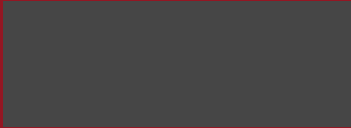
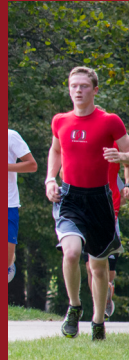
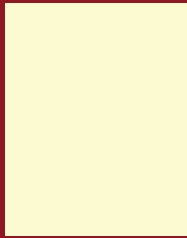




# Kenosha Unified School District

maximizing the brilliance of children



# ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2014



# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

June 30, 2014

## Table of Contents

	<u>Page No.</u>
TRANSMITTAL LETTER	
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Management's Discussion and Analysis	4 - 13
District-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16 - 17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18 - 19
Statement of Net Position - Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Net Position - Fiduciary Funds	23
Statement of Changes in Net Position - Fiduciary Funds	24
Notes to the Basic Financial Statements	25 - 46
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	48
Schedule of Funding Progress	49
Schedule of Employer Contributions	50
Notes to Required Supplementary Information	51 - 52
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	54
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	55

# KENOSHA UNIFIED SCHOOL DISTRICT

Kenosha, Wisconsin

June 30, 2014

## Table of Contents

	<u>Page No.</u>
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56 - 57
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	58 - 59
Schedule of Expenditures of Federal Awards	60 - 64
Schedule of State Financial Assistance	65
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	66
Schedule of Findings and Questioned Costs	67 - 68
Schedule of Prior Year Audit Findings and Corrective Action Plan	69

November 25, 2014

Members of the Board of Education  
Citizens of the Kenosha Unified School District No. 1

We are pleased to submit the Annual Financial Report of the Kenosha Unified School District No. 1 for the year ended June 30, 2014. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported as a whole and of its various funds. This report is a complete disclosure of all financial activities of the district.

This report is prepared in conformance with generally accepted accounting principles (GAAP) for governments as promulgated by the Government Account Standards Board (GASB). This report is also consistent with legal reporting requirements of the State of Wisconsin. In addition to meeting legal requirements, this report is intended to present a summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, intergovernmental agencies, creditors, and the Board of Education.

The Management Discussion and Analysis also provides analysis of some key data presented in the basic financial statements.

### **THE REPORTING ENTITY**

The legal name of the district is the Kenosha School District No. 1, however, the name commonly used by the district is the Kenosha Unified School District. The school district was established in 1967 and is located in eastern Kenosha County. The district includes the City of Kenosha, the Town of Somers, and the Village of Pleasant Prairie.

The district is an independent entity governed by an elected seven member school board. The Board has the power and duty to set budgets, certify tax levies, issue debt, and perform other tasks necessary to the operation of the district. The district is subject to the general oversight of the Wisconsin Department of Public Instruction. This oversight generally includes an approval process that reviews compliance to standards enacted by legislative mandate.

The district serves a general population of approximately 162,000 in an area of about 85 square miles. The district operates 23 elementary schools (grades PK-5), 5 middle schools (grade 6-8), and 6 high schools (grades 9-12), 5 charter schools, and 14 non-school-site early education schools. At the end of the 2013-2014 school year, the district served 22,676 pupils in its regular education program. In addition to providing a PK-12 education for students, the district operates a school food service program and a community service program. The district office is housed in a separate facility.

## COMMUNITY PARTNERS

KUSD would like to acknowledge the following community partnerships, which are integral to a robust student experience and whose support is vital to the success of the district:

