
430000 General Tuition Payments	1,184,500	-		1,184,500
490000 Other Non-Program Transactions	-	-		-
Total Expenditures	\$ 252,975,959	\$ 12,195,321		\$ 265,171,280
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ -	\$ (10,962,389)		\$ (10,962,389)
Beginning Fund Balance		-		\$ 23,633,695
Ending Fund Balance	\$ 23,633,695	\$ (10,962,389)		\$ 12,671,306

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit A: Structural Deficit Calculations

	Adopted 2010-2011	Adjustment	Notes	Adjusted Forecasted 2011-2012
Special Projects Fund (Fund 20)				
Beginning Fund Balance	\$ 23,633,695			\$ 23,558,695
Revenues and Other Financing Sources				
110 Transfers in From Other Funds	28,283,672	4,524,958		32,808,630
State Sources				
610 State Aid-Categorical	10,088,463	265,165	(18)	10,353,629
Federal Sources				
730 Special Project Grants	6,463,412	(2,472,244)	(19)	3,991,168
780 Federal Aid thru State (not DPI)	2,000,000	-		2,000,000
790 Direct Revenue from Federal Sources	2,047,632	(79,212)	(20)	1,968,420
Total Revenues	\$ 48,883,179	\$ 2,238,668		\$ 51,121,847
Expenditures				
Instruction				
110000 Undifferentiated Curriculum	348,875	11,493	(21)	360,368
120000 Regular Curriculum	-	-		-
130000 Vocational Curriculum	8,100	-		8,100
140000 Physical Curriculum	-	-		-
150000 Special Curriculum	36,170,354	1,755,026	(22)	37,925,380
160000 Co-Curricular Activities	-	-		-
170000 Other Special Programs	288,940	13,264	(23)	302,204
Support Services				
210000 Pupil Services	6,326,684	332,930	(24)	6,659,615
220000 Instructional Staff Services	1,744,287	45,300	(25)	1,789,586
230000 General Administration	-	-		-
240000 School Building Administration	218,174	4,480	(26)	222,654
250000 Business Administration	3,852,765	1,175	(27)	3,853,941
Total Expenditures	\$ 48,958,179	\$ 2,163,668		\$ 51,121,847
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (75,000)</u>	<u>\$ 75,000</u>		<u>\$ -</u>
Beginning Fund Balance		-		\$ 23,558,695
Ending Fund Balance	<u>\$ 23,558,695</u>	<u>\$ 75,000</u>		<u>\$ 23,558,695</u>

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit A: Structural Deficit Calculations

	Adopted 2010-2011	Adjustment	Notes	Adjusted Forecasted 2011-2012
Debt Service Fund (Fund 30)				
Beginning Fund Balance	\$ 1,161,315			\$ 637,921
Revenues and Other Financing Sources				
210 Taxes				
110 - Operating Transfer - General	1,306,918	(901,286)		405,632
211 - Property Taxes	13,899,361	320,993	(28)	14,220,354
Total Revenues	\$ 15,206,279	\$ (580,292)		\$ 14,625,987
Expenditures				
280000 Debt Retirement				
675 - Principal - Long Term	8,932,000	10,587,000	(29)	19,519,000
683 - Interest Long Term Note	6,797,673	(1,246,999)	(30)	5,550,674
Total Expenditures	15,729,673	9,340,001		25,069,674
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (523,394)</u>	<u>\$ (9,920,293)</u>		<u>\$ (10,443,688)</u>
Beginning Fund Balance		-		\$ 637,921
Ending Fund Balance	<u>\$ 637,921</u>	<u>\$ (9,920,293)</u>		<u>\$ (9,805,767)</u>

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(1)

DISTRICT: Kenosha

Line 1: 2010-2011 Base Revenue = 229,189,220

Line 1 Amnt May Not Exceed Line 9-Line 7B of Final 10-11 Revenue Limit.

2010-11 General Aid Certification (10-11 line 12A) + 147,239,655

2010-11 Computer Aid Received (Src 691) + 437,751

2010-11 Hi Pov Aid (10-11 line 12B) + 0

2010-11 Fnd 10 Levy Cert (10-11 In 18, levy 10 Src 211) + 79,133,470

2010-11 Fnd 38 Levy Cert (10-11 In 14B, levy 38 Src 2' + 2,348,922

2010-11 Fnd 41 Levy Cert (10-11 In 14C, levy 41 Src 2' + 29,422

2010-11 Aid Penalty for Over Levy (10-11 Results) - 0

2010-11 Penalty for Unspent Energy Exemption - 0

2010-11 Levy for 10-11 Non-Recurring Exemptions. Enter amnt used.

2010-11 Total Levy for All Non-Recurring Exemptions (Non-Recurring Referenda, Declining Enrollment, Line 7B Hold Harmless, Energy Efficiency) - 0

September & Summer FTE Membership Averages

Count Ch. 220 Inter-District Resident Transfer Pupils @ 75%.

Line 2: Base Avg:(08+.4ss)+(09+.4ss)+(10+.4ss) / 3 = 22,537

200820092010

Summer fte: 527514514

% (40,40,40) 211206206

Sept fte: 22,13722,42622,424

Total fte 22,34822,63222,630

Line 6: Curr Avg:(09+.4ss)+(10+.4ss)+(11+.4ss) / 3 = 22,631

200920102011

Summer fte: 514514514

% (40,40,40) 206206206

Sept fte: 22,42622,42422,424

Total fte 22,63222,63022,630

Line 10B: Declining Enrollment Exemption =

Average FTE Loss (Line 2 - Line 6, if > 0) X 1.00 =

X (Line 5, Maximum 2011-2012 Revenue per Memb) = Non-Recurring Exemption Amount:

Line 17: State Aid for Exempt Computers = 457,416

Line 17 = A X (Line 16 / C) (to 8 decimals) Round to Dollar

2011 Property Values (estimate until 10/11).

A. 2011 Exempt Computer Property Valuation Required 41,301,400 +

B. 2011 TIF-Out Tax Apportionment Equalized Valuation 8,931,500,985 +

C. 2011 TIF-Out Value plus Exempt Computers (A + B) 8,972,802,385 =

Computer aid replaces a portion of proposed Fund 10 Levy

Src 691 = Computer Value X (Proposed Levy / (TIF-Out Val + Computer Value))

Districts are responsible for the integrity of the revenue limit data and computation. Data appearing in this spreadsheet reflects information submitted to the Department and is unaudited.

2011-2012 Revenue Limit Worksheet

1. 2010-11 Base Revenue (Funds 10, 38, 41) (from left) 229,189,220

2. Base Sept Membership Avg (08+.4ss, 09+.4ss, 10+.4ss/3) (from left) 22,537

3. 2010-11 Base Revenue Per Member (Ln 1 / Ln2) (w ith cents) 10,169.46

4. 2011-12 Per Member Increase (A+B) 200.00

A. Allowed Per Pupil Increase 200.00

B. Low Rev Incr ((9,000 - (3 + 4A))-4C) Not < 0 0.00

C. Low Rev Dist in CCDEB (Enter DPI Adjustment) 0.00

5. 2011-12 Maximum Revenue / Memb (Ln 3 + Ln 4) 10,369.46

6. Current Membership Avg (09+.4ss, 10+.4ss, 11+.4ss/3) (from left) 22,631

7. 2011-12 Rev Limit, No Exemptions (Ln 5 x Ln 6) (rounded) 234,671,249

A. 2011-12 Max Rev/Memb x Cur Memb Avg (Ln 5 x Ln 6) 234,671,249

B. Hold Harm Non-Recurr Exemptn (Ensures Line 7 Not < Line 1) 0

8. Total Recurring Exemptions (A+B+C+D+E) (rounded) 3,585,453

A. Prior Year Carryover 1,860,101

B. Transfer of Service (if negative, include sign) 0

C. Transfer of Territory (if negative, include sign) 0

D. Federal Impact Aid Loss (2009-10 to 2010-11) 0

E. Recurring Referenda to Exceed (If 11-12 is first year) 1,725,352

9. 2011-12 Limit with Recurring Exemptions (Ln 7 + Ln 8) 238,256,702

10. Total 2011-12 Non-Recurring Exemptions (A+B+C+D+E+F) 0

A. Non-Recurring Referenda, to Exceed 2011-12 Limit

B. Declining Enrollment Exemptn for 11-12 (from left)

C. Energy Efficiency Exemption for 11-12

D. Security Exemption, 2011-12

E. Nurses Exemption, 2011-12

F. Transportation Exemption, 2011-12

11. 2011-12 Revenue Limit With All Exemptions (Ln 9 + Ln 10) 238,256,702

12. Total Aid to be Used in Computation (12A + 12B) 152,564,322

A. District-Estimated 2011-12 General Aid 152,564,322

B. State Aid to High Poverty Districts (not all dists) 0

Remember to estimate a General Aid amount for 2011-12.

13. Allowable Limited Revenue: (Line 11 - Line 12) (10, 38, 41 Levies + Src 691. Src 691 is DOR Computer Aid.) 85,692,380

14. Total Limited Revenue To Be Used (A+B+C) Not > line 13 85,692,380

Entries Required Below: Amnts Needed by Purpose and Fund:

A. Gen Operations: Fnd 10 including Src 211 & Src 691 83,143,458 (Proposed Fund 10)

B. Non-Referendum Debt (inside limit) Fnd 38 Src 210 2,548,922 (to Budget Rpt)

C. Capital Exp, Annual Meeting Approved: Fnd 41 Src 210 0 (to Budget Rpt)

(A+B+C+D): 13,682,095

15. Total Revenue from Other Levies

A. Referendum Apprvd Debt (Non Fund 38 Debt-Src 210) 11,671,433 (to Budget Rpt)

B. Community Services (Fnd 80 Src 210) 1,981,240 (to Budget Rpt)

C. Prior Year Levy Chargeback (Src 212) 29,422 (to Budget Rpt)

D. Other Levy Revenue - Milwaukee & Kenosha Only 0 (to Budget Rpt)

16. Total Levy + Src 691, "Proposed Levy" (Ln 14 + Ln 15) 99,374,475

17. Est Src 691 (Comp Aid) Based on Ln 16 & Values Entered 457,416 (to Budget Rpt)

18. Fnd 10 Src 211 (Ln 14A - Ln 17), 2011-12 Budget 82,686,042 (to Budget Rpt) (1)

Line 18 (not 14A) is the Fund 10 Levy certified by the Board.

19. Total Fall, 2011 All Fund Tax Levy (14B + 14C + 15 + 18) 98,917,059

Line 19 is the total levy to be apportioned in the PI-401. Levy Rate = 0.01107508

20. Fund 30 Src 210 (38 + Non-38) (Ln 14B + Ln 15A) 14,220,354 (to Budget Rpt) (29)

Worksheet is available at: <http://dpi.wi.gov/sfs/revlimworksheet.html>

DPI Reconciliation

Fund 10, PI-40182,686,042.25

Fund 38, PI-4012,548,921.75

Fund 41, PI-4010.00

85,234,964.00

Chargeback, PI-40129,422.00

Fund 39, PI-40111,671,432.67

Fund 80, PI-4011,981,240.00

Fund 48/Other, PI-4010.00

Total, PI-40198,917,058.67

Computer Aid457,416.00 <----- don't change

Results

00

00

You have levied to your maximum.

0

0

0

0

0

Revised: 10-21-2010

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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(2)

WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION 2011-12 EQUALIZATION AID WORKSHEET - OCT 15 CERT			
SCHOOL DISTRICT Kenosha			
Enter District Data in Shaded Fields Only			
PART A: 2010-11 EQUALIZATION AID MEMBERSHIP			
A1	3rd FRI SEPT 09 MEMBERSHIP* (INCLUDE YOUTH CHALLENGE)	22,424.00	
A2	2rd FRI JAN 10 MEMBERSHIP* (INCLUDE YOUTH CHALLENGE)	22,402.00	
A3	TOTAL (A1 + A2)	44,826.00	
A4	AVERAGE (A3/2) (ROUNDED)	22,413.00	
A5	SUMMER 09 FTE EQUIVALENT*	514	
A6	FOSTER GROUP HOME/PART-TIME FTE EQUIVALENT	7	
A7	AID MEMBERSHIP (A4 + A5 + A6)	22,934	
* Ch 220 Resident Inter FTE counts only 75%.			
PART B: 2010-11 GEN FUND DEDUCTIBLE RECEIPTS - PI-1506-AC			
B1	TOTAL REVENUE & TRNFS IN 10R 000000 000 (+)	252,975,959.00	
B2	PROP TAX+COMP AID 10R 210+10R 691 (-)	79,900,301.00	
B3	GENERAL STATE AID (incl Hi Pov Aid) 10R 000000 620 (-)	147,403,705.00	
B4	NON-DEDUCTIBLE IMPACT AID (EST BY DPI) (-)	0.00	
B5	REORGANIZATION SETTLEMENT 10R 000000 850 (-)	0.00	
B6	LONG TERM OP BORROW, NOTE 10R 000000 873 (-)	0.00	
B7	LONG TERM OP BORROW, STF 10R 000000 874 (-)	0.00	
B8	REFUND OF DISBURSEMENT 10R 000000 972 (-)	0.00	
B9	DEDUCTIBLE RECEIPTS (TO LINE C6) (=)	25,671,953.00	
PART C: 2010-11 NET COST OF GENERAL FUND - PI-1506-AC			
C1	TOTAL EXPENDITURES 10E 000000 000 (+)	252,975,959.00	
C2	DEBT SERVICE TRANSFER 10E 411000 838 + 839 (-)	851,093.00	
C3	REORG SETTLEMENT 10E 491000 950 (-)	0.00	
C4	REFUND PRIOR YR REVENUE 10E 492000 972 (-)	0.00	
C5	GROSS COST GEN FUND (C1 - C2 - C3 - C4)	252,124,866.00	
C6	DEDUCTIBLE RECEIPTS (FROM B9) (-)	25,671,953.00	
C7	OPER. DEBT, INTEREST 38E + 39E 283000 680 (+)	1,182,340.50	
C8	NET COST GENERAL FUND (NOT < 0) (=)	227,635,253.50	
PART D: 2010-11 NET COST OF DEBT SERVICE FUND - PI-1506-AC			
D1	TOTAL REV & TRNSF IN 38R +39R 000000 000 (+)	3,655,839.78	
D2	GEN FUND TRNSF-IN 10E 411000 838 + 839 (-)	851,093.00	
D3	PROPERTY TAX 38R + 39R 210 (-)	2,348,921.78	
D4	PMNT LIEU OF TAX 38R + 39R 220 (-)	0.00	
D5	NON-REV RECEIPTS 38R + 39R 800 (-)	0.00	
D6	DEDUCTIBLE RCPTS (D1-D2-D3-D4-D5) (-)	455,825.00	
D7	TOTAL EXPENDITURES 38E + 39E 000000 000 (+)	3,609,440.50	
D8	AIDABLE FUND 41 EXP (EST BY DPI) (+)	0.00	
D9	REFINANCING 38E + 39E 282000 000 (-)	0.00	
D10	OPERATIONAL DEBT 38E + 39E 283000 000 (-)	0.00	
D11	NET COST DEBT SERVICE (=)	3,153,615.50	

See w p SD002 Equalized Aid Assumptions for details

GUARANTEES FOR OCT 15 CERT:		K-12	UHS	K-8
G1	PRIMARY	1,930,000	5,790,000	2,895,000
G6	SECONDARY	1,243,890	3,731,670	1,865,835
G11	TERTIARY	581,087	1,743,261	871,630
PART E: 2010-11 SHARED COST - PI-1506-AC				
E1	NET COST: GEN FND + DEBT SRV	(C8 + D11)	(+)	230,788,869.00
E2	COSTS OF LAWSUIT		(-)	0.00
E3	TRANSPORT OF INDIGENT PUPILS 10P 256000 000		(-)	0.00
E4	IMPACT AID NON-DED NEG AID HOLD HARMLESS		(-)	0.00
E5	TOTAL SHARED COST FOR EQUALIZATION AID		(=)	230,788,869.00
	SHARED COST PER MEMBER =	10,063	(E5 / A7)	
E6	PRIMARY COST CEILING PER MEMB = 1,000			1,000.00
E7	PRIMARY CEILING		(A7 * E6)	22,934,000.00
E8	PRIMARY SHARED COST		(LESSER OF E5 OR E7)	22,934,000.00
E9	SECONDARY COST CEILING PER MEMBER =9,298			9,298.00
E10	SECONDARY CEILING		(A7 * E9)	213,240,332.00
E11	SECONDARY SHARED COST		((LESSER OF E5 OR E10)-E8)	190,306,332.00
E12	TERTIARY SHARED COST		(GREATER OF (E5-E8-E11) OR 0)	17,548,537.00
PART F: EQUALIZED VALUE				
F1	2009 TIF-OUT SCH AID VALUE (Values Received May, 2010, With Reorg Adjusts) (Include May, 2010 Computer Value)			8,972,802,385
	EQUALIZED VALUE PER MEMBER =	391,245	(F1 / A7)	
PART G: 2011-12 OCT 15 CERT - EQUALIZATION AID BY TIER				
G1	PRIMARY GUARANTEED VALUE PER MEMBER	(SEE ABOVE)		1,930,000
G2	PRIMARY GUARANTEED VALUATION	(A7 * G1)		44,262,620,000.00
G3	PRIMARY REQUIRED RATE (8 DECIMALS)	(E8 / G2)		0.00051813
G4	PRIMARY NET GUARANTEED VALUE	(G2 - F1)		35,289,817,615.00
G5	PRIMARY EQUALIZATION AID	(G3 * G4) NOT< ZERO		18,284,713.20
G6	EST SECONDARY GUARANTEED VALUE PER MEMB	(SEE ABOVE)		1,243,890
G7	SECONDARY GUARANTEED VALUATION	(A7 * G6)		28,527,373,260.00
G8	SECONDARY REQUIRED RATE	(E11 / G7)		0.00667101
G9	SECONDARY NET GUARANTEED VALUE	(G7 - F1)		19,554,570,875.00
G10	SECONDARY EQUALIZATION AID (may be neg)	(G8 * G9)		130,448,737.85
G11	EST TERTIARY GUARANTEED VALUE PER MEMBER	(SEE ABOVE)		581,087
G12	TERTIARY GUARANTEED VALUATION	(A7 * G11)		13,326,649,258.00
G13	TERTIARY REQUIRED RATE	(E12 / G12)		0.00131680
G14	TERTIARY NET GUARANTEED VALUE	(G12 - F1)		4,353,846,873.00
G15	TERTIARY EQUALIZATION AID (may be neg)	(G13 * G14)		5,733,145.56
PART H: 2011-12 OCT 15 CERT - EQUALIZATION AID				
H1	10-11 OCT 15 CERT EQUALIZATION AID (NOT<ZERO)	(G5 + G10 + G15)		154,466,597.00
H2	A. MLWK PAR CHOICE , EQ (JUST MILWAUKEE)			0.00
H3	B. MLWK CHTR PGM, EQ (H1 x -.0123151253)			(1,902,275.00)
H4	C. 09-10 OCT/FINAL EQUAL + CHOICE/CHARTER ADJ			0.00
H5	PRIOR YR DATA ERROR ADJ			0.00
H6	10-11 OCT 15 CERT EQUAL AID SUBTOTAL (ROUND) (H1 + H2 + H3 + H4 + H5)			152,564,322.00
	09-10 OCT/FINAL ACT 28 ADJUSTMENT			0.00
	2011-12 ACT 28 AID ADJUSTMENT			0.00
	OCT 15 CERT OF 2011-12 EQ AID (H6+09-10 OCT/FIN ACT 28 ADJ+10-11ACT 28 ADJ)			152,564,322.00 (2)