- Boys and Girls Club of Kenosha
- Cardinal Stritch University
- Carthage College
- City of Kenosha Police Department
- Concerned Citizens Coalition
- Expose Kenosha
- Gateway Technical College
- HOPE Council Program
- Individually, Kenosha Unified School District athletic teams continue to receive tens of thousands of dollars in sponsorships from the local business community to aid in providing top-notch athletic facilities and equipment.
- Kenosha Achievement Center
- Kenosha Area Business Alliance
- Kenosha Band Boosters, Kenosha Orchestra Boosters and Kenosha Choir Boosters
- Kenosha Chamber of Commerce
- Kenosha Community Health Center—School-Based Health Care
- Kenosha County Health Department
- Kenosha County Sheriff's Department
- Kenosha County with Child Fatality Review Team
- Kenosha County with Suicide Prevention Coalition
- Kenosha Gang Intervention
- Kenosha News Weather Art weekly publication
- Kenosha Parks Department
- Kenosha Public Library
- Kenosha Public Museum
- Kenosha Rotary
- Kiwanis Club of Kenosha
- Literacy Council
- Mary Lou & Arthur F. Mahone Fund
- McDonalds Corporation
- Mentoring partnerships
- Organizational Review Committee
- Professional Services Group
- Safe Kids Coalition
- University of Wisconsin—Extension
- University of Wisconsin—Milwaukee—Early Childhood Collaboration
- University of Wisconsin—Parkside
- University of Wisconsin—Platteville



## LOOKING AHEAD

The district has faced many challenges over the past three years since the 2011 Wisconsin Budget Act 10, reducing state funding for public schools. After budget deficits and lay-offs, the district has spent the last two years rebuilding with a conservative approach to spending to establish a culture of accountability. As a result of such efforts, the district was able to modestly increase the fund balance for the second year in a row to achieve a more stable level of reserves. With a new Superintendent as of July 21, 2014, a strong administrative team, and improved teacher relations and involvement, the district now has a solid foundation from which to focus even more effectively on the needs of students and goals set by the Board of Education.

## ACKNOWLEDGEMENTS

We express our appreciation to Kenosha Unified School District's dedicated staff, and Schenck, S.C., Certified Public Accountants, for their expertise and assistance.

Respectfully submitted,



Dr. Sue Savaglio-Jarvis  
Superintendent of Schools



Tarik Hamdan  
Interim Chief Financial Officer



Heather Kraeuter, CPA  
Accounting & Payroll Manager





**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**SCHOOL BOARD AND ADMINISTRATION**  
2013-2014

**MEMBERS OF THE BOARD OF EDUCATION**

Tamarra Coleman	President
Mary Snyder	Vice President
Kyle Flood	Clerk
Dan Wade	Treasurer
Carl Bryan	Member
Gary Kunich	Member
Rebecca Stevens	Member

**ADMINISTRATION**

Dr. Sue Savaglio-Jarvis	Superintendent of Schools
Mr. Tarik Hamdan	Interim Chief Financial Officer
Dr. Bethany Ormseth	Assistant Superintendent of Secondary School Leadership
Dr. Floyd Williams	Assistant Superintendent of Elementary School Leadership
Ms. Julie Housaman	Interim Assistant Superintendent of Teaching and Learning
Ms. Sheronda Glass	Executive Director of Business Services
Mr. Kristopher Keckler	Executive Director of Information Systems, Data Management and Evaluation
Ms. Tanya Ruder	Executive Director of Community Partnerships and Media Relations
Ms. Susan Valeri	Director of Special Education and Student Support
Mr. Patrick Finnemore	Director of Facilities

**REPORT PREPARED BY**

Heather Kraeuter, CPA  
Accounting & Payroll Manager

with assistance from the dedicated Finance Department staff

**Our Vision:** *"Maximizing the brilliance of children."*

**Our Mission:** *"To assure every child experiences high quality, personalized learning success."*



## **INDEPENDENT AUDITORS' REPORT**





## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Kenosha Unified School District No. 1  
Kenosha, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenosha Unified School District No. 1, ("the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund in formation of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 4 through 13 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

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

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schenck & Co."

Certified Public Accountants  
Green Bay, Wisconsin  
November 5, 2014





## **Management's Discussion and Analysis For the Year Ended June 30, 2014**

The discussion and analysis of the Kenosha Unified School District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded the liabilities at the close of the fiscal year by \$27.4 million (*net position*). Of this amount, \$81.9 million represents the net investment in capital assets and \$18.1 million is restricted; \$2.7 million for food service programs, \$13.5 million for capital projects, and \$1.9 million for debt service. This results in an unrestricted net position balance of (\$72.6) million.
- Net position for the most recent fiscal year increased \$21.3 million over the prior year. The change includes an increase of \$20.3 million in governmental activities and an increase of \$1.0 million in business-type activities.
- The District's total long-term liabilities increased by \$4.88 million
- Total capital assets decreased by \$635,860.
- In the governmental funds, total fund balance increased by \$25.98 million. The fund balance in the General Fund experienced a net increase from operations of \$9.7 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$35.2 million dollars.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

The government-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business type activities*.

- The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed in the fiscal year.

# Management's Discussion and Analysis For the Year Ended June 30, 2014

## **Fund Financial Statements**

The District also produces *fund financial statements*. A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

The District has three kinds of funds: *governmental*, *proprietary* and *fiduciary*. *Governmental funds* include the District's four regular funds (general, debt service, Head Start and community service) and individual capital project funds as needed. The District has one *proprietary* fund, the food service fund and three *fiduciary funds*, an agency fund for student organizations, a retiree health insurance fund used to provide for premiums the District has obligated itself related to prior service of retired employees, and a trust fund for scholarships.

There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* (operating statement). Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* for the general fund and the capital projects fund as these are considered to be major funds. Data for the debt service fund, community service fund and Head Start fund is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.

A reconciliation to facilitate the comparison of the Statement of Net Position to the Governmental Funds Balance Sheet is presented at the bottom of the governmental funds statement. A separate statement to reconcile the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds is also presented.

The proprietary fund statements for the District's food service program are prepared on the same basis of accounting and measurement focus as the government-wide financial statements. In addition, the District provides a *statement of cash flows* for the proprietary funds.

The District serves as a trustee, or *fiduciary*, for student and parent organizations, a retiree insurance fund and a trust fund for scholarships. The assets of these organizations do not directly benefit the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District adopts an annual appropriation budget for its governmental funds. Budgetary comparison statements have been provided to demonstrate budget compliance.

## **Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

# Management's Discussion and Analysis For the Year Ended June 30, 2014

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2014 compared to 2013. The District's combined net position increased by \$21,379,634 to \$27,417,728.

**Table 1**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total School District		Total %
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013-</u> <u>2014</u>
Current and other assets	\$ 92,780	\$ 119,530	\$ 1,825	\$ 3,039	\$ 94,605	\$ 122,570	29.6%
Capital assets	\$ 162,505	\$ 161,869	\$ 1,122	\$ 1,073	\$ 163,627	\$ 162,942	-0.4%
<b>Total assets</b>	<b>\$ 255,285</b>	<b>\$ 281,400</b>	<b>\$ 2,947</b>	<b>\$ 4,112</b>	<b>\$ 258,232</b>	<b>\$ 285,512</b>	<b>10.6%</b>
Deferred charge on refunding	\$ 491,910	\$ 388,350	\$ -	\$ -	\$ 491,910	\$ 388,350	-21.1%
<b>Total deferred outflows</b>	<b>\$ 491,910</b>	<b>\$ 388,350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 491,910</b>	<b>\$ 388,350</b>	<b>-21.1%</b>
Long-term debt outstanding	\$ 175,645	\$ 180,519	\$ -	\$ -	\$ 175,645	\$ 180,519	2.8%
Other liabilities	\$ 76,862	\$ 77,688	\$ 179	\$ 275	\$ 77,041	\$ 77,963	1.2%
<b>Total liabilities</b>	<b>\$ 252,507</b>	<b>\$ 258,207</b>	<b>\$ 179</b>	<b>\$ 275</b>	<b>\$ 252,686</b>	<b>\$ 258,482</b>	<b>2.3%</b>
Net Position							
Net investment in capital assets	\$ 74,422	\$ 80,843	\$ 1,122	\$ 1,073	\$ 75,544	\$ 81,916	8.4%
Restricted	\$ -	\$ 15,346	\$ 1,646	\$ 2,764	\$ 1,646	\$ 18,110	1000.2%
Unrestricted	\$ (71,152)	\$ (72,608)	\$ -	\$ -	\$ (71,152)	\$ (72,608)	2.0%
<b>Total Net Position</b>	<b>\$ 3,270</b>	<b>\$ 23,581</b>	<b>\$ 2,768</b>	<b>\$ 3,837</b>	<b>\$ 6,038</b>	<b>\$ 27,418</b>	<b>354.1%</b>

*Note: may be rounding differences.*

The largest portion of the District's net position is its net investment in capital assets (e. g. land, buildings, and equipment); less related outstanding debt used to acquire those assets. These assets are used to provide services to students and consequently are not available for future spending.