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(3)

Fund 10 Source 730 Revenue Adjustments

Special Project Grants

Project #	Grant Title	Adopted 2010-2011	Adjustment	Projected 2011-2012
184	Carol M. White Physical Education	\$ -	\$ -	\$ -
215	Program	160,318	(160,318)	-
329	Safe/Drug Free School	38,711	(38,711)	-
335	Homeless Children	54,170	-	54,170
337	Learn and Serve America 2010-2011	17,845	-	17,845
344		-	-	-
345	IDEA Fearly Intervention Services	588,530	-	588,530
347	IDEA/Preschool Entitlement	5,137	-	5,137
359	ESEA Title II-A	1,098,428	-	1,098,428
	Charter School Dissemination Grant (Harborside) Kenosha			
360	Expeditionary Learning	125,000	(125,000)	-
	ESEA Title III-A English Language			
391	Acquisition	254,778	-	254,778
623	21st Century Learning Center	715,000	-	715,000
813	ARRA IDEA Flow Through	148,076	(148,076)	-
	ARRA2 ESEA Title II-D-Competitive Educational			
814	Technology	13,657	(13,657)	-
819	ARRA IDEA/Preschool Entitlement	7,417	(7,417)	-
820	ARRA Homeless Children	35,709	(35,709)	-
	ARRA ESEA Title II-D Educational			
821	Technology	66,895	(66,895)	-
Total Source 730 Revenue Adjustments		\$ 3,329,672	\$ (595,784)	\$ 2,733,888

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

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Fund 10 Source 750 Revenue Adjustments

Special Project Grants

Project #	Grant Title	Adopted 2010-2011	Adjustment	Projected 2011-2012
140	ESEA Title I-D Delinquent	\$ 89,524	\$ -	\$ 89,524
141	ESEA Title I-A	5,186,832	-	5,186,832
145	ESEA Title I-Supplemental	-	-	-
146	Even Start Family Literacy	150,590	-	150,590
816	ARRA ESEA Title I-A	2,078,127	(2,078,127)	-
	ARRA ESEA Title I-A			
817	Supplemental	232,028	(232,028)	-
	ARRA ESEA Title I-D			
822	Delinquent	17,633	(17,633)	-
Total Source 750 Revenue Adjustments		\$ 7,754,734	\$ (2,327,788)	\$ 5,426,946

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(5)

Fund 10 Function 110000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	42,826,926
Federal Education Jobs Fund Reduction	(4,232,263)
 Adjusted Total Teachers	 38,594,663
 Adjustment: 3% Per Contract	 1,157,840
Adjustment: 2% Step Increase	771,893
 Substitute Teachers	 1,719,083
Adjustment: 2.5% Per Contract	42,977
 Interpreters	 -
Adjustment: 2.5%	-
Adjustment: .5% Step Increase	-
 Service Employees	 109,585
Adjustment: 2% Per Contract	2,192
Adjustment: .5% Step Increase	548
 Total Salary Adjustments	 <u>1,975,450</u>

Insurance

Dental Insurance	853,708
Adjustment: 8% Increase	68,297
 Health Insurance	 14,449,445
Adjustment: 9.90%	1,430,495
 Total Insurance Adjustments	 <u>1,498,792</u>

Total Function 110000 Adjustments	<u>3,474,242</u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(6)

Fund 10 Function 120000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	27,468,232
Adjustment: 3% Per Contract	824,047
Adjustment: 2% Step Increase	549,365

Substitute Teachers	26,700
Adjustment: 2.5% Per Contract	668

Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-

Service Employees	-
Adjustment: 2%	-
Adjustment: .5% Step Increase	-

Total Salary Adjustments	<u>1,374,079</u>
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Insurance

Dental Insurance	504,426
Adjustment: 8% Increase	40,354

Health Insurance	8,433,329
Adjustment: 9.90%	834,900

Total Insurance Adjustments	<u>875,254</u>
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Total Function 120000 Adjustments	<u><u>2,249,333</u></u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(7)

Fund 10 Function 130000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	3,186,244
Adjustment: 3% Per Contract	95,587
Adjustment: 2% Step Increase	63,725
 Substitute Teachers	 11,000
Adjustment: 2.5% Per Contract	-
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 159,312

Insurance

Dental Insurance	68,255
Adjustment: 8% Increase	5,460
 Health Insurance	 1,117,489
Adjustment: 9.90%	110,631
 Total Insurance Adjustments	 116,092

Total Function 130000 Adjustments	275,404
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(8)

Fund 10 Function 140000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	3,362,564
Adjustment: 3% Per Contract	100,877
Adjustment: 2% Step Increase	67,251
 Substitute Teachers	 11,525
Adjustment: 2.5% Per Contract	288
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 <u>168,416</u>

Insurance

Dental Insurance	51,819
Adjustment: 8% Increase	4,146
 Health Insurance	 886,695
Adjustment: 9.90%	87,783
 Total Insurance Adjustments	 <u>91,928</u>

Total Function 140000 Adjustments	<u><u>260,345</u></u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(9)

Fund 10 Function 160000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	142,489
Adjustment: 3% Per Contract	4,275
Adjustment: 2% Step Increase	2,850
 Substitute Teachers	 2,350
Adjustment: 2.5% Per Contract	59
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 7,183

Insurance

Dental Insurance	967
Adjustment: 8% Increase	77
 Health Insurance	 27,736
Adjustment: 9.90%	2,746
 Total Insurance Adjustments	 2,823

Total Function 160000 Adjustments	10,006
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(10)

Fund 10 Function 170000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	614,537
Adjustment: 3% Per Contract	18,436
Adjustment: 2% Step Increase	12,291
 Substitute Teachers	 500
Adjustment: 2.5% Per Contract	13
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 <u>30,739</u>

Insurance

Dental Insurance	11,111
Adjustment: 8% Increase	889
 Health Insurance	 168,666
Adjustment: 9.90%	16,698
 Total Insurance Adjustments	 <u>17,587</u>

Total Function 170000 Adjustments	<u><u>48,326</u></u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(11)

Fund 10 Function 210000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	4,597,024
Adjustment: 3% Per Contract	137,911
Adjustment: 2% Step Increase	91,940
 Substitute Teachers	 3,000
Adjustment: 2.5% Per Contract	75
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 <u>229,926</u>

Insurance

Dental Insurance	88,535
Adjustment: 8% Increase	7,083
 Health Insurance	 1,486,298
Adjustment: 9.90%	147,143
 Total Insurance Adjustments	 <u>154,226</u>

Nursing

Pupil Services	561,955
Adjustment: 4%	22,478
 Total Function 210000 Adjustments	 <u><u>406,631</u></u>

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(12)

Fund 10 Function 220000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	3,110,693
Adjustment: 3% Per Contract	93,321
Adjustment: 2% Step Increase	62,214
 Substitute Teachers	 65,556
Adjustment: 2.5% Per Contract	1,639
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 157,174

Insurance

Dental Insurance	106,288
Adjustment: 8% Increase	8,503
 Health Insurance	 1,749,654
Adjustment: 9.90%	173,216
 Total Insurance Adjustments	 181,719

Total Function 220000 Adjustments	338,892
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(13)

Fund 10 Function 230000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	46,108
Adjustment: 3% Per Contract	1,383
Adjustment: 2% Step Increase	922
 Substitute Teachers	 -
Adjustment: 2.5% Per Contract	-
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 2,305

Insurance

Dental Insurance	11,000
Adjustment: 8% Increase	880
 Health Insurance	 171,205
Adjustment: 9.90%	16,949
 Total Insurance Adjustments	 17,829

Total Function 230000 Adjustments	20,135
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(14)

Fund 10 Function 240000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	195,055
Adjustment: 3% Per Contract	5,852
Adjustment: 2% Step Increase	3,901
Substitute Teachers	-
Adjustment: 2.5% Per Contract	-
Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
Service Employees	-
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
Total Salary Adjustments	<u>9,753</u>

Insurance

Dental Insurance	174,051
Adjustment: 8% Increase	13,924
Health Insurance	2,775,659
Adjustment: 9.90%	274,790
Total Insurance Adjustments	<u>288,714</u>

Total Function 240000 Adjustments	<u><u>298,467</u></u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(15)

Fund 10 Function 250000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	-
Adjustment: 3% Per Contract	-
Adjustment: 2% Step Increase	-
Substitute Teachers	-
Adjustment: 2.5% Per Contract	-
Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
Service Employees	6,709,456
Adjustment: 2% Per Contract	134,189
Adjustment: .5% Step Increase	33,547
Police Contract	337,785
Adjustment: 3%	10,134
Total Salary Adjustments	<u>177,870</u>

Insurance

Dental Insurance	260,238
Adjustment: 8% Increase	20,819
Health Insurance	4,229,423
Adjustment: 9.90%	418,713
Total Insurance Adjustments	<u>439,532</u>

Transportation

New Route Cost	35,311
Multiplied by Number of New Routes (3)	105,932
City of Kenosha Contract Cost	660,030
City of Kenosha Increase 5%	33,002
First Student Contract Cost	5,986,682
First Student 2.5%	149,667
Total Transportation Adjustments	<u>288,600</u>
Total Function 250000 Adjustments	<u><u>906,002</u></u>

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(16)

Fund 10 Function 260000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	92,830
Adjustment: 3% Per Contract	2,785
Adjustment: 2% Step Increase	1,857
Substitute Teachers	-
Adjustment: 2.5% Per Contract	-
Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
Service Employees	500
Adjustment: 2% Per Contract	10
Adjustment: .5% Step Increase	-
Total Salary Adjustments	<u>4,652</u>

Insurance

Dental Insurance	43,061
Adjustment: 8% Increase	3,445
Health Insurance	634,043
Adjustment: 9.90%	62,770
Total Insurance Adjustments	<u>66,215</u>

Total Function 260000 Adjustments	<u><u>70,867</u></u>
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(17)

Fund 10 Function 270000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	-
Adjustment: 3% Per Contract	-
Adjustment: 2% Step Increase	-
Substitute Teachers	-
Adjustment: 2.5% Per Contract	-
Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
Service Employees	-
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
Total Salary Adjustments	<u>-</u>

Insurance

Dental Insurance	-
Adjustment: 8% Increase	-
Health Insurance	1,486,298
Adjustment: 9.90%	147,143
Liability Insurance	228,211
Adjustment: 6%	13,693
Property Insurance	261,062
Adjustment: 6%	15,664
Total Insurance Adjustments	<u>162,807</u>
Total Function 270000 Adjustments	<u><u>162,807</u></u>

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(18)

Fund 20 Source 610 Revenue Estimate

Function 150000 Expenditures	37,925,380
2010-2011 State Handicap Aid Pct	27.30%
Source 610 Total	10,353,629

(19)

Fund 20 Source 730 Revenue Adjustments

Special Project Grants

Project #	Grant Title	Adopted 2010-2011	Adjustment	Projected 2011-2012
341	IDEA Flow Through	\$ 3,822,743	\$ -	\$ 3,822,743
347	IDEA/Preschool Entitlement	168,425	-	168,425
813	ARRA IDEA Flow Through	2,312,935	(2,312,935)	-
819	ARRA IDEA/Preschool Entitlement	159,308	(159,308)	-
Total Source 730 Revenue Adjustments		\$ 6,463,412	\$ (2,472,244)	\$ 3,991,168

(20)

Fund 20 Source 790 Revenue Adjustments

Special Project Grants

Project #	Grant Title	Adopted 2010-2011	Adjustment	Projected 2011-2012
601	Head Start - Federal	\$ 1,968,420	\$ -	\$ 1,968,420
602	ARRA Head Start - Federal	79,212	(79,212)	-
Total Source 790 Revenue Adjustments		\$ 2,047,632	\$ (79,212)	\$ 1,968,420

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(21)

Fund 20 Function 110000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	124,095
Adjustment: 3% Per Contract	3,723
Adjustment: 2% Step Increase	2,482
 Substitute Teachers	 -
Adjustment: 2.5% Per Contract	-
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 6,205

Insurance

Dental Insurance	400
Adjustment: 8% Increase	32
 Health Insurance	 53,089
Adjustment: 9.90%	5,256
 Total Insurance Adjustments	 5,288

Total Function 110000 Adjustments	11,493
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(22)

Fund 20 Function 150000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	17,895,406
Adjustment: 3% Per Contract	536,862
Adjustment: 2% Step Increase	357,908
 Substitute Teachers	 478,600
Adjustment: 2.5% Per Contract	11,965
 Interpreters	 2,000
Adjustment: 2.5% Per Contract	50
Adjustment: .5% Step Increase	10
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 906,795

Insurance

Dental Insurance	473,503
Adjustment: 8% Increase	37,880
 Health Insurance	 8,185,359
Adjustment: 9.90%	810,351
 Total Insurance Adjustments	 848,231

Total Function 150000 Adjustments	1,755,026
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(23)

Fund 20 Function 170000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	205,165
Adjustment: 3% Per Contract	6,155
Adjustment: 2% Step Increase	4,103
 Substitute Teachers	 -
Adjustment: 2.5% Per Contract	-
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 10,258

Insurance

Dental Insurance	2,304
Adjustment: 8% Increase	184
 Health Insurance	 28,496
Adjustment: 9.90%	2,821
 Total Insurance Adjustments	 3,005

Total Function 170000 Adjustments	13,264
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(24)

Fund 20 Function 210000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	3,971,516
Adjustment: 3% Per Contract	119,145
Adjustment: 2% Step Increase	79,430
 Substitute Teachers	 -
Adjustment: 2.5% Per Contract	-
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 198,576

Insurance

Dental Insurance	69,421
Adjustment: 8% Increase	5,554
 Health Insurance	 1,181,660
Adjustment: 10.90%	128,801
 Total Insurance Adjustments	 134,355

Total Function 210000 Adjustments	332,930
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(25)

Fund 20 Function 220000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	337,728
Adjustment: 3% Per Contract	10,132
Adjustment: 2% Step Increase	6,755
 Substitute Teachers	 1,000
Adjustment: 2.5% Per Contract	25
 Interpreters	 -
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
 Service Employees	 -
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-
 Total Salary Adjustments	 16,911

Insurance

Dental Insurance	17,349
Adjustment: 8% Increase	1,388
 Health Insurance	 272,733
Adjustment: 9.90%	27,001
 Total Insurance Adjustments	 28,388

Total Function 220000 Adjustments	45,300
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(26)

Fund 20 Function 240000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	-
Adjustment: 3% Per Contract	-
Adjustment: 2% Step Increase	-

Substitute Teachers	-
Adjustment: 2.5% Per Contract	-

Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-

Service Employees	-
Adjustment: 2% Per Contract	-
Adjustment: .5% Step Increase	-

Total Salary Adjustments	-
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Insurance

Dental Insurance	2,799
Adjustment: 8% Increase	224

Health Insurance	42,994
Adjustment: 9.90%	4,256

Total Insurance Adjustments	4,480
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Total Function 240000 Adjustments	4,480
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Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(27)

Fund 20 Function 250000 Undifferentiated Curriculum Expenditure Adjustments

Salary

Teachers	-
Adjustment: 3% Per Contract	-
Adjustment: .5% Step Increase	-
Substitute Teachers	-
Adjustment: 2.5% Per Contract	-
Interpreters	-
Adjustment: 2.5% Per Contract	-
Adjustment: .5% Step Increase	-
Service Employees	23,114
Adjustment: 2% Per Contract	462
Adjustment: .5% Step Increase	116
Total Salary Adjustments	<u>578</u>

Insurance

Dental Insurance	207
Adjustment: 8% Increase	17
Health Insurance	5,328
Adjustment: 10.90%	581
Total Insurance Adjustments	<u>597</u>

Total Function 250000 Adjustments	<u><u>1,175</u></u>
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(28)

Detail 28 is calculated in the Revenue Limit Calculation. See detail (1).