Restricted net position accounts for 66% of total net position. The District is required by state statute to have available in the debt service fund an amount sufficient to make debt payments required between the beginning of the fiscal year (July 1) and receipt of the first tax payments (normally on or about January 20th). The unrestricted net position deficit for the District increased \$1,456,341 to (\$72,608,619) million.

Table 2 provides summarized operating results and their impact on net position. The District relies primarily on property taxes (32.4%), state sources (51.8%) and operating grants and contributions (13.5%) to fund District activities. There were only minor variations between years within the sources of revenue, with the exception of other general revenues, which includes donations and gifts to the District that may vary from year to year.

Program revenues, in the form of charges for services and operating grants and contributions, decreased \$2,668,386 for governmental activities reflecting a decrease in federal and state grants. Program revenues decreased \$253,410 for business type activities.

## Management's Discussion and Analysis For the Year Ended June 30, 2014

Overall, expenses decreased a minimal 1% compared to the prior year.

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

	Governmental Activities		Business-type Activities		Total School District		Total %
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013- 2014</u>
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 2,063	\$ 1,738	\$ 2,653	\$ 2,382	\$ 4,716	\$ 4,120	-12.7%
Operating grants & contributions	\$ 29,880	\$ 33,127	\$ 5,898	\$ 5,917	\$ 35,778	\$ 39,044	9.1%
General revenues							
Property taxes	\$ 92,641	\$ 93,554	\$ -	\$ -	\$ 92,641	\$ 93,554	1.0%
State formula aid	\$ 148,518	\$ 149,492	\$ -	\$ -	\$ 148,518	\$ 149,492	0.7%
Other	\$ 1,718	\$ 2,156	\$ -	\$ -	\$ 1,718	\$ 2,156	25.5%
<b>Total revenues</b>	<b>\$ 274,820</b>	<b>\$ 280,067</b>	<b>\$ 8,550</b>	<b>\$ 8,299</b>	<b>\$ 283,370</b>	<b>\$ 288,366</b>	<b>1.8%</b>
<b>Expenses</b>							
Instruction	\$ 166,767	\$ 158,897	\$ -	\$ -	\$ 166,767	\$ 158,897	-4.7%
Pupil & instructional services	\$ 30,574	\$ 31,072	\$ -	\$ -	\$ 30,574	\$ 31,072	1.6%
Administration and business	\$ 25,336	\$ 24,890	\$ -	\$ -	\$ 25,336	\$ 24,890	-1.8%
Maintenance and operations	\$ 22,060	\$ 27,190	\$ -	\$ -	\$ 22,060	\$ 27,190	23.3%
Transportation	\$ 6,712	\$ 7,205	\$ -	\$ -	\$ 6,712	\$ 7,205	7.3%
Community service	\$ 487	\$ 696	\$ -	\$ -	\$ 487	\$ 696	43.0%
Interest on debt	\$ 6,932	\$ 6,295	\$ -	\$ -	\$ 6,932	\$ 6,295	-9.2%
Other	\$ 3,992	\$ 3,510	\$ 7,534	\$ 7,231	\$ 11,526	\$ 10,741	-6.8%
<b>Total expenses</b>	<b>\$ 262,860</b>	<b>\$ 259,756</b>	<b>\$ 7,534</b>	<b>\$ 7,232</b>	<b>\$ 270,394</b>	<b>\$ 266,987</b>	<b>-1.3%</b>
<b>Increase (decrease) in Net Position</b>	<b>\$ 11,960</b>	<b>\$ 20,311</b>	<b>\$ 1,016</b>	<b>\$ 1,068</b>	<b>\$ 12,976</b>	<b>\$ 21,379</b>	

*Note: May be rounding differences.*

### Governmental Activities

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

The cost of all governmental activities this year was \$259,755,918. Individuals who directly participated or benefited from a program offering paid \$1,738,106 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$33,126,690. The net cost of governmental activities totaling \$224,891,122 was financed by general revenues of the District.