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

(29)													
Kenosha Unified School District No. 1 Long Term Debt Retirement Schedule - Calendar Year													
	Fund 31 \$11.21 M 8/15/2005	Fund 32 \$20.45 M 7/15/2009	Fund 32 \$20.0 M 7/15/2009	Fund 32 \$10.0 M ** 6/10/2010	Fund 33 \$14.725 M 12/10/2002	Fund 34 \$1.28 M 7/15/2009	Fund 35 \$21.0 M 2/1/2006	Fund 37 \$35.815 M 1/1/2005	Fund 38 \$16.71 M 11/26/2002	Fund 38 \$9.5 M 9/29/2006	Fund 38 \$8 M 6/20/2007	Fund 38 \$8.31 ** 6/10/2010	Totals
	Mahone (Refinancing)	ITA (Refinancing)	ITA (BAB)	EBSOLA (Bond)	EBSOLA (Bond)	Mahone (Refinancing)	Nash (Bond)	Pre 1993 Notes (Refinancing)	Pension (Refinancing)	OPEB (Note)	Brass Site (Bond)	Reuther (BAB/QSCB/QZAB)	
2010													
Interest 10/1	267,825.00	491,093.75	800,000.00		198,325.00	28,053.13	475,956.25	318,625.00	296,305.00	265,050.00 #	160,368.75		3,301,601.88
2011													
Principal 4/1				160,000.00	175,000.00		440,000.00	6,260,000.00	1,050,000.00		295,000.00	552,000.00 *	8,932,000.00
Interest 4/1	267,825.00	491,093.75	401,777.78	323,698.63	198,325.00	28,053.13	475,956.25	318,625.00	296,305.00	265,050.00 #	160,368.75	268,993.00	3,496,071.29
Interest 10/1	267,825.00	491,093.75	520,000.00		194,825.00	28,053.13	467,156.25	162,125.00	272,155.00	220,875.00 ##	154,100.00		2,778,208.13
2012													
Principal 4/1	310,000.00			87,000.00			1,020,000.00	6,485,000.00	1,175,000.00	9,500,000.00 ##	305,000.00	637,000.00 *	19,519,000.00
Interest 4/1	267,825.00	491,093.75	520,000.00	95,647.12	194,825.00	28,053.13	467,156.25	162,125.00	272,155.00		154,100.00	119,486.00	2,772,466.25
Interest 10/1	262,012.50	491,093.75	520,000.00		194,825.00	28,053.13	446,756.25		244,542.50		147,237.50		2,334,520.63
2013													
Principal 4/1	2,790,000.00	2,130,000.00		475,000.00	2,200,000.00	140,000.00	660,000.00		1,300,000.00		320,000.00	798,000.00 *	10,813,000.00
Interest 4/1	262,012.50	491,093.75	520,000.00	(8,243.25)	194,825.00	28,053.13	446,756.25		244,542.50		147,237.50	35,265.00	2,361,542.38
Interest 10/1	206,212.50	448,493.75	520,000.00		145,325.00	25,603.13	433,556.25		213,667.50		140,037.50		2,132,895.63
2014													
Principal 4/1	2,670,000.00	2,225,000.00		500,000.00	2,300,000.00 *	145,000.00	845,000.00		1,450,000.00 *		335,000.00	816,000.00 *	11,286,000.00
Interest 4/1	206,212.50	448,493.75	520,000.00	(20,187.50)	145,325.00	25,603.13	433,556.25		213,667.50		140,037.50	17,854.00	2,130,562.13
Interest 10/1	137,793.75	401,212.50	520,000.00		95,012.50	22,703.13	416,656.25		178,505.00		132,500.00		1,904,383.13
2015													
Principal 4/1	2,870,000.00	2,120,000.00		500,000.00	2,350,000.00 *	150,000.00	910,000.00		1,625,000.00 *		345,000.00	827,000.00 *	11,697,000.00
Interest 4/1	137,793.75	401,212.50	520,000.00	(21,250.00)	95,012.50	22,703.13	416,656.25		178,505.00		132,500.00	5,764.00	1,888,897.13
Interest 10/1	64,250.00	353,512.50	520,000.00		43,312.50	19,703.13	398,456.25		138,286.25		124,737.50		1,662,258.13
2016													
Principal 4/1	2,570,000.00			1,950,000.00 *	1,925,000.00 *	155,000.00	1,940,000.00		1,800,000.00 *		360,000.00	838,000.00 *	11,538,000.00
Interest 4/1	64,250.00	353,512.50	520,000.00	(20,295.44)	43,312.50	19,703.13	398,456.25		138,286.25		124,737.50	(5,514.00)	1,636,448.69
Interest 10/1		353,512.50	520,000.00			16,312.50	349,956.25		92,836.25		116,637.50		1,449,255.00
2017													
Principal 4/1				2,050,000.00 *		160,000.00	1,465,000.00 *		1,975,000.00 *		380,000.00	853,000.00 *	6,883,000.00
Interest 4/1		353,512.50	520,000.00	(83,829.56)		16,312.50	349,956.25		92,836.25		116,637.50	(18,044.00)	1,347,381.44
Interest 10/1		353,512.50	520,000.00			12,712.50	313,331.25		42,967.50		108,087.50		1,350,611.25

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

Kenosha Unified School District No. 1 Long Term Debt Retirement Schedule - Calendar Year													
	Fund 31 \$11.21 M 8/15/2005	Fund 32 \$20.45 M 7/15/2009	Fund 32 \$20.0 M 7/15/2009	Fund 32 \$10.0 M ** 6/10/2010	Fund 33 \$14.725 M 12/10/2002	Fund 34 \$1.28 M 7/15/2009	Fund 35 \$21.0 M 2/1/2006	Fund 37 \$35.815 M 1/1/2005	Fund 38 \$16.71 M 11/26/2002	Fund 38 \$9.5 M 9/29/2006	Fund 38 \$8 M 6/20/2007	Fund 38 \$8.31 ** 6/10/2010	Totals
	Mahone (Refinancing)	ITA (Refinancing)	ITA (BAB)	EBSOLA (Bond)	EBSOLA (Bond)	Mahone (Refinancing)	Nash (Bond)	Pre 1993 Notes (Refinancing)	Pension (Refinancing)	OPEB (Note)	Brass Site (Bond)	Reuther (BAB/QSCB/QZAB)	
2018													
Principal 4/1				2,125,000.00 *		170,000.00	1,410,000.00 *		1,685,000.00 *		395,000.00 *	873,000.00 *	6,658,000.00
Interest 4/1		353,512.50	520,000.00	(83,725.00)		12,712.50	313,331.25		42,967.50		108,087.50	(28,075.00)	1,238,811.25
Interest 10/1		353,512.50	520,000.00			8,781.25	278,081.25				99,693.75		1,260,068.75
2019													
Principal 4/1				2,153,000.00 *		175,000.00	1,450,000.00 *				415,000.00 *	887,000.00 *	5,080,000.00
Interest 4/1		353,512.50	520,000.00	(90,312.50)		8,781.25	278,081.25				99,693.75	(37,103.00)	1,132,653.25
Interest 10/1		353,512.50	520,000.00			4,625.00	241,831.25				90,875.00		1,210,843.75
2020													
Principal 4/1		2,560,000.00 *				185,000.00	1,520,000.00 *				435,000.00 *	1,229,000.00 *	5,929,000.00
Interest 4/1		353,512.50	520,000.00	(91,502.50)		4,625.00	241,831.25				90,875.00	(37,554.00)	1,081,787.25
Interest 10/1		289,512.50	520,000.00				203,831.25				81,631.25		1,094,975.00
2021													
Principal 4/1		2,910,000.00 *					1,595,000.00 *				455,000.00 *		4,960,000.00
Interest 4/1		289,512.50	520,000.00				203,831.25				81,631.25	(52,376.00)	1,042,599.00
Interest 10/1		216,762.50	520,000.00				165,950.00				71,962.50		974,675.00
2022													
Principal 4/1		3,060,000.00 *					1,670,000.00 *				475,000.00 *		5,205,000.00
Interest 4/1		216,762.50	520,000.00				165,950.00				71,962.50		974,675.00
Interest 10/1		140,262.50	520,000.00				126,287.50				61,571.88		848,121.88
2023													
Principal 4/1		3,220,000.00 *					1,755,000.00 *				500,000.00 *		5,475,000.00
Interest 4/1		140,262.50	520,000.00				126,287.50				61,571.88		848,121.88
Interest 10/1		57,750.00	520,000.00				84,606.25				50,634.38		712,990.63
2024													
Principal 4/1		2,200,000.00 *	1,210,000.00 *				1,840,000.00 *				525,000.00 *		5,775,000.00
Interest 4/1		57,750.00	520,000.00				84,606.25				50,634.38		712,990.63
Interest 10/1			471,600.00				40,906.25				39,150.00		551,656.25

Kenosha Unified School District No. 1
Section 8: Structural Deficit
Exhibit B: Adjustment Details

Kenosha Unified School District No. 1 Long Term Debt Retirement Schedule - Calendar Year													
	Fund 31 \$11.21 M 8/15/2005 Mahone (Refinancing)	Fund 32 \$20.45 M 7/15/2009 ITA (Refinancing)	Fund 32 \$20.0 M 7/15/2009 ITA (BAB)	Fund 32 \$10.0 M ** 6/10/2010 EBSOLA (Bond)	Fund 33 \$14.725 M 12/10/2002 EBSOLA (Bond)	Fund 34 \$1.28 M 7/15/2009 Mahone (Refinancing)	Fund 35 \$21.0 M 2/1/2006 Nash (Bond)	Fund 37 \$35.815 M 1/1/2005 Pre 1993 Notes (Refinancing)	Fund 38 \$16.71 M 11/26/2002 Pension (Refinancing)	Fund 38 \$9.5 M 9/29/2006 OPEB (Note)	Fund 38 \$8 M 6/20/2007 Brass Site (Bond)	Fund 38 \$8.31 ** 6/10/2010 Reuther (BAB/QSCB/QZAB)	Totals
2025													
Principal 4/1			3,430,000.00 *				1,925,000.00 *				550,000.00 *		5,905,000.00
Interest 4/1			471,600.00				40,906.25				39,150.00		551,656.25
Interest 10/1			351,340.00								26,775.00		378,115.00
2026													
Principal 4/1			3,600,000.00 *								580,000.00 *		4,180,000.00
Interest 4/1			351,340.00								26,775.00		378,115.00
Interest 10/1			255,360.00								13,725.00		269,085.00
2027													
Principal 4/1			3,755,000.00 *								610,000.00 *		4,365,000.00
Interest 4/1			255,360.00								13,725.00		269,085.00
Interest 10/1			155,560.00										155,560.00
2028													
Principal 4/1			3,920,000.00 *										3,920,000.00
Interest 4/1			155,560.00										155,560.00
Interest 10/1			51,330.00										51,330.00
2029													
Principal 4/1			4,085,000.00 *										4,085,000.00
Interest 4/1			51,330.00										51,330.00
Interest 10/1			(57,190.00)										(57,190.00)
2030													
Principal 4/1													0.00
Interest 4/1			(57,190.00)										(57,190.00)
Interest 10/1													0.00
Totals:													
Principal	11,210,000.00	20,425,000.00	20,000,000.00	10,000,000.00	8,950,000.00	1,280,000.00	20,445,000.00	12,745,000.00	12,060,000.00	9,500,000.00	7,280,000.00	8,310,000.00	142,205,000.00
Interest	2,411,837.50	9,589,675.00	17,177,777.78	0.00	1,743,250.00	389,200.06	8,886,637.50	961,500.00	2,958,530.00	750,975.00	3,239,450.02	268,696.00	48,377,528.86

Note: This debt service is callable and can be pre-paid on the first date eligible (see the *)

The debt service payments on the Fund 38 OPEB Notes will be made from the General Fund (see the #) with the last payment made on September 1, 2011 (see the ##)

These loans obtained from the State Trust Fund and the annual debt service and interest payment is due March 15th of each year (see the **)

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS

Structural Deficit List of Assumptions

Fund 10 Revenues

Equalization Aid Worksheet Assumptions (Projected State Aid)

- Since complete prior year actuals are not available for the 2010-2011, the school fiscal year 2011 adopted budget numbers are used in their place.
- Enrollment Membership numbers and Summer FTE figures are held constant from the 2010-2011 calculation to ensure a conservative estimate.
- Equalized Aid Value is taken from 2010-2011 actual apportionment for the Kenosha Unified School District as identified on Wisconsin DPI website.
https://www2.dpi.state.wi.us/safr_ro/tax_apportionment_all_districts.asp?year=2011
- Guaranteed value per member is pulled from 2010 Equalized Aid calc values to remain conservative.

Revenue Limit Calculation Assumptions

- Line 1 Base Revenue inputs are all linked to 2010-2011 Revenue Limit Calculation contained within the workbook and the FTE Membership data is linked to 2010-2011 Revenue Limit calculation which was prepared by the district finance department. The 2009 FTE figures held constant for 2010.
- 2011 Property values held constant from 2010 Revenue Limit Calculation.
- Unused 2010-2011 Recurring Levy Authority taken from 2010-2011 Revenue Limit per conversation with William Johnston.
- Recurring Referenda to Exceed per the Chief Financial Officer, need further clarification.
- Estimated General Aid linked to Projected 11-12 State Aid calculation.
- Gen Operations is equal to Total Revenue Limit to be used minus Non-Referendum Debt and capital Expenditures Annual Meeting Approved. Once expenditures are determined, levy amount can be reduced if economically feasible to lower mill rate.
- Non-Referendum Debt and Referendum Approved Debt taken from Debt Service schedules and are equal to calendar year requirements. Non-Referendum Debt is total debt service minus Interest on the OPEB note which is paid out of the General fund and minus \$500,000 on the Reuther note per the CFO.
- Prior Year Levy Chargeback and Community Services Levy held constant from prior year. Prior Year Levy Chargeback has had some fluctuation in the past, but Community Services Levy is held constant unless a change is requested by the board.

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS (Continued)

Special Project Grants (Source 730)

Fund 10

- Project 215 – Carol M. White Physical Education Program – **Not Renewed** – This grant was not budgeted for FY11, and will not be renewed for FY12 per notes from the Grant Analyst.
- Project 329 – Safe/Drug Free School – **Not Renewed** – This grant was not budgeted for FY11, and will not be renewed for FY12 per notes from the Grant Analyst.
- Project 335 – Homeless Children – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 337 – Learn and Serve America – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 341– IDEA Flow Through – **Renewed** – \$115,884 budgeted is remainder of total grant amount of \$3,938,627 after \$3,822,743 was budgeted for Fund 20. This grant will be renewed per notes from the Grant Analyst.
- Project 345 – IDEA Early Intervention Services – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 347 – IDEA/Preschool Entitlement – **Renewed** – \$5,137 budgeted is remainder of total grant amount of \$173,562 after \$168,425 was budgeted for Fund 10. This grant will be renewed per notes from the Grant Analyst.
- Project 359 – ESEA Title II-A – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 360 – Charter School Dissemination Grant (Harborside) Kenosha Expeditionary Learning – **Not Renewed** – \$125,000 budgeted for FY11 the entirety of the total grant award. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 391 – ESEA Title III-A English Language Acquisition – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 623 – 21st Century – Learning Center – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 813 – ARRA IDEA Flow Through – **Not Renewed** – \$148,076 budgeted for FY11 is the remainder of the total grant award of \$5,386,101 after \$2,838,643.82 was expended in FY10 and \$2,312,935.18 is budgeted to Fund 20. This grant is will not be renewed after it expires in 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 814 – ARRA2 ESEA Title II-D-Competitive Educational Technology – **Not Renewed** – \$13,657 budgeted for FY11 is the remainder of the total grant award of \$80,000 after \$66,342.97 was expended in FY10. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS (Continued)

- Project 819 – ARRA IDEA/Preschool Entitlement – **Not Renewed** – \$7,417 budgeted for FY11 is the remainder of the total grant award of \$254,632 after \$77,640.55 was expended in FY10 and \$159,308.45 is budgeted to Fund 20. This grant is will not be renewed after it expires in 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 820 – ARRA Homeless Children – **Not Renewed** – \$ 35,709 budgeted for FY11 is the remainder of the total grant award of \$42,000 after \$6,290.55 was expended in FY10. This grant is will not be renewed after 6/30/2011. Will assume all of grant funds are used in FY2011.
- Project 821 – ARRA ESEA Title II-D Educational Technology – **Not Renewed** - \$66,895.29 budgeted for FY11 is the remainder of the total grant award of \$118,671 after \$51,775.71 was expended in FY10. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.

ECIA, Title I & Title VI Assumptions (Source 730)

- Project 140 – ESEA Title I-D Delinquent – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 141 – ESEA Title I-A – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 145 – ESEA Title I-Supplemental – **Not Renewed** – This grant is not budgeted in FY11 however there is an award of 70k.
- Project 146 – Even Start Family Literacy – **Renewed** – This grant will be renewed per notes from the Grant Analyst.
- Project 816 – ARRA ESEA Title I-A – **Not Renewed** - \$2,078,126.64 budgeted for FY11 is the remainder of the total grant award of \$3,606,545 after \$1,528,418.36 was expended in FY10. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 817 – ARRA ESEA Title I-A Supplemental – **Not Renewed** - \$232,028.26 budgeted for FY11 is the remainder of the total grant award of \$636,000 after \$403,971.74 was expended in FY10. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 822 – ARRA ESEA Title I-D Delinquent – **Not Renewed** - \$17,633 budgeted for FY11 is the remainder of the total grant award of \$29,219 after \$11,585.82 was expended in FY10. This grant is will not be renewed after 9/30/2011. Will assume all of grant funds are used in FY2011.

Federal Aid thru State (not DPI) (Source 780)

- Project 595 – Education Jobs Fund - **Not Renewed** – This is an ARRA funded grant which will not be renewed per documentation provided by the district Grant Analyst.

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS (Continued)

Fund 20 Revenues

Transfers in from Other Funds (Source 110)

- Adjusted Fund 20 expenditures are calculated and the Transfers in from Other Funds line item are a plugged number to ensure that the fund is balanced. The difference between the current year Transfer and the newly calculated transfer is the adjustment used.

State Aid-Categorical (Source 610)

- State Handicap Aid is calculated by multiplying the adjusted Fund 20 Function 150000 Special Curriculum expenditures by the current year State Handicap Aid percentage of 27.30%. Current year percentage is held constant to keep this estimate as conservative as possible.

Special Project Grants (Source 730)

Fund 20

- Project 341 – IDEA Flow Through – **Renewed** – \$3,822,743 budgeted is remainder of total grant amount of \$3,938,627 after \$115,884 was budgeted for Fund 10. This grant will be renewed per notes from the Grant Analyst.
- Project 347 – IDEA/Preschool Entitlement – **Renewed** – \$168,425 budgeted is remainder of total grant amount of \$173,562 after \$5,137 was budgeted for Fund 10. This grant will be renewed per notes from the Grant Analyst.
- Project 813 – ARRA IDEA Flow Through – **Not Renewed** – \$2,312,935.18 budgeted for FY11 is the remainder of the total grant award of \$5,386,101 after \$2,838,643.82 was expended in FY10 and \$148,076 is budgeted to Fund 10. This grant is will not be renewed after it expires in 9/30/2011. Will assume all of grant funds are used in FY2011.
- Project 819 – ARRA IDEA/Preschool Entitlement – **Not Renewed** – \$159,308.45 budgeted for FY11 is the remainder of the total grant award of \$254,632 after \$77,640.55 was expended in FY10 and \$7,417.00 is budgeted to Fund 10. This grant is will not be renewed after it expires in 9/30/2011. Will assume all of grant funds are used in FY2011.

Direct Revenue from Federal Sources (Source 790)

- Project 601 – Head Start Federal – **Renewed** – This grant will be renewed per documentation provided by the district Grant Analyst.
- Project 602 – ARRA Head Start Federal – **Not Renewed** – This grant is will not be renewed after it expires in 6/30/2011 per documentation provided by the district Grant Analyst. Will assume all of grant funds are used in FY2011.

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS (Continued)

Expenditures

Fund 10 & Fund 20 Expenditure Assumptions

- Teachers as defined in the “Prelim Budget Assumptions UPDATED.pdf” in SD002 are comprised of salary object 2113 Perm FT Teachers; however there are also Teachers included in object 2114 Perm FT Teacher Consultant, and object 2115 Perm FT Other Professional for each expenditure function. This total is then multiplied by the supplied percentage increase, 3%, from the KUSD finance department. Additionally there is a 2% step increase. The increase for Teachers is included in the detail for functions 1100000, 120000, 130000, 140000, 160000, 170000, 210000, 220000, 230000, 240000 and 260000 for Fund 10 and functions 110000, 150000, 170000, 210000 and 220000 for Fund 20.
- Fund 10 - Function 110000 Teachers are also adjusted by the termination of Federal Education Jobs Fund grant funding. When these jobs were created the positions are told that once the funding is discontinued then there is no guarantee that they will be brought back the following year. Thus when the grant completes then those positions are not required to be funded and have not been assumed to be funded in this projection.
- Substitutes are paid from the salary object 2143 Temp PT Sub/Teach; however there is also an additional line in the Human Resources sub budget in fund 27 for Special Ed Assistant Subs that are paid from the object 2149 Temp PT Ed Assistants for each expenditure function. Through costing analysis done during contract negotiations with the various groups, we have found that steps usually account for about 0.5% of the total salary costs, except for the Teachers where it is about 2.0%. The way the Teachers salary schedule is structured, they step up every year (until they max out). This total is then multiplied by the supplied percentage increase, 2.5%, from the KUSD finance department. The increase for Substitutes is included in the detail for functions 1100000, 120000, 130000, 160000, 170000, 210000 and 220000 for Fund 10 and functions 150000 and 220000 for Fund 20.
- Interpreter salaries can be in objects 2116 Perm FT Maintenance, 2118 Perm FT Custodial, or 2128 Perm PT Custodial. The object 2168 is correct for Custodial Overtime for each expenditure function. This total is then multiplied by the supplied percentage increase, 2.5%, from the KUSD finance department. Additionally there is a 0.5% step increase. The increase for Service Employee is included in the detail for functions 1100000, 250000 and 260000 for Fund 10 and function 250000 for Fund 20.
- Service Employee salaries can be found in objects 2116 Perm FT Maintenance, 2118 Perm FT Custodial, 2128 Perm PT Custodial, and 2168 Custodial Overtime. This total is then multiplied by the supplied percentage increase, 2%, from the KUSD finance department. Additionally there is a 0.5% step increase. The increase for Service Employee is included in the detail for functions 1100000, 250000 and 260000 for Fund 10 and function 250000 for Fund 20.
- The police (SRO-School Resource Officers) contract is in a single budget line 8042537000 / 2311 in the Human Resources budget which is contained in Function 250000. The other part time security expenses at the school levels under the function 253700 but they are not part of the contract. This line item is then multiplied by the supplied percentage increase, 3%, from the KUSD finance department.

STRUCTURAL DEFICIT LIST OF ASSUMPTIONS (Continued)

- The new routes are calculated by looking at the 2010-2011 Budget Assumptions for Route Increase. The \$70,621 in the previous year is for two new routes and is divided by two in order to determine the individual per route increase. This figure is then multiplied by three, which is the prescribed increase by the KUSD finance department, to determine the updated increase. This increase is included as a part of Fund 10 function 250000.
- The First Student contract is calculated by looking at the 2010-2011 Budget Assumptions for the previous year increase. \$230,257 was the adopted increase in the previous year for the reduced subsidy of student bus passes. This increase was the planned 4% from the prior year. This increase is divided by 4%, the previous year increase, which results in the total contract amount before the increase. \$230,257 is then added to the contract amount in order to determine the current contract amount which will need to be increased by 2.5% which is the prescribed increase by the KUSD finance department, to determine the updated increase. This increase is included as a part of Fund 10 function 250000.
- The City of Kenosha contract is calculated by looking at the 2010-2011 Budget Assumptions for Route Increase. \$31,430 was the adopted increase in the previous year for the reduced subsidy of student bus passes. This increase was the planned 5% from the prior year. This increase is divided by 5%, the previous year increase, which results in the total contract amount before the increase. \$31,430 is then added to the contract amount in order to determine the current contract amount which will need to be increased by 5% which is the prescribed increase by the KUSD finance department, to determine the updated increase. This increase is included as a part of Fund 10 function 250000.
- Fund 10 Function 410000 Interfund Operating expenditures are equal to the total funds necessary to balance Fund 20. Fund 20 expenditures are calculated and Interfund transfer is a plugged number to ensure that the fund is balanced. It is important to note that this characteristic essentially means that Fund 20 is an integral piece of the General Fund.

Fund 30 Assumptions

- Function 280000 Expenditures are based on the District debt service schedule for the fiscal year 12.
- \$500,000 of Reuther obligation is subtracted due to conversation with Bill Johnston. This money is being paid by building services.

SECTION 9

BOARD FINANCIAL REPORTS

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BOARD FINANCIAL REPORTS OVERVIEW

We conducted a review and evaluation of the adequacy of the Board's financial reports packet for making sound financial decisions.

This report provides a summary of observations and recommendations from our review. Our recommendations include improvements to the content and format of information provided to the Board in the reports packet based on interviews, a review of the District's accounting system capabilities, and industry best practices.

We noted 12 observations during this review.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Conducted a meeting on December 20, 2010, to discuss the Board's financial reports packet that they receive on a monthly or quarterly basis. This meeting was held in order to gain an understanding of the current financial reports packet and what would be useful for the Board to receive in order to make more informed decisions and to plan for the future appropriately.

District meeting attendees follow: Ms. Mary Snyder, Board President; Ms. JoAnn Taube Board Vice President
2. Held a meeting on December 22, 2010 with Mr. Johnston to establish an understanding of what information can be generated by the accounting software in place at the District.
3. Obtained and assessed the current Board financial reports packet. We identified what information was included therein and what additional information would be beneficial to be given to the Board in the future.
4. Conducted additional research in order to gain an understanding of best practices employed throughout the state of Wisconsin and similar districts, as well as to provide examples of different formats of reporting the District could effectively use.
5. Held an exit conference on January 7, 2011, to discuss observations noted, and to validate the factual nature of data collected and the related observations.

District meeting attendees were Ms. Glass and Mr. Johnston.

OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1. Grant funding reports

Observation:

The expiration and availability of the funding supplied through grants, both Federal and State, is not provided on the Board's monthly Projected Cash Flow statement in order to provide the Board with data for budget forecasting and performance management.

Recommendation:

We recommend that the District provide a detailed listing to the Board of all grant funding the District has received on a quarterly basis.

Specifically, we recommend that the District includes the following on the Projected Cash Flow Statement:

- Total amount received
- Total amount expended
- Total amount remaining
- Expiration date
- Renewable (Y/N)

Provide the Board with quarterly revenue reports by budget source with grant funding detail (see example **Exhibit F**) and reformat the current District Grants Report as an appendix that provides separate columns for:

- Grant title
- Grant manager
- Requested amount
- Awarded amount
- Grant start date
- Expiration date
- Grant status (renewable or nonrenewable)
- Source of funds (Federal or State)
- Overall objectives and restrictions of the grant funds

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 2. Reporting on curriculum (teaching and learning)

Observation:

Details of what is included in the “Curriculum/ Teaching and Learning” account line item are not provided to the Board in the quarterly and monthly reports in order to provide the Board with a clearer understanding of what is included in the account. This information would allow for the Board to analyze school activity and the management of resources, and will provide an understanding of the budgetary and financial impacts of Board policies on students, teachers, and curriculum.

Recommendation:

We suggest that the District provide source and object data detailing the components of the Curriculum/Teaching and Learning fund (i.e., personnel, books, etc.)

Observation No. 3. Budget to actual reporting

Observation:

In meetings with the District's Superintendent and certain members of the District's School Board it was noted that the presentation of the annual budget did not facilitate the desired level of analysis and decision making necessary to allocate the District's resources effectively. The annual budget is adopted in a State Department of Public Instruction required format that aggregates revenues and expenditures at the program and fund level but does not provide a breakdown of how resources are budgeted to individual schools and programs within each school. Therefore, understanding the full potential impact of budget recommendations and decisions is limited by the current budget format used in the adoption process.

Recommendation:

The District should examine the feasibility of using position control numbers that identify the location, program and funding source of staff and combining this with breakdowns of other operating expenses by physical location. Using this information, the District's annual budget could be presented in an additional format that identifies expenditures by school location, then program name, then funding source. This type of format will enable the District to examine critical measurements of program impact as it contemplates the necessary adjustments needed to address its structural deficits. Moreover, personnel expenditures comprise 80% of the District's budget and understanding the allocation of these human resources to each school and school program is essential to effective budget management and education policy-making. (See example **Exhibit G**).

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 4. District reports by location – building expenses

Observation:

The current monthly and quarterly reports received by the Board provide consolidated financial information for all of the building expenses in the District. Data is not provided to the Board on the expenses for individual buildings in order for it to assess financial performance or other concerns of each individual school's building expenses in the District. This data would provide the Board with information to analyze school activity and resource management. It would also provide information to assess budgetary and financial impacts of capital asset management.

Recommendation:

We recommend that the District provide the Board with both a consolidated District financial report and reports based on the location code for each school in the District which includes building expense detail.

In order to facilitate this, we suggest that the District establish sub-ledgers to capture all building expenses for each school building in order to provide the Board with details for operational decisions.

Finally, we recommend that the District produce a monthly report by management location which shows the individual school building expenses for each building (see example **Exhibit K**).

Observation No. 5. FTE reporting

Observation:

The current FTE reports are not coded for personnel allocations at a level where identification of personnel allocations to classroom, support, leave, or administration can be made. The District is not currently able to provide reports to the Board to assess what is included and excluded with respect to personnel assignments.

Recommendation:

We recommend that the District develop coding in Bi-Tech to produce FTE reports by identifying personnel allocated to classroom, support, and leave or administration categories and have Human Resources generate a report for Finance to include in a separate section of the Board financial reports on a quarterly basis.

We suggest that the following items be included in the FTE report (see examples in **Exhibits P-S**).

- Summary of classifications of positions, and whether the positions are filled or unfilled (i.e. Library aide, Classroom aide, etc.)
- Summary of number of aides per pupil
- Summary of number of administrators
- Summary of number of professional development staff
- Summary of number of teachers, assigned to a class (actually teaching children)
- Changes made to staffing from the original budget allocations
- Projections of the four to five year cost for teaching positions versus coordinators (include in reporting at the middle of the school year only)

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 6. Budget change reporting

Observation:

The current monthly and quarterly reports received by the Board reflect modifications made to the budgets, but do not provide transparency as to the changes that have been made. The District does not provide reports to the Board for each individual school, which would allow the Board to assess financial performance or address concerns that may be present as a result of budget transfers.

Recommendation:

We recommend that the District provide the Board with both a consolidated District financial report and reports based on the location code for each school in the District on a quarterly basis. The reports by location code should include details on budget changes that have occurred (see example **Exhibit I**).

We suggest that the District add budget change columns to the Budget to Actual reports showing the source and use of funds and produces such reports quarterly for each school location to show amounts transferred in and out for both the quarter and year to date.

We advise that the District submit copies of the supporting budget modifications to the Board along with the reports. This will help provide a clear understanding of changes that have occurred from the original budget that are outside of the approval by the Superintendent.

Observation No. 7. Accounts payable

Observation:

The Board is provided a report listing total receipts, a list of outbound wire transfers, and a list of general check registers with amounts to be paid. The Board is not provided with a detailed listing of the items or services being purchased.

The Board typically approves the disbursements at each following month's Board meeting, as a formality. The Board Treasurer is not provided with the details necessary to conduct a detailed review of payments prior to checks being mailed for payment.

Recommendation:

We recommend that the District provide the Board with a detailed accounts payable billing report which includes a column identifying the item or services purchased (see example **Exhibit J**).

We suggest that the District increase transparency by providing the Board with check registers in an electronic format which includes capabilities to view detail on vendors and the purchased item or services for each check request. The District's system currently has this capability but at the time of our procedures, this report was not accessible remotely.

The District should consider providing a detailed accounts payable billing report to the Board Treasurer for review prior to the checks being issued and consider including detail on the balances of the bank accounts the checks are being issued from. This will provide the Board Treasurer with a clear understanding of account balances and activity and allow for the Board to address payment concerns prior to checks being issued.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 8. Insurance

Observation:

The current “Budget to Actual Comparison” report includes a line item for insurance to provide the Board with the budgeted amount compared to what was expended. The District employs a consultant to advise it in matters such as insurance options and recommendations. The Board and Human Resources are not provided a detailed report on insurance options prior to decisions being made.

Recommendation:

We recommend that the District provide both Human Resources and the Board reports that have been prepared by the consultant which include total insurance costs and options (i.e., pricing, benefits, carriers) for review to ensure key stakeholders are involved in the decision making process.

Observation No. 9. External audit results

Observation:

External auditors have given the District an unqualified audit report in the prior years. The preliminary results of these audits are given to District management for its review and comments. After management has approved the draft report, the external auditors issue the final report. The audit results are not discussed with the Board members nor is the Board provided with the financial statements until the results and the final report are formally presented at an open public meeting.

Recommendation:

We recommend that the District provide Board members with the preliminary audit report at the same time it is provided to management for review, or immediately after management has had an opportunity to communicate any requested changes to the District’s external auditors. At a minimum, the Board should be furnished with the final external audit report prior to the public meeting so that it can have a chance to review the report adequately before the report is made public.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 10. Internal audit results

Observation:

Internal Audit does not issue an audit plan or formal reports to the Board in order to help the Board assess performance improvements that are needed or in process. Without a District process improvement plan approved by executive management, accountability for implementing recommended improvements is compromised. Currently, managers who are in a position to implement recommendations are not required to make a formal response to and take appropriate action on the Internal Control Analyst's recommendations.

Recommendation:

We recommend that the District develop an annual internal audit plan for review and approval by the Superintendent and the Finance Committee of the Board (See Section 10, Observation No.1).

We also recommend that Internal Audit provide the Superintendent and the Board with a summary report of internal audits on a quarterly basis, including the dates and objectives of reviews conducted as well as changes implemented or outstanding issues and concerns. This will provide the Superintendent and the Board with information on control issues, staffing issues, and financial allocation issues that are critical to its decision making processes.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.11. Board summary reports

Observation:

Currently, the Board receives a Budget to Actual Comparison report on a monthly basis that details the sources and uses of money by fund. The report is strictly financial in nature and does not provide an overall picture of the District's funding and uses from a financial and non-financial position. Non-financial data indicators such as ratios of students to teachers, educational endeavors and achievements and summary reports of individual school data are not provided currently. The financial data is also not provided in a graphical format. A summary of key performance indicators that is graphically depicted would provide the Board with a global assessment tool and aid the Board in understanding the impacts of indicators detailed in the financial reporting tools.

Recommendation:

We suggest that the District provide the Board with a bi-annual summary report of the overall District's and individual school's financial and non-financial position in a summary format from the data maintained by Education Accountability that is graphically depicted and include the following (see example **Exhibits A-C**).

- Restricted and unrestricted budget
- Performance to budget
- Revenues by budget source
- Expenditures by budget object
- Ratios of students to teachers
- Educational endeavors and achievements

We recommend that the Board consider assigning a process improvement lead from each responsible area to consolidate the submission of data. The District may consider the following allocation of responsibilities.

- Finance
 - Restricted and unrestricted budget
 - Performance to budget
 - Revenues by budget source
 - Expenditures by budget object
- Human Resources
 - Ratios of students to teachers
- Schools and Departments
 - Educational endeavors and achievements

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.12. Board reports package

Observation:

Currently, the Board is not receiving a report package which provides consolidated District and school financial information. The Board receives only summary level information on the District as a whole and is not receiving reports on key areas where information is needed for making decisions and providing oversight.

Based on our research of best practice, review of the current reports and interview with Board members, the following items were noted as areas of weakness in the current Board reporting package:

- Reports are not provided at both summary and detail levels
- Reports are not provided for individual schools
- Board Budget to Actual reports do not include data at the object and function level
- Details are not provided to the Board to support accounts payable
- Revenue sources are not provided at the object and function level
- Grant funding detail is not provided
- Building expenses are not provided on individual buildings or by individual school
- Student activity funds by school are not provided
- Reports on District capital projects are not provided
- Reports on securities and investments are not provided
- Reports on debt service are not provided
- Reports of FTE which identify personnel allocated to classroom, support, leave or administration categories are not provided. These reports also do not provide summaries of:
 - Classifications of positions, and whether the positions are filled or unfilled (i.e. Library aide, Classroom aide, etc.)
 - Number of aides per pupil
 - Number of administrators
 - Number of professional development staff
 - Number of teachers, assigned to a class (actually teaching children)
 - Changes made to staffing from the original budget allocations
 - Projections of the four to five year cost for teaching positions versus coordinators (include in reporting at the middle of the school year only)

Recommendation:

Include the following in the Board's monthly reports:

- Summary Board Expense (District and School) – (example **Exhibit G, H**)
- Balance Report (District and School) – (example **Exhibit E**)
- Billing Report – (example **Exhibit J**)

Include the following in the Board's quarterly reports:

- Summary Board Expense (District) – (example **Exhibit H**)
 - Summary Board Revenue (District) – (example **Exhibit D**)
 - Balance Report (District and School) – (example **Exhibit E**)
 - Revenues by Budget Source (with grant funding detail) – (example **Exhibit F**)
 - Summary Fund (District) – (example **Exhibit G**)
 - Budget Change – (example **Exhibit I**)
 - Building Expenses (District and School location) – (example **Exhibit K**)
 - Student Activity Summary by School – (example **Exhibit L**)
 - Capital Projects (District) – (example **Exhibit M**)
 - Pledged Security and Investments (District) – (example **Exhibit N**)
-

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.12. Board reports package (Continued)

- Debt Service – (District) – (example **Exhibit O**)
- FTE Summary– (example **Exhibits P-S**)

Include in the Board's reports at the middle of the school year:

- Projections of the four to five year cost for teaching positions versus coordinators

Include the following in a bi-annual report to the Board:

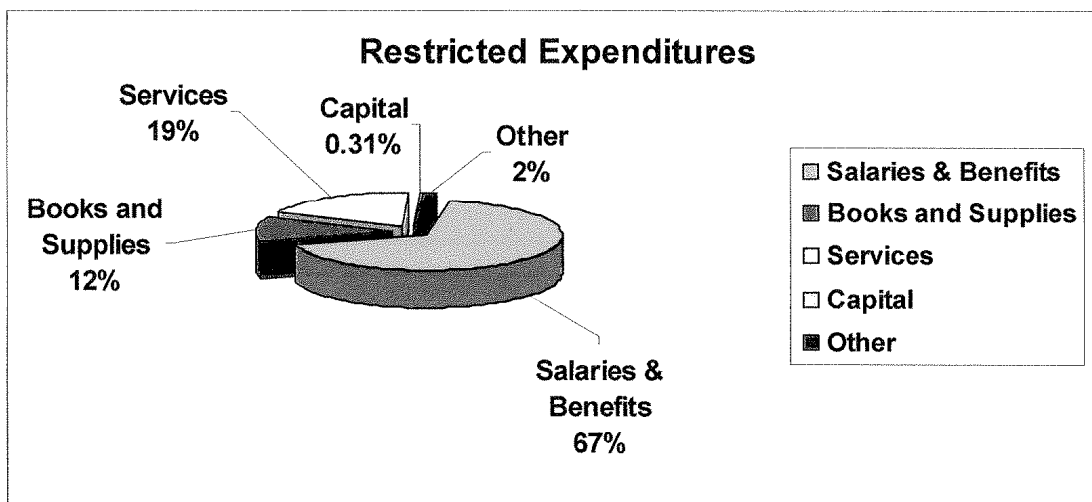
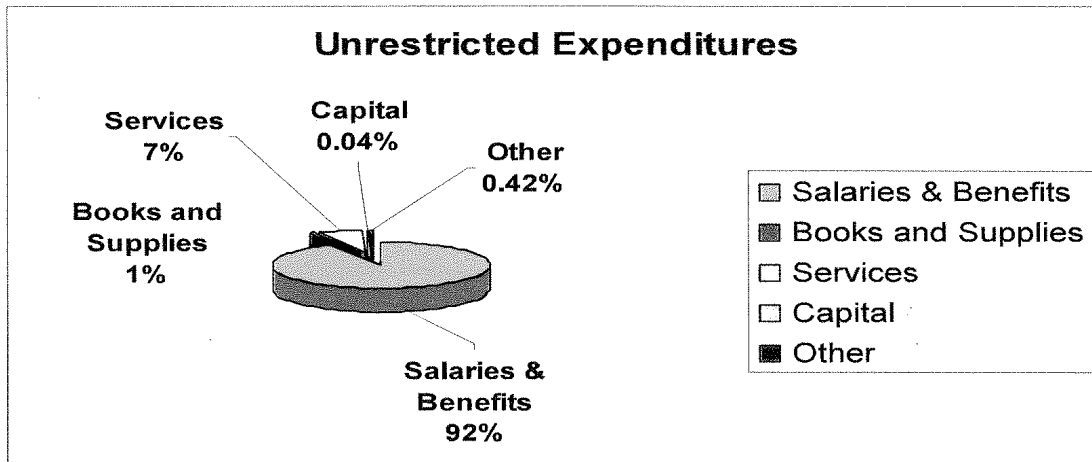
- Summary Board Reports (District and School) – (example **Exhibits A-C**)

Crowe also recommends that the District CFO provide training to the Board on reading the reports to assist the Board in assesses the District's financial performance.

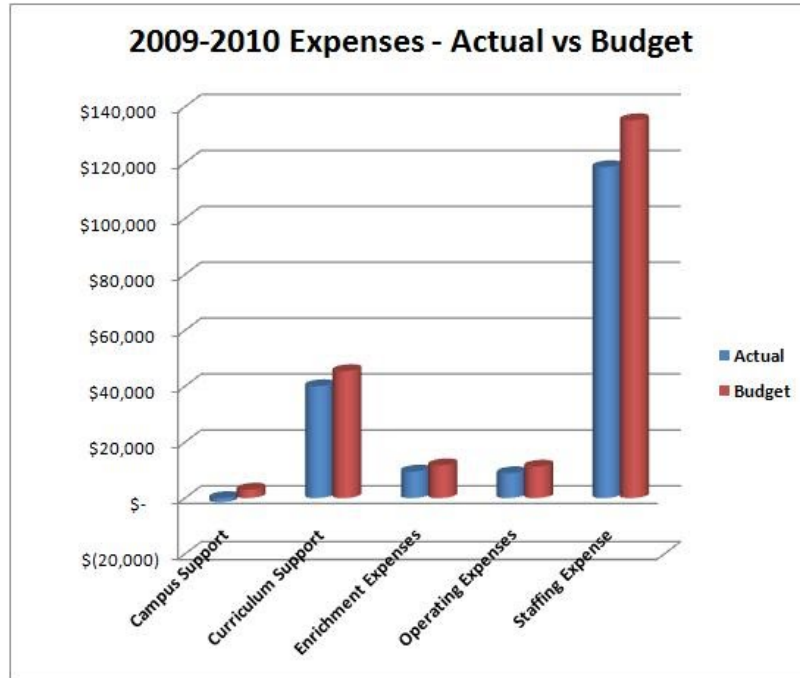
BOARD SUMMARY REPORT EXAMPLES (1)

GENERAL FUND

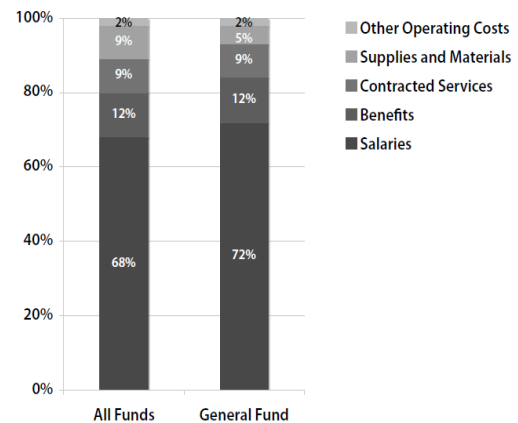
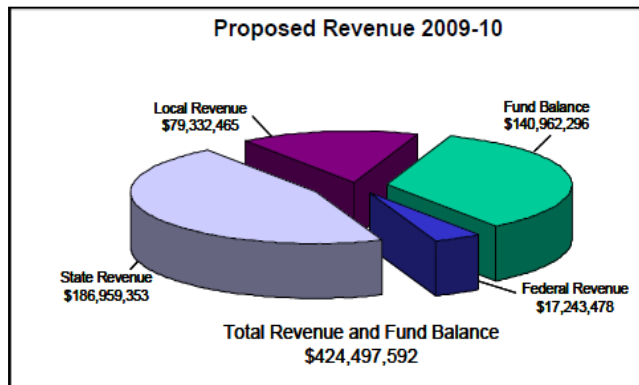
Depicted below is a graph of the General Fund by major object code. This chart shows that salaries and benefits account for the greatest portion of the District's unrestricted budget.



BOARD SUMMARY REPORT EXAMPLES (2)

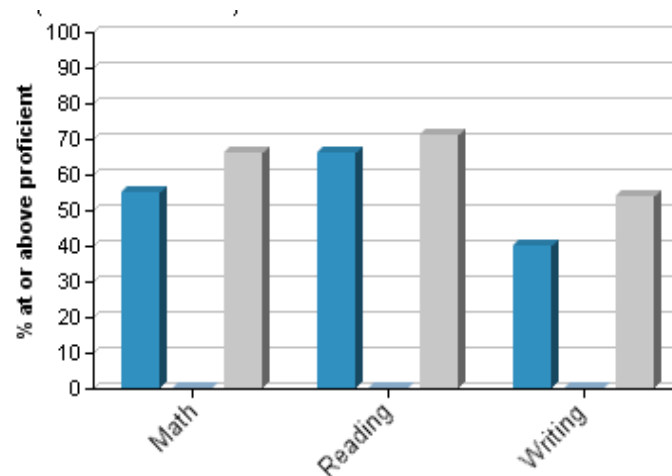


Allocation of Operating Expenditures by Object



BOARD SUMMARY REPORT EXAMPLES (3)

Student / Teacher Ratio										
	All Schools*	Kindergarten+	1st Grade	2nd Grade	3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade
State	21:1	23:1	17:1	17:1	19:1	26:1	26:1	24:1	14:1	14:1
District	21:1	24:1	17:1	17:1	19:1	27:1	27:1	-	-	-
Clark County Schools										
Adams ES	21:1	19:1	20:1	19:1	20:1	21:1	28:1	-	-	-
Adcock ES	21:1	30:1	18:1	18:1	20:1	26:1	23:1	-	-	-
Alamo ES	22:1	26:1	18:1	21:1	19:1	25:1	29:1	-	-	-
Allen ES	21:1	20:1	17:1	17:1	21:1	26:1	29:1	-	-	-
Antonello ES	20:1	23:1	15:1	17:1	18:1	26:1	31:1	-	-	-
Bailey (Sister) ES	23:1	32:1	21:1	16:1	18:1	31:1	32:1	-	-	-
Bartlett ES	22:1	20:1	16:1	19:1	20:1	28:1	33:1	-	-	-
Bass ES	22:1	25:1	17:1	17:1	21:1	30:1	31:1	-	-	-
Batterman ES	21:1	21:1	19:1	19:1	18:1	28:1	28:1	-	-	-
Beatty ES	22:1	26:1	18:1	18:1	19:1	31:1	26:1	-	-	-
Beckley ES	20:1	24:1	17:1	16:1	19:1	28:1	27:1	-	-	-
Bell ES	19:1	26:1	15:1	14:1	16:1	24:1	26:1	-	-	-
Bendorf ES	20:1	20:1	18:1	16:1	19:1	29:1	26:1	-	-	-
Bennett ES	18:1	15:1	16:1	16:1	16:1	22:1	26:1	-	-	-
Bilbray ES	22:1	24:1	16:1	19:1	21:1	28:1	31:1	-	-	-
Blue Diamond ES	15:1	-	-	-	-	-	-	-	-	-



Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit D: Summary Board Revenue

Dickinson Public School Dist 1
12/30/2010 01:05 PM

BOARD REVENUE 2009-2010
12/2009 12/2010

Page: 1
User ID: VSR

Account Number	Account Description	Previous BUDGET	Previous REVENUE TO DATE	BUDGET	REVENUE TO DATE	PERCENT OF BUDGET
01 GENERAL FUND						
01 000 1110	PROPERTY TAXES	\$5,434,294.00	\$254,270.92	\$5,865,000.00	\$338,324.62	5.77
01 000 1190	REPLACEMENT LEVY	\$120,000.00	\$0.00	\$120,000.00	\$0.00	0.00
01 000 1310	TUITION-REG ED	\$23,700.00	\$0.00	\$23,700.00	\$0.00	0.00
01 000 1320	TUITION-SP ED	\$47,800.00	\$1,945.56	\$47,800.00	\$0.00	0.00
01 000 1360	DRIVER EDUCATION FEES	\$25,000.00	\$150.00	\$20,000.00	\$4,050.00	20.25
01 000 1410	TRANSPORTATION FEES	\$14,000.00	\$10,806.76	\$14,000.00	\$10,451.42	74.65
01 000 1500	INTEREST EARNED	\$100,000.00	\$40,984.91	\$80,000.00	\$35,104.39	43.88
01 000 1800	COMMUNITY BUSING	\$5,000.00	\$1,907.00	\$5,000.00	\$447.00	8.94
01 000 1900	MISC. LOCAL REVENUE	\$25,000.00	\$2,128.05	\$20,000.00	\$9,662.01	48.32
01 031 1941	ADULT FARM MANAGEMENT FEES	\$0.00	\$0.00	\$0.00	\$0.00	0.00
01 047 1942	PARTNERS IN PARENTING	\$115,000.00	\$39,880.60	\$105,000.00	\$31,992.95	30.47
01 002 1944	RASP PARENT FEES (HR & ROOS)	\$65,000.00	\$47,609.75	\$90,000.00	\$61,998.17	68.89
01 090 1991	FAMILY RESOURCE CENTER	\$29,300.00	\$4,668.31	\$10,000.00	\$4,704.43	47.04
01 000 2210	OIL & GAS PRODUCTION TAX	\$250,000.00	\$196,276.76	\$250,000.00	\$250,000.00	100.00
01 000 2211	OIL & GAS PRODUCTION TAX B	\$255,016.00	\$0.00	\$175,000.00	\$28,934.72	16.53
01 000 3110	FOUNDATION PER PUPIL AID	\$9,734,161.00	\$5,885,803.89	\$12,298,441.00	\$9,329,783.94	75.86
01 000 3130	TRANSPORTATION AID	\$180,876.00	\$101,769.55	\$174,549.00	\$132,657.24	76.00
01 000 3140	STATE CHILD PLACEMENT	\$10,000.00	\$12,322.91	\$10,000.00	\$26,946.02	269.46
01 000 3190	SUPPLEMENTAL OPERATIONS	\$434,159.00	\$434,159.25	\$0.00	\$0.00	0.00
01 055 3204	GIFTED AND TALENTED	\$10,400.00	\$0.00	\$9,882.00	\$0.00	0.00
01 055 3205	EXCESS COST REIMBURSEMENT	\$20,000.00	\$0.00	\$10,000.00	\$15,537.04	155.37
01 055 3206	CONTRACTED/AGENCY EXCESS COST	\$120,716.00	(\$6,289.13)	\$101,900.00	\$8,969.35	8.80
01 057 3207	DAY TREATMENT PROGRAM	\$43,750.00	\$0.00	\$43,750.00	\$0.00	0.00
01 056 3300	VOC ED REIMBURSEMENT	\$130,000.00	\$19,416.77	\$135,000.00	\$112,227.77	83.13
01 000 3500	STATE PROPERTY TAX RELIEF	\$3,475,057.00	\$1,737,528.50	\$3,747,909.00	\$1,873,954.48	50.00
01 041 3900	ARISE (STATE)	\$70,000.00	\$8,417.87	\$65,700.00	\$12,160.62	18.51
01 042 3901	DRP (STATE)	\$8,700.00	\$1,881.38	\$13,000.00	\$2,158.72	16.61
01 000 3904	SUPPLEMENTAL ONE-TIME GRANTS	\$2,232,819.00	\$2,232,819.00	\$0.00	\$0.00	0.00
01 000 3990	RESERVE-SPECIAL PROJECTS	\$2,264.00	\$0.00	\$13,595.00	\$0.00	0.00
01 088 4460	HEADSTART	\$250,000.00	\$134,581.62	\$250,000.00	\$88,174.62	35.27
01 070 4510	TITLE I	\$475,000.00	\$0.00	\$832,812.00	\$0.00	0.00
01 072 4510	TITLE I PROGRAM AID	\$524,523.00	\$16,348.25	\$352,821.00	\$19,920.25	5.65
01 043 4512	ALC FEDERAL	\$70,000.00	\$43,715.58	\$70,000.00	\$12,343.65	17.63
01 075 4515	TITLE II D	\$12,688.00	\$0.00	\$5,241.00	\$0.00	0.00
01 075 4516	TITLE II A -CLASS SIZE REDUCTION	\$397,488.00	\$0.00	\$395,717.00	\$12,523.22	3.16
01 077 4517	TITLE V	\$0.00	\$0.00	\$0.00	\$0.00	0.00
01 075 4518	TITLE IID STIMULUS	\$31,184.00	\$0.00	\$20,518.00	\$12,892.70	62.84
01 081 4531	SP ED VI-B	\$694,142.00	\$210,723.00	\$714,556.00	\$209,112.90	29.26
01 083 4531	SP ED VI-B	\$793,845.00	\$0.00	\$339,402.00	\$0.00	0.00
01 082 4532	PRESCHOOL INCENTIVE GRANT	\$18,477.00	\$4,620.00	\$18,657.00	\$4,461.06	23.91
01 084 4532	PRESCHOOL INCENTIVE GRANT	\$25,758.00	\$0.00	\$848.00	\$0.00	0.00
01 094 4545	CARL PERKINS	\$55,517.00	(\$306.00)	\$55,517.00	\$1,155.00	2.08
01 031 4561	ADULT FARM MANAGEMENT	\$0.00	\$6,332.00	\$0.00	\$0.00	0.00
01 076 4575	DRUG FREE SCHOOLS	\$27,121.00	\$0.00	\$0.00	\$0.00	0.00
01 002 4579	21ST CENTURY GRANT	\$265,000.00	\$118,901.33	\$265,000.00	\$142,888.46	53.92
01 091 4590	FEDERAL MENTIS	\$0.00	\$1,519,074.07	\$0.00	\$0.00	0.00
01 085 4595	MEDICAID INCOME	\$59,705.00	\$73,986.15	\$45,000.00	\$48,531.90	107.85
01 000 5200	ACT. TRANSPORTATION TRANSFER	\$0.00	\$7,818.00	\$10,000.00	\$0.00	0.00

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit E: Balance Report

BALANCE REPORT

Dickinson Public School District #1
COMBINED BALANCED
JANUARY 1, 2011

Fund Groups:	01	03	04	05	06	
	General	Capital Projects	Debt Service	Food Services	Activities	Total
<u>Assets</u>						
Cash	\$2,967,055.04	\$1,982,644.67	\$79,035.97	\$168,735.42	\$707,927.66	\$5,905,398.76
Petty Cash	\$2,250.00				\$200.00	\$2,450.00
Investor's Adv. - ABC	\$5,400,000.00					\$5,400,000.00
NSF Checks Rec.	\$0.00					\$0.00
Cert. Of Dep. - ABC						\$0.00
Accts. Rec.	\$0.00					\$0.00
TOTAL ASSETS	\$8,369,305.04	\$1,982,644.67	\$79,035.97	\$168,735.42	\$708,127.66	\$11,307,848.76
<u>Liabilities</u>						
Accts. Payable	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payroll Payable	\$208,823.81	\$0.00	\$0.00	\$5,448.90	\$0.00	\$214,272.71
TOTAL LIABILITIES	\$208,823.81	\$0.00	\$0.00	\$5,448.90	\$0.00	\$214,272.71
<u>EQUITY</u>						
Fund Balance	\$6,088,340.95	\$2,817,718.22	\$82,606.90	\$96,293.21	\$541,745.30	\$9,626,704.58
Result of Operation	\$2,072,140.28	-\$835,073.55	-\$3,570.93	\$66,993.31	\$166,382.36	\$1,466,871.47
TOTAL	\$8,160,481.23	\$1,982,644.67	\$79,035.97	\$163,286.52	\$708,127.66	\$11,093,576.05
TOTAL LIABILITIES AND EQUITY	\$8,369,305.04	\$1,982,644.67	\$79,035.97	\$168,735.42	\$708,127.66	\$11,307,848.76

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit F: Revenues by Budget Source (with grant funding detail)

REVENUES BY BUDGETSOURCE (with grant funding detail)

General Fund Revenues									
Budget vs Actual									
YTD November 2011 & 2010									
Description	Budget FY 2010-2011	Actual FY 2010-2011	Budget/Actual Difference	YTD %	Actual Audit FY 2009-2010	Actual FY 2009-2010	YTD %	YTD Difference	Comments
LOCAL REVENUES									
Property Tax Levy	\$ 3,773,152.57	0.00	(3,773,152.57)	0.00%	\$ 3,668,960.68	0.00	0.00%	\$ -	
FmMun For Tax Increase	0.00	0.00	0.00	0.00%	2,771.05	0.00	0.00%	0.00	
County Apportionment	55,830.04	0.00	(55,830.04)	0.00%	62,982.03	0.00	0.00%	0.00	
Miscellaneous County Tax Rev	2,500.00	0.00	(2,500.00)	0.00%	5,721.71	0.00	0.00%	0.00	
Property Tax Shift Recognition Rev	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	
Tuition From MN School Districts	37,000.00	425.00	(36,575.00)	1.15%	37,985.73	83.00	0.22%	342.00	
Tuition from Patrons	1,810.00	5,693.85	3,883.85	314.58%	1,810.00	1,810.00	100.00%	3,883.85	
Fees From Patrons	262,913.50	169,012.85	(93,900.65)	64.28%	239,204.09	147,226.25	61.55%	21,786.60	Fees increased for FY 11 as part of budget reduction/enhancement process.
Admission & Student Activity Rev	145,430.00	41,079.05	(104,350.95)	28.25%	101,499.35	49,232.00	48.50%	(8,152.95)	
Med Assistance From Dept of HS	100,000.00	28,287.84	(71,712.16)	28.29%	147,173.50	20,041.59	13.62%	8,246.25	
Interest Earnings	25,682.59	20,384.80	(5,297.79)	79.37%	26,866.92	24,668.95	91.82%	(4,284.15)	
Rent	40,000.00	12,733.40	(27,266.60)	31.83%	57,534.16	21,895.08	38.06%	(9,161.68)	
Tournaments	15,000.00	5,180.25	(9,819.75)	34.54%	16,714.40	5,745.54	34.37%	(565.29)	
Gifts & Bequests	149,563.31	88,285.57	(61,277.74)	59.03%	231,171.27	107,435.51	46.47%	(19,149.94)	10.
Miscellaneous Local Revenue	199,378.15	96,293.64	(103,084.51)	48.30%	210,338.24	82,244.36	39.10%	14,049.28	
Total Local Revenues	\$ 4,808,260.16	\$ 467,376.25	(4,340,883.91)	9.72%	\$ 4,810,753.13	\$ 460,382.28	9.57%	\$ 6,993.97	
STATE REVENUES									
Endowment Fund Apportionment	\$ 116,307.90	\$ 55,200.35	(61,107.55)	47.46%	\$ 113,554.08	\$ 58,244.86	51.29%	\$ (3,044.51)	
General Education Aid	29,695,337.89	5,162,399.15	(24,532,938.74)	17.38%	27,069,164.54	5,040,172.71	18.62%	122,226.44	In FY 10, MDE was paying 73% of aid in the current year. In FY 11, MDE is paying 70% of aid in the current year. Also in FY 10, MN used ARRA Stabilization funds to pay for a portion of funding that was normally paid for with state funding.
Shared Time Aid	8,778.02	0.00	(8,778.02)	0.00%	30,744.00	0.00	0.00%	0.00	
Abatement Aid	1,659.60	50.06	(1,609.54)	3.02%	1,659.57	810.75	48.85%	(760.69)	
Disparity Reduction Aid	308.75	0.00	(308.75)	0.00%	308.75	0.00	0.00%	0.00	
Homesite Market Value Credit	104,828.37	0.00	(104,828.37)	0.00%	104,828.37	0.00	0.00%	0.00	
Other State Credits	103.86	0.00	(103.86)	0.00%	103.86	0.00	0.00%	0.00	
State Aid Adjustments For Prop Tax	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	
State Aids From DOE	545,302.24	151,738.33	(393,563.91)	27.83%	551,810.60	153,442.31	27.81%	(1,703.98)	
NonPublic Aid	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	
Health & Safety Aid	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	
Special Education Aid	3,896,412.85	1,160,213.87	(2,736,198.98)	29.78%	4,110,413.58	1,124,756.10	27.36%	35,457.77	Timing of special education payments from the state.
Other State Agency Revenue	2,700.00	560.00	(2,140.00)	20.74%	7,652.92	605.00	7.91%	(45.00)	
Other Aid From MDE	-	0.00	0.00	0.00%	9,968.00	0.00	0.00%	0.00	
Total State Revenues	\$ 34,371,739.48	\$ 6,530,161.76	(27,841,577.72)	19.00%	\$ 32,000,208.27	\$ 6,378,031.73	19.93%	\$ 152,130.03	

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit G: Summary Fund

SUMMARY FUND

Dickinson Public School Dist 1
12/30/2010 12:44 PM

BR SUMMARY 03,04,05,06 REPORT 2010-2011
12/2009 12/2010

Page: 1
User ID: VSR

Account Number	Account Description	Previous ACTIVITY TO DATE	ACTIVITY TO DATE	BUDGET	PERCENT OF BUDGET
03	CAPITAL PROJECTS FUND				
8	Revenue	\$200,936.81	\$916,567.14	\$1,382,100.00	66.32
9	Expenditure	\$477,677.00	\$1,751,640.69	\$3,306,026.00	52.98
03	CAPITAL PROJECTS FUND	(\$276,740.19)	(\$835,073.55)	(\$1,923,926.00)	56.91
04	DEBT SERVICE FUND				
8	Revenue	\$4,795.72	\$8,265.74	\$220,255.00	3.75
9	Expenditure	\$26,388.25	\$11,836.67	\$218,997.00	5.40
04	DEBT SERVICE FUND	(\$21,592.53)	(\$3,570.93)	\$1,258.00	4.58
05	FOOD SERVICE FUND				
8	Revenue	\$441,428.85	\$464,573.32	\$938,950.00	49.48
9	Expenditure	\$364,886.44	\$397,580.01	\$1,046,971.00	38.01
05	FOOD SERVICE FUND	\$76,542.41	\$66,993.31	(\$108,021.00)	43.43
06	STUDENT ACTIVITY FUND				
8	Revenue	\$540,386.11	\$537,298.30	\$759,063.00	70.78
9	Expenditure	\$423,515.72	\$370,915.94	\$897,414.00	42.66
06	STUDENT ACTIVITY FUND	\$116,870.39	\$166,382.36	(\$138,351.00)	55.55
07	TRUST AND AGENCY				
8	Revenue	\$0.00	\$0.00	\$150,000.00	0.00
9	Expenditure	\$0.00	\$0.00	\$289,702.00	0.00
07	TRUST AND AGENCY	\$0.00	\$0.00	(\$139,702.00)	0.00

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit H: Summary Board Expense

SUMMARY BOARD EXPENSE

Description	Budget FY 2010-2011	Actual FY 2010-2011	YTD %	Actual Audit FY 2009-2010	Actual FY 2009-2010	YTD %	YTD Difference	Comments
SALARIES AND WAGES								
Administration	\$ 1,012,048.32	\$ 355,551.51	35.13%	\$ 1,115,053.74	\$ 385,391.38	34.56%	\$ (29,839.87)	
District Support Services	433,805.25	193,970.22	44.71%	438,553.02	177,689.90	40.52%	16,280.32	
Regular Instruction	13,547,184.24	3,399,499.37	25.09%	13,149,680.75	3,350,062.01	25.48%	49,437.36	
Vocational Instruction	525,314.02	167,874.08	31.96%	575,554.23	164,376.36	28.56%	3,497.72	
Special Education Instruction	4,932,349.49	1,282,398.69	26.00%	5,208,681.35	1,319,653.13	25.34%	(37,256.44)	
Instructional Support	1,280,277.84	405,812.25	31.70%	1,333,896.48	438,255.07	32.86%	(32,442.82)	
Pupil Support	874,708.33	214,632.99	31.81%	675,881.95	206,812.37	30.60%	7,820.62	
Sites And Buildings	1,176,140.15	491,561.19	41.79%	1,174,419.43	498,274.71	42.43%	(6,713.52)	
Total Salaries And Wages	\$ 23,581,827.64	\$ 6,511,298.30	27.61%	\$ 23,671,720.95	\$ 6,540,514.93	27.63%	\$ (29,216.63)	Budget reductions.
EMPLOYEE BENEFITS								
Administration	\$ 372,758.00	\$ 156,070.85	41.87%	\$ 394,142.44	\$ 158,933.95	40.32%	\$ (2,863.10)	
District Support Services	272,068.51	80,572.24	29.61%	225,216.44	101,361.03	45.01%	(20,788.79)	
Regular Instruction	3,787,536.61	1,327,361.53	35.05%	3,761,249.96	1,258,539.15	33.46%	68,822.38	
Vocational Instruction	149,945.73	64,748.60	43.18%	164,578.93	60,943.49	37.03%	3,805.31	
Special Education Instruction	1,866,269.67	628,933.24	33.70%	1,925,115.82	640,470.54	33.27%	(11,537.30)	
Instructional Support	444,225.68	169,270.64	38.10%	423,278.44	163,615.59	38.65%	5,655.05	
Pupil Support	197,366.97	78,527.92	39.79%	189,865.25	70,668.93	37.22%	7,858.99	
Sites And Buildings	350,047.23	168,991.69	47.71%	345,740.68	168,542.08	48.75%	(1,550.39)	
Total Employee Benefits	\$ 7,440,218.40	\$ 2,672,476.91	35.92%	\$ 7,429,185.86	\$ 2,623,074.76	35.31%	\$ 49,402.15	Budget reductions offset by employee benefit choices.
PURCHASED SERVICES								
Administration	\$ 68,652.78	\$ 14,787.31	21.54%	\$ 28,422.53	\$ 7,879.34	27.72%	\$ 6,907.97	
District Support Services	244,923.37	118,016.59	48.19%	183,289.61	82,185.67	44.84%	35,830.92	Timing of payments for annual audit, financial planning model and actuarial services.
Regular Instruction	1,390,280.64	389,469.95	28.01%	1,329,911.27	361,856.49	27.21%	27,613.46	Difference in timing of payments to integration collaborative.
Vocational Instruction	12,242.45	2,179.50	17.80%	11,128.93	5,090.87	45.75%	(2,911.37)	
Special Education Instruction	365,954.91	161,013.52	44.00%	266,823.18	81,616.91	30.59%	79,396.61	In FY 10, the cost of special education services received through the cooperative where paid for through federal funds directly to the cooperative. In FY 11, the cost of special education services received through the cooperative are paid for through state funding in an effort to maximize 3rd party billing funding.
Instructional Support	153,299.77	114,873.40	74.93%	184,175.42	139,419.44	75.70%	(24,546.04)	Staff Development expenditures occurred earlier in the year in FY 10.
Pupil Support	2,580,896.15	734,317.65	28.67%	2,627,063.76	735,472.42	28.00%	(1,154.77)	
Sites And Buildings	2,613,606.10	1,224,330.01	46.84%	1,666,100.35	471,615.93	28.31%	752,714.08	The Roosevelt addition was built in FY 10 and flows through capital expenditures. In FY 11, capital repair projects flow through purchased services.
Other Fixed Costs	150,000.00	123,664.06	82.44%	129,458.50	130,325	100.67%	(6,660.57)	
Total Purchased Services	\$ 7,559,856.17	\$ 2,882,651.99	38.13%	\$ 6,426,371.55	\$ 2,015,461.70	31.36%	\$ 867,190.29	
SUPPLIES AND MATERIALS								
Administration	\$ 5,940.50	\$ 1,689.31	28.44%	\$ 2,373.76	\$ 1,296.43	54.62%	\$ 392.88	
District Support Services	15,645.30	5,619.50	35.92%	11,181.82	4,581.46	40.97%	1,038.04	
Regular Instruction	693,576.77	299,770.07	43.22%	618,753.68	300,256.10	48.53%	(486.03)	

BUDGET CHANGE

Budget to Budget Increases (Source & Use):	Source	Use
Local - Regular Property Tax	3,053,143	
Local - Regular Property Tax - DCCC	14,751	
Local - All Other	(393,784)	
State (Incl BEF, Transp, FICA PSERS)	487,061	
Federal	0	
Special Ed		72,204
Other Instruct. (C.S., VoTech, SubSvc, Athl)		(202,533)
Wages		2,000,539
Benefits		1,369,401
Transportation		0
Maintenance		0
Community College		14,751
All Other		(27,300)
Debt Service & Tfrs (including Textbooks)		(65,891)
Total Budget to Budget Increases	3,161,171	3,161,171

Excluding contract wage, benefit, and outside agencies (DCCC and Spec Ed.) all other cost center allocations were held constant or decreased.

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit J: Billing Report

BILLING REPORT

Checking Account: 1 Fund: 01 GENERAL FUND

Vendor Name	Object	Description	Amount
3RD AVE FLORAL	Supplies	Horticulture Program	166.22
ADAMS, DEAN	Transportation	Mileage Reimbursement	48.00
ALL AMERICAN TRAVEL	Transportation	Airline Ticket	626.80
ALLARD, SHAWNA	Transportation	Mileage Reimbursement	112.50
ALLTEL	Utilities	Telephone	390.84
AMERICAN INSURANCE	Insurance	Vehicle Insurance	1,751.00

Fund Total 3,095.36

Checking Account Total 842,866.68

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit K: Building Expenses

BUILDING EXPENSES

Maintenance Dept	Budget 1011	Budget 0910	Budget 0809	Budget 0708	Budget 0607
400	1,115,338	1,081,363	1,029,890	1,003,300	926,680
500	2,500	2,500	2,500	2,500	2,500
600	2,136,007	2,169,982	2,224,110	1,941,130	1,994,050
Total	3,253,845	3,253,845	3,256,500	2,946,930	2,923,230
Less:					
Elctr,Gas,Oil	(1,779,647)	(1,816,422)	(1,870,150)	(1,576,628)	(1,626,150)
Net	1,474,198	1,437,423	1,386,350	1,370,302	1,297,080
Sq Ft					
Concord (05/06 & Prior = Pennington School Location)					
Concord	133,043	133,043	133,043	133,043	133,043
BSES	90,000	90,000	90,000	90,000	90,000
GVES	116,600	116,600	116,600	116,600	116,600
GVMS	175,300	175,300	175,300	175,300	175,300
GVHS	267,422	267,422	267,422	267,422	267,422
Tot Sq Ft	782,365	782,365	782,365	782,365	782,365
Costs / Sq Ft					
Net of energy	1.88	1.84	1.77	1.75	1.66
Energy	2.27	2.32	2.39	2.02	2.08
Total	4.16	4.16	4.16	3.77	3.74

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit L: Student Activity Summary by School

STUDENT ACTIVITY SUMMARY BY SCHOOL

Wednesday, July 14, 2010

**Bradford High School
General Ledger Report
Financial Report
Fiscal Year 2009 - 2010**

Page 1 of 4

From Date:	7/1/2009
To Date:	6/30/2010

From Acct:	I
To Account:	999999

Acct.	Account Name	Beg. Bal.	Recpt/JV	Disb/JV	Transfer	End. Bal.	YTD Payable	Work Bal.
000001	Activity Account-NOW	\$20.56	\$80.00	\$0.00	(\$100.56)	\$0.00	\$0.00	\$0.00
000003	Registration Account	(\$1,200.00)	\$544.82	\$0.00	\$655.18	\$0.00	\$0.00	\$0.00
000013	Art Studio	\$1,216.13	\$8,883.00	(\$7,659.17)	(\$12.51)	\$2,427.45	\$0.00	\$2,427.45
000015	Athletic Director	\$2,110.73	\$41,834.75	(\$38,934.05)	(\$84.37)	\$4,927.06	\$0.00	\$4,927.06
000017	DECA	\$868.78	\$36,479.27	(\$39,091.66)	\$4,336.50	\$2,592.89	\$0.00	\$2,592.89
000019	Band	\$2,107.77	\$38,758.42	(\$58,347.73)	\$18,414.84	\$933.30	\$0.00	\$933.30
000021	Baseball	\$12,353.67	\$18,455.87	(\$23,327.99)	\$307.83	\$7,789.38	\$0.00	\$7,789.38
000023	Basketball-Boys	\$2,201.45	\$11,621.44	(\$12,351.39)	\$1,220.38	\$2,691.88	\$0.00	\$2,691.88

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit M: Capital Projects

CAPITAL PROJECTS

Dickinson Public School Dist 1
12/30/2010 01:06 PM

BR CAPITAL PROJECTS 2010-2011
12/2009 12/2010

Page: 1
User ID: VSR

Account Number	Account Description	Previous BUDGET	Previous ACTIVITY TO DATE	BUDGET	ACTIVITY TO DATE
03 CAPITAL PROJECTS FUND					
8 Revenue					
03 000 1161	BUILDING LEVY	\$500,000.00	\$13,790.05	\$540,750.00	\$20,221.64
03 045 1162	SPECIAL ASSESSMENTS TAX	\$0.00	\$36.46	\$0.00	\$0.21
03 000 1174	RAGEN AIR QUALITY REMODELING	\$100.00	\$165.16	\$100.00	\$165.22
03 000 1191	OTHER TAX REVENUE/ OIL & GAS 1ST QUARTER	\$250,000.00	\$128,595.20	\$100,000.00	\$194,022.80
03 000 1500	INTEREST EARNED	\$3,000.00	\$3,000.00	\$1,500.00	\$1,500.00
03 000 1900	MISC. LOCAL REVENUE	\$500.00	\$7,150.00	\$500.00	\$600.00
03 000 1903	COMP FOR LOSS OF ASSETS	\$20,000.00	\$14,826.00	\$5,000.00	\$0.00
03 000 1904	OIL ROYALTIES	\$100,000.00	\$28,963.40	\$59,250.00	\$35,549.27
03 000 3908	DEFERRED MAINTENANCE	\$0.00	\$4,402.54	\$0.00	\$0.00
03 062 3947	EDIO GRANT	\$0.00	\$0.00	\$25,000.00	\$25,000.00
03 000 5207	CAPITAL PROJECTS TRANSFER	\$0.00	\$0.00	\$650,000.00	\$631,500.00
8 Revenue		\$873,600.00	\$200,936.81	\$1,382,100.00	\$916,567.14
9 Expenditure					
03 000 000 000 4211 841	INSURANCE CLAIMS	\$60,000.00	\$17,326.00	\$40,000.00	\$0.00
03 000 000 000 4211 891	BLDG FUND CONTINGENCY	\$150,000.00	\$0.00	\$100,000.00	\$0.00
03 000 000 000 6340 920	FUND TRANSFER	\$118,950.00	\$0.00	\$115,800.00	\$0.00
000 SCHOOL WIDE		\$328,950.00	\$17,326.00	\$255,800.00	\$0.00
03 000 000 100 4210 452	BUILDING REPAIR	\$75,000.00	\$6,775.00	\$75,000.00	\$0.00
03 000 003 100 4210 452	BUILDING REPAIR	\$5,000.00	\$0.00	\$5,000.00	\$0.00
100 REGULAR EDUCATION PROGRAMS		\$80,000.00	\$6,775.00	\$80,000.00	\$0.00
03 000 010 120 4210 452	BUILDING REPAIR	\$100,000.00	\$89,580.00	\$15,000.00	\$25,880.87
03 000 012 120 4210 452	BUILDING REPAIR	\$10,000.00	\$0.00	\$15,000.00	\$4,960.00
03 000 013 120 4210 452	BUILDING REPAIR	\$20,000.00	\$5,830.00	\$20,000.00	\$3,860.00
03 000 014 120 4210 452	BUILDING REPAIR	\$250,000.00	\$208,205.20	\$30,000.00	\$9,830.25
03 000 015 120 4210 452	BUILDING REPAIR	\$15,000.00	\$8,278.77	\$75,000.00	\$66,760.00
03 000 013 120 4220 721	ARCHITECTURAL SERVICES	\$0.00	\$0.00	\$10,940.00	\$6,892.11
03 000 014 120 4220 721	ARCHITECT FEE	\$0.00	\$0.00	\$15,086.00	\$9,517.67
03 000 013 120 4220 722	GENERAL CONTRACTOR	\$0.00	\$0.00	\$781,200.00	\$454,764.00
03 000 014 120 4220 722	GENERAL CONTRACTOR	\$0.00	\$0.00	\$1,105,200.00	\$760,462.53
03 000 013 120 4220 723	ELECTRICAL CONTRACTOR	\$0.00	\$0.00	\$188,800.00	\$11,868.56
03 000 014 120 4220 723	ELECTRICAL CONTRACTOR	\$0.00	\$0.00	\$248,000.00	\$73,485.05
03 000 013 120 4220 724	MECHANICAL CONTRACTOR	\$0.00	\$0.00	\$112,000.00	\$74,446.65
03 000 014 120 4220 724	MECHANICAL CONTRACTOR	\$0.00	\$0.00	\$139,000.00	\$174,636.00
120 ELEMENTARY		\$395,000.00	\$311,893.97	\$2,755,226.00	\$1,677,363.69
03 000 020 130 4210 452	BUILDING REPAIR	\$90,000.00	\$5,675.00	\$65,000.00	\$1,625.00
03 000 020 130 4220 721	ARCHITECT FEE	\$0.00	\$0.00	\$0.00	\$0.00
130 JUNIOR HIGH		\$90,000.00	\$5,675.00	\$65,000.00	\$1,625.00
03 000 030 140 4210 452	BUILDING REPAIR	\$300,000.00	\$136,007.03	\$150,000.00	\$72,652.00
140 SENIOR HIGH SCHOOL		\$300,000.00	\$136,007.03	\$150,000.00	\$72,652.00
9 Expenditure		\$1,193,950.00	\$477,677.00	\$3,306,026.00	\$1,751,640.69
03 CAPITAL PROJECTS FUND		(\$320,350.00)	(\$276,740.19)	(\$1,923,926.00)	(\$835,073.55)

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit N: Pledged Securities and Investments

PLEDGED SECURITIES AND INVESTMENTS

DICKINSON PUBLIC SCHOOL DISTRICT #1

SECURITIES AND INVESTMENTS

DECEMBER 21, 2010

PLEDGED SECURITY

America State	Market Value		
398526FY4	\$376,392	Grimes, IA GO Bond	06/01/17
671562GH3	\$232,095	Oak Park Heights MN Bond	12/15/15
660751CR7	\$312,804	North Mankato MN Bond	02/01/17
937173DN9	\$309,570	Washburn ND Bond	05/01/17
648159QD6	\$180,442	New Prague MN GO Bond	12/01/11
970701F86	\$134,346	Williston ND Bond	05/01/13
091910CT4	\$206,638	Bismarck ND Park Dist Rev Bond	04/01/11
481718TS3	\$470,428	Juneau Alaska GO Bond	11/01/11
31331X4L3	\$1,007,810	Federal Farm Credit Bank	10/01/14
31331XVH2	\$1,061,250	Federal Farm Credit Bank	04/12/12
091582QV1	\$368,459	Bismarck, ND GO Bond	05/01/15
091582QE9	\$350,207	Bismarck ND GO Bond	05/01/15
536060JF4	\$195,410	Lino Lakes MN Bond	02/01/15
161681RJ2	\$218,162	Chaska, MN Bond	02/01/14
504516BU8	\$215,552	LaSalle County IL Bond	12/15/11
374118SQ1	\$287,226	Germantown WI Bond	03/01/13
604195PH4	\$266,087	Minnetonka MN Bond	01/01/14
3133XT6J0	\$1,036,560	Federal Home Loan Bank	02/26/13
31331GEJ4	\$1,064,380	Federal Farm Credit Bank	11/13/12
3133MYYZ4	\$1,057,810	Federal Home Loan Bank	05/14/10
113664CP9	\$255,603	Brookings SD Sch Dist Bond	12/20/10
384450CH3	\$283,240	Grafton ND Pub Sch Dist Bond	06/01/12
385471ET0	\$443,736	Grand Forks ND Bond	04/01/14
757130JT7	\$533,665	Red Wing, MN GO Bond	03/01/17
787277KY7	\$229,371	St. Anthony, MN GO Bond	03/01/14
31331GND7	\$1,021,250	Federal Farm Credit Bank	02/17/12
3133XSP93	\$1,059,380	Federal Home Loan Bank	12/13/13
31331G6H7	\$2,052,500	Federal Home Credit Bank	12/11/14
664212BV8	\$289,944	Northeast Iowa Cmnty Co IA	4/25/22

\$16,587,507

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit O: Debt Services

DEBT SERVICES

Dickinson Public School Dist 1
12/30/2010 01:06 PM

BR DEBT SERVICES 2010-2011
12/2009 12/2010

Account Number	Account Description	Previous BUDGET	Previous ACTIVITY TO DATE	BUDGET	ACTIVITY TO DATE
04 DEBT SERVICE FUND					
8 Revenue					
04 000 1136	REFUNDED 2002 TAX BONDS LEVY	\$119,000.00	\$3,569.71	\$105,000.00	\$6,788.90
04 000 1171	SINKING & INTEREST TAXES	\$1,500.00	\$726.01	\$500.00	\$976.84
04 000 1500	INTEREST EARNED	\$500.00	\$500.00	\$500.00	\$500.00
04 000 5200	INTERFUND TRANSFER	\$118,950.00	\$0.00	\$114,255.00	\$0.00
8 Revenue		\$239,950.00	\$4,795.72	\$220,255.00	\$8,265.74
9 Expenditure					
04 000 000 000 6101 830	INTEREST REDEMPTION	\$37,663.00	\$18,831.25	\$13,742.00	\$7,399.58
04 000 000 000 6101 840	SERVICE FEES	\$1,500.00	\$341.00	\$1,000.00	(\$1,350.00)
04 000 000 000 6101 910	PRINCIPAL REDEMPTION	\$80,000.00	\$0.00	\$90,000.00	\$0.00
04 000 000 000 6102 830	INTEREST REDEMPTION	\$13,750.00	\$6,875.00	\$13,255.00	\$7,137.09
04 000 000 000 6102 840	SERVICE FEES	\$1,500.00	\$341.00	\$1,000.00	(\$1,350.00)
04 000 000 000 6102 910	PRINCIPAL REDEMPTION	\$30,000.00	\$0.00	\$100,000.00	\$0.00
04 000 000 000 6200 830	INTEREST REDEMPTION	\$16,642.00	\$0.00	\$0.00	\$0.00
04 000 000 000 6200 840	SERVICE FEES	\$1,000.00	\$0.00	\$0.00	\$0.00
04 000 000 000 6200 910	PRINCIPAL REDEMPTION	\$54,991.00	\$0.00	\$0.00	\$0.00
000 SCHOOL WIDE		\$237,046.00	\$26,388.25	\$218,997.00	\$11,836.67
9 Expenditure		\$237,046.00	\$26,388.25	\$218,997.00	\$11,836.67
04 DEBT SERVICE FUND		\$2,904.00	(\$21,592.53)	\$1,258.00	(\$3,570.93)

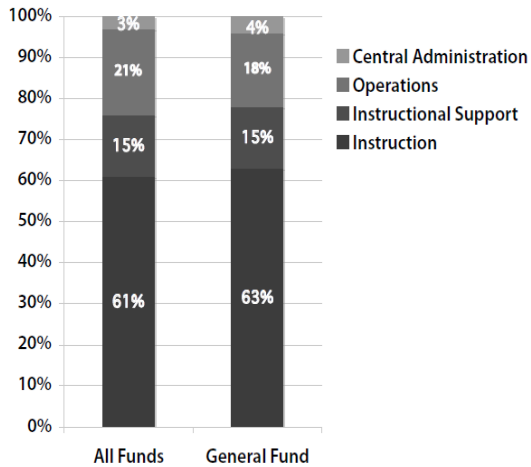
- The total appropriation for all district general obligation, lease appropriation, equipment note debt service and contingency reserve will be \$11,217,122. (\$11,283,013 currently). Variable rate debt is scheduled at 2.5% (3.5% prior year). Debt service includes financing for capital equipment purchases.
- Future debt service** assumes: (1) DVRFA equipment notes are renewed when maturity is due; (2) variable rate notes incur interest of 2.5%; and (3) \$360,000 is renewed annually as a contingency reserve.
 - 09/10 \$11,283,013
 - 10/11 \$11,217,122
 - 11/12 \$11,238,657
 - 12/13 \$11,249,052
 - 13/14 \$11,261,913
 - 14/15 \$11,331,896
 - 15/16 \$11,395,808

The district's current available borrowing capacity is \$38,946,395. Borrowing capacity changes annually based upon the average of the last three years of general fund revenues and the level of the general obligation issues outstanding.

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit P: FTE Summary (1)

FTE SUMMARY (1)

2006-07 Allocation of Operating Expenditures by Function



Salary Expenditures by Job Classification: 2006-07

	All Funds	General Fund
Teachers	62%	65%
Auxiliary	15%	14%
Student Services	7%	7%
Campus	7%	6%
Administration	5%	4%
Central Administration	5%	4%
Educational Aides	4%	4%

Student / Teacher Ratio

	All Schools*	Kindergarten+	1st Grade	2nd Grade	3rd Grade	4th Grade	5th Grade	6th Grade	7th Grade	8th Grade
State	21:1	23:1	17:1	17:1	19:1	26:1	26:1	24:1	14:1	14:1
District	21:1	24:1	17:1	17:1	19:1	27:1	27:1	-	-	-
Clark County Schools										
Adams ES	21:1	19:1	20:1	19:1	20:1	21:1	28:1	-	-	-
Adcock ES	21:1	30:1	18:1	18:1	20:1	26:1	23:1	-	-	-
Alamo ES	22:1	26:1	18:1	21:1	19:1	25:1	29:1	-	-	-
Allen ES	21:1	20:1	17:1	17:1	21:1	26:1	29:1	-	-	-
Antonello ES	20:1	23:1	15:1	17:1	18:1	26:1	31:1	-	-	-
Bailey (Sister) ES	23:1	32:1	21:1	16:1	18:1	31:1	32:1	-	-	-
Bartlett ES	22:1	20:1	16:1	19:1	20:1	28:1	33:1	-	-	-
Bass ES	22:1	25:1	17:1	17:1	21:1	30:1	31:1	-	-	-
Batterman ES	21:1	21:1	19:1	19:1	18:1	28:1	28:1	-	-	-
Beatty ES	22:1	26:1	18:1	18:1	19:1	31:1	26:1	-	-	-
Beckley ES	20:1	24:1	17:1	16:1	19:1	28:1	27:1	-	-	-
Bell ES	19:1	26:1	15:1	14:1	16:1	24:1	26:1	-	-	-
Bendorf ES	20:1	20:1	18:1	16:1	19:1	29:1	26:1	-	-	-
Bennett ES	18:1	15:1	16:1	16:1	16:1	22:1	26:1	-	-	-
Bilbray ES	22:1	24:1	16:1	19:1	21:1	28:1	31:1	-	-	-
Blue Diamond ES	15:1	-	-	-	-	-	-	-	-	-

FTE SUMMARY (2)

Staffing	1011	0910	0809	0708
Admininstrators	22	22	22	22
Administrative support	29	29	28	28
Transportation	65	65	65	64
Maintenance	47	47	46	45
Paraprofessionals	211	211	233	213
Secretaries	36	36	33	32
Teachers	413	413	405	390
Totals	823	823	832	794

Kenosha Unified School District No. 1
Section 9: Board Financial Reports
Exhibit R: FTE Summary (3)

FTE SUMMARY (3)

Wage and Benefit Budget to Budget Change in Appropriation:	Incr. % 1011	Incr. \$ 1011	Total 1011	Incr. \$ 0910	Total 0910	Total 0809
Wages:						
Administration	3.44%	\$172,438	\$5,191,982	\$204,643	\$5,019,544	\$4,814,901
Transportation	4.75%	78,507	1,732,290	(\$86,269)	1,653,783	1,740,052
Maintenance	4.04%	79,631	2,051,766	\$131,823	1,972,135	1,840,312
Paraprofessionals	5.33%	242,466	4,794,282	\$57,443	4,551,816	4,494,373
Secretaries & clerks	3.40%	41,882	1,274,091	(\$33,001)	1,232,209	1,265,210
Teachers, net of any ERIP savings	5.67%	1,512,143	28,193,372	\$1,772,775	26,881,229	24,908,454
New staffing positions	-100.00%	(126,528)	0	(\$553,117)	126,528	679,645
Total Wage Change	4.85%	\$2,000,539	\$43,237,783	\$1,494,297	\$41,237,244	\$39,742,947
Benefits:						
Medical	8.18%	\$523,480	\$6,926,762	\$337,907	\$6,403,282	\$6,065,375
Dental	2.26%	14,994	679,014	\$44,388	664,020	619,632
Prescription drug plan	9.08%	174,030	2,089,384	(\$129,749)	1,915,354	2,045,103
FICA	5.95%	180,101	3,208,460	\$122,512	3,028,359	2,905,847
PSERS	22.29%	619,845	3,401,188	\$117,797	2,781,343	2,663,546
Other retirement	-6.30%	(40,932)	608,294	\$138,566	649,226	510,660
Life insurance	-58.12%	(82,570)	59,500	(\$21,530)	142,070	163,600
Disability income insurance	-1.61%	(1,970)	120,100	\$8,400	122,070	113,670
Tuition reimbursement	16.64%	42,859	300,451	\$14,235	257,592	243,357
Unemployment compensation	0.00%	0	30,000	\$0	30,000	30,000
Workers compensation insurance	-14.75%	(60,436)	349,179	\$11,059	409,615	398,556
Total Benefit Change	8.35%	\$1,369,401	\$17,772,332	\$643,585	\$16,402,931	\$15,759,346
Total Wages & Benefits	5.85%	\$3,369,940	\$61,010,115	\$2,137,882	\$57,640,175	\$55,502,293

Compensation Benefit Increases: The proposed budget reflects overall compensation benefit increases of \$1,369,401, reflecting changes in participation, claims experience, coverages, as well as rate increases from benefit carriers.

Retirement Provisions: The proposed budget includes a net increase of \$309,845 to fund PSERS. The state mandated gross retirement contribution rate is 4.88% which is 50% reimbursed by the State. The district's net contribution rate is expected to spike in FY 12-13, when its net rate will climb to 14.61%.

FTE SUMMARY (4)

	Budget 1011	Budget 0910	Budget 0809	Budget 0708	Budget 0607
Spec Ed					
Total costs, net of compensation	\$1,437,750	\$1,365,546	\$1,306,138	\$993,039	\$840,663
Spec Ed Students:					
Remedial	948	948	965	972	966
Gifted	398	398	400	393	402
Total	1,346	1,346	1,365	1,365	1,368
Net Cost Per Student	\$1,068	\$1,015	\$957	\$728	\$615
Percent of Students in Special Ed					
Total GVSD Students	4,821	4,836	4,759	4,803	4,588
Pct in Spec Ed Programs	27.92%	27.83%	28.68%	28.42%	29.82%

Although the average incremental cost for a special education student is about \$1,000, special education costs can exceed \$60,000 per student for some students with exceptional needs.

SECTION 10

FINANCE AND HUMAN RESOURCES

ORGANIZATIONAL STRUCTURE

SECTION CONTENTS

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FINANCE AND HUMAN RESOURCES ORGANIZATIONAL STRUCTURE OVERVIEW

We performed an evaluation of the District's Finance and Human Resources organizational structure. Our evaluation considered how staff is organized to perform Finance and Human Resources processes. The objective of the evaluation was to identify barriers to effectiveness in Finance and Human Resources and recommend strategies for resolution.

The evaluation considered how staff is deployed to support critical Finance and Human Resources processes and identified the persistent issues that present barriers to efficiency and effectiveness in carrying out these processes.

This report provides a summary of observations and recommendations from our review.

Eight observations were noted during this review.

REVIEW PROCEDURES

We conducted the following procedures during the on-site visit.

1. Reviewed organization charts, policies, procedures, job descriptions, training materials, and other documents related to Finance and Human Resources in preparation for staff interviews.
2. Interviewed Finance and Human Resources management and staff. The interviews focused on:
 - The duties of managers and staff. For managers, the interview addressed duties as participants in work processes rather than roles as managers.
 - Typical and persistent errors or barriers to performing duties efficiently or effectively.
 - Qualifications of incumbents in terms of education, experience, certifications, and/or training.
 - Incumbent's assessment of staffing level.
 - Sources of training to support assigned duties.
 - Focus of evaluation, including quality, productivity, and/or timeliness.
 - Adequacy of tools available to support the work.
 - Issues related to the interface between Finance and Human Resources or other units of the District.
3. Interviewed the following managers and administrative staff:
 - Mr. Bill Johnston, Chief Financial Officer
 - Ms. Eileen Coss, Finance Manager
 - Ms. Judy Ashley, Payroll Manager
 - Mr. Robert Hofer, Purchasing Agent
 - Mr. Tarik Hamdan, Financial and Budget Analyst
 - Ms. Kris Stibb, Financial Projects Analyst
 - Ms. Heather Kraeuter, Internal Controls Analyst

REVIEW PROCEDURES (Continued)

- Ms. Martha Gutierrez, Director of Human Resources
 - Mr. Rade Dimitrijevic, Coordinator of Human Resources
 - Ms. Jennifer Miller, Insurance Claims Benefits Specialist
4. Interviewed the following secretaries in Finance:
- Ms. Sharon Faria, Receivables
 - Ms. Donna Binninger, Payables
 - Ms. Denise Hoff, Collections
 - Ms. Simone Wilhoit, Benefits Specialist
 - Ms. Corey Brown, Payroll Specialist
 - Ms. Shannon Bane, Payroll Assistant
 - Ms. Amy Bernabe, Buyer
5. Interviewed the following secretaries in Human Resources:
- Ms. Sharon Cook, Department Secretary/Administrative Assistant
 - Ms. Kathy Matthews, SubFinder Administration
 - Ms. Tonya Miller, Recruitment and Separation
 - Ms. Linda Ruffolo, New Hire Processing
6. Held exit meetings at the end of field work with Mr. Johnston, Ms. Gutierrez, and Ms. Glass to discuss preliminary findings and recommendations. We discussed observations noted, validated the factual nature of information collected and related observations, and covered next steps in terms of strategies management could employ to address improvement potential.

OBSERVATIONS AND RECOMMENDATIONS

Observation No.1.Organization structure

Observation:

The organization structures of District Finance and Human Resources employ a typical allocation of staff based on function. In our review of duties assigned to individuals in each organization, we did not see indications that the current functional structure is the cause of process issues, except for the Internal Controls Analyst position in the Finance area.

Duties of the Internal Controls Analyst include bank account reconciliations, process improvement projects, and internal audit projects. Internal audit work is controlled by the organization responsible for many of the processes that could be subject of audits. Further, the following conditions reduce the effectiveness of this position.

- The Finance Manager is initiating process improvement efforts by meeting with school secretaries to address training and process support issues. The Finance Manager's efforts are not coordinated with the efforts of the Internal Controls Analyst. The District does not have formal plans for either effort.
- District management has not approved a plan for projects to be carried out by the Internal Controls Analyst. Without a District process improvement plan approved by executive management, accountability for implementing recommended improvements is compromised. Currently, managers who are in a position to implement recommendations are not required to make a formal response to and take appropriate action on the Internal Control Analyst's recommendations.
- There are internal audit needs in the District that have not been addressed (see Observation No. 4).

Recommendation:

1. We recommend that the District establish an internal audit position reporting to the Superintendent for administrative purposes and to the Finance Committee of the Board for operational purposes. The District should develop a formal internal audit plan and hold managers accountable for acting on audit recommendations.

The internal auditor should conduct audits for management to assess effectiveness of controls, accuracy of financial records, and efficiency of operations by performing duties such as the following.

- Audit records of departments and interview workers to ensure recording of transactions and compliance with applicable laws and regulations.
- Examine department activities for compliance with management plans and policies.
- Inspect accounting systems to determine their efficiency and effectiveness.
- Assess the proper accountability of assets by conducting inventories.
- Review records pertaining to staff and material assets, such as equipment and buildings, to determine the degree to which they are utilized.
- Analyze data obtained for evidence of deficiencies in controls, duplication of efforts, wastefulness, fraud, or lack of compliance with laws, government regulations, and management policies and procedures.
- Prepare and submit audit findings and make recommendations to management.
- Conduct special studies for management such as those required to discover mechanics of detected fraud and to develop controls for fraud prevention.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 1. Organization structure (Continued)

2. We suggest the District consolidate process improvement efforts into one position within the Finance structure. Duties of the incumbent should include the following. (This recommendation does not assume a position dedicated solely to these duties.)
 - Coordinating development and executive management approval of business process improvement plans for the District.
 - Establishing project teams and completing work on elements of the District process improvement plans. Projects should include process analysis as well as formal training for school staff engaged in business processes. Training should initially focus on identified persistent errors such as untimely school deposits, posting errors in Zangle, incomplete deposit transmittals from schools, fixed asset tracking errors, invoice processing errors, and position control errors.
 - Reporting progress and results to District management.

Observation No. 2. Budget process

Observation:

Board policies place responsibility for budget preparation in Finance and for staff allocation in Human Resources. The two processes have separate calendars for development of financial budgets and staffing plans. The Finance department publishes a “Budget Development Timeline” and Board Policy 4310, *Instructional Staffing*, specifies the annual staffing timeline. Since 85% of the District’s budget is employee expense, these two processes are far more interdependent than the separate administrative procedures would suggest. Management indicated that the current lack of integration in the budget development process often results in errors and rework.

Furthermore, there are separate reporting mechanisms for tracking actual to budget expense and authorized to actual FTE positions. The same aspect of operations (i.e. staffing) is the subject of both reports. Integrated reporting would make the financial impact of staffing variances clear to District management at all levels.

Recommendation:

We recommend that the District develop a fully integrated staffing allocation and budget development calendar. Development of this calendar should be a coordinated effort of the Finance and Human Resources departments.

After one budget cycle with a fully integrated budget development calendar, we suggest the District consider opportunities to integrate reporting actual versus budgeted/authorized expense and FTEs. For example, the report “Position Control Allocations by Project”, which shows actual and authorized FTE by position code for a school, could include the categories of actual and budgeted personnel expense to provide a more complete picture of budget performance at a school, and to provide a useful tool for tracking budget performance at all levels in the District.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 3. Position control system

Observation:

Both Finance and Human Resources staff cite persistent errors in the position control process supported by the Personnel Change Notice ("PCN") form. Errors in this process compromise the accuracy of data in the position control system, ultimately affecting the annual budget process.

The PCN form itself contributes to errors in this process. Position control involves seven separate processes all of which are mediated by the same form:

- Funding source change
- Transfer FTE
- Transfer employee
- New hire
- Increase an existing FTE
- Decrease an existing FTE
- Create a new FTE

PCN form instructions focus on what information goes in each box on the form rather than what boxes must be completed to accomplish one of the seven results. This increases errors and each error or omission results in processing delays. Ultimately, the position control system is compromised if process errors are not identified and corrected.

Recommendation:

We recommend that the District convert the seven processes mediated by the PCN to separate on-line processes managed by a workflow system. This would reduce errors and reduce processing time by clarifying information and approval requirements, particularly during periods when many personnel and FTE changes occur.

An improved process would allow management to implement controls such as system blocks on any changes that would put a school over its authorized FTE limit. Further, the workflow would ensure appropriate authorizations are obtained for each of the seven types of changes.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 4. Payroll, leave tracking, and SubFinder

Observation:

There are 14 types of absences administered by Human Resources using SubFinder, a system designed to match substitute teachers to teacher absences. Teachers enter their absences in SubFinder. School secretaries and Human Resources staff also make entries in the system. Human Resources staff uses SubFinder to create inputs for payroll. Pay is determined based on the job specification entered for the substitute. Variations between the specification and the actual substitute teacher hours are tracked via a manual exception reporting procedure.

This leave tracking system is prone to error. Staff report persistent errors in the schedule and duration of time off and in the type of absence. Errors occur on a daily basis but are not tracked by type or origin. Further, District management indicated that to the best of its knowledge, no internal audits have ever taken place of either SubFinder or the Payroll department.

Recommendation:

We recommend the District conduct internal audits of both the Payroll department and SubFinder to determine extent of errors originating in leave of absence administration and affecting payroll accounts.

Observation No. 5. School staff training and performance

Observation:

Secretaries and bookkeepers at schools perform duties related to Finance and Human Resources processes. While there are informal efforts in Finance and Human Resources to provide training and guidance (see Observation No. 1), there is no required curriculum for training school staff in critical business processes.

Recommendation:

We suggest the District establish a formal, required curriculum for training school staff on their roles in the following processes:

- Purchasing
- Deposits
- Fixed asset tracking
- Position control
- Leave administration
- New hire
- Substitute teacher administration

In addition, we suggest the District establish procedures that require Human Resources and Finance to assess school secretaries and bookkeepers as part of the District employee performance evaluation process. This will help reinforce process improvement efforts.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 6. Exception tracking

Observation:

Finance and Human Resources management and staff cite process errors that originate in employment status codes applied to employee records. These errors can affect payroll accuracy. However, reports of these errors are only anecdotal. There is no tracking mechanism in place, making it difficult to determine the scope of the problem and what action, beyond the current approach of correcting errors as discovered, might be appropriate. (See also Observation No. 4 regarding an internal audit of Payroll.)

Recommendation:

We recommend that the District implement a log to record employment status coding errors. The District or its Internal Auditor should periodically analyze the errors noted in the log to identify patterns and to suggest training or process improvement needs.

The log should be maintained in a shared space on the network to which the Payroll Supervisor and Human Resources Director have access. Errors appear to originate in Human Resources with new hire set-up procedures, and are then discovered in payroll procedures. Therefore, we suggest that both the Payroll Supervisor and the Human Resources Director have access to make entries in the log. The log should contain the erroneous record field(s) and code(s) noted, the correct record field(s) and code(s), the employee affected, and any notes necessary to describe the error and solution.

The Payroll Supervisor and the Human Resources Director should meet periodically to review the log and determine whether procedures should be adjusted based on the types of errors and the actions taken to resolve specific errors.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 7. Purchasing processes

Observation:

Purchasing management and staff identified the following conditions affecting efficiency and effectiveness of purchasing processes.

- Most purchase orders (estimates range from 50% to 90%) do not include the correct pricing and must be adjusted before payments may be processed. The purchasing system does not identify purchase order revisions and does not track the reasons for revisions. Without a log of the types of revisions and the reasons revisions are made, it is unclear what actions management should take to reduce the number of purchase order revisions. Tracking revision reasons is fundamental to determining the appropriate corrective actions to be taken.
- Communications with Purchasing staff via e-mail go to the staff's individual e-mail accounts, as opposed to a centralized Purchasing e-mail account. This delays responses and obscures the incoming workload. Purchasing should have a departmental e-mail address linked to workflow queues for the processing of purchase orders, invoices, and payments, in order to support timely attention to incoming work.
- Purchasing staff create requests for proposals in Microsoft word, saving the proposals in a shared space on the District network. Each proposal is filed in a separate folder. Information managed in this fashion must eventually be reentered into the purchasing system. Under this system, the only method of providing information about outstanding requests is a manual summary created by sorting through the folders in the shared space. A Bid/Quote Management Module is available to support integration of this information into the purchasing system.
- A similar situation to that noted with respect to proposals exists with respect to contracts. Purchasing staff scan contracts into .PDF files and save them in a shared folder on the District network. Thus, contract management tasks are manual in nature. A Contract Management Module is available to support integration of this information into the purchasing system. However, management is currently evaluating a District-wide document management system. Since vendor contracts could, theoretically, be managed within such a system, management put consideration of the Contract Management Module on hold as of the time of our review procedures.

Recommendation:

We recommend that the District evaluate the improvement potential related to the conditions noted above. We advise the District to weigh the costs and benefits of potential system improvements, and to establish priorities for implementing changes.

With respect to contract management, the District should not allow the District wide document management project to cause delays in identifying requirements and evaluating solutions in this area.

OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No. 8. Secretarial classification

Observation:

In response to an open-ended question about what would change if it was in their power make a change, a number of secretarial employees expressed dissatisfaction with their secretarial classification. This comment was only made by secretaries whose duties include process development, systems requirements definition, systems change testing, serving as subject matter expert for an application, or conducting training on processes and applications. In these instances, a Technical classification would be appropriate. These individuals work with the Information Technology Department to help ensure that technology applications address process requirements in Finance and Human Resources. Further, the same individuals have important roles in providing technology application training for school staff as well as Human Resources and Finance staff. These roles are not within the scope of a secretarial classification.

Recommendation:

We suggest that the District consider options for differentiating Secretary positions engaged in work such as process development, system requirements definition, system change testing, and conducting training from those Secretary positions engaged exclusively in routine transaction processing.

The differentiation should focus on the technical aspects of the non-secretarial work performed by certain incumbents as distinct from administrative or supervisory roles.