## Management's Discussion and Analysis For the Year Ended June 30, 2014

The District relies primarily on property taxes and general state aid to fund governmental activities. School funding regulations restrict the amount by which these two revenue sources, in combination, may be increased. This restriction, called revenue limit, is intended to help hold down increases in property taxes throughout the state. The 2013-2014 District equalized property value of \$7,693,298,078 represents a 3.63% decrease over the previous year and the total tax mill rate for 2013-2014 is \$12.13 and represents a 4.77% increase over the previous year.

General state aid is paid according to a formula taking into consideration district spending and property values as compared to spending and property values for the state as a whole. The District's property values are growing slower than the state average. This year the District's share of general state aid decreased by \$974,166.

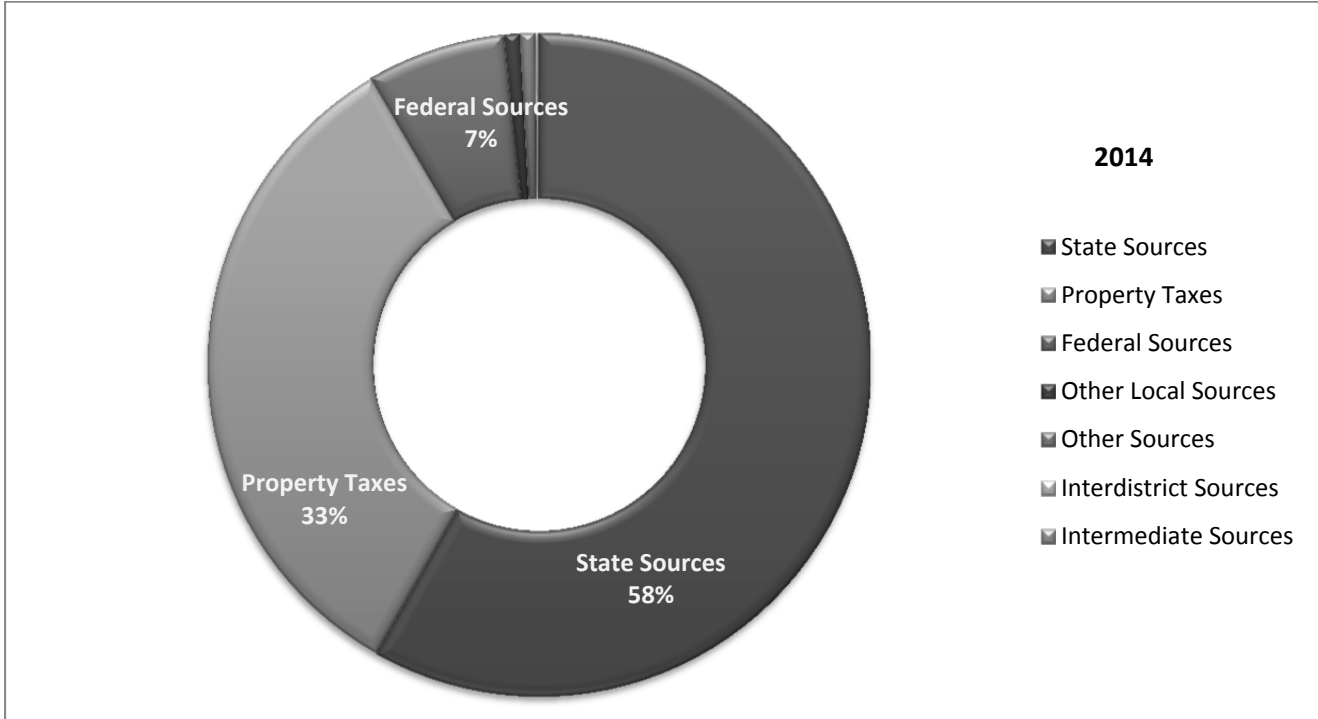
**Table 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
Instruction	\$ 166,767	\$ 158,897	-4.7%	\$ 147,342	\$ 133,045	-9.7%
Pupil & instructional services	\$ 30,574	\$ 31,072	1.6%	\$ 22,643	\$ 24,636	8.8%
Administration and business	\$ 25,336	\$ 24,890	-1.8%	\$ 25,011	\$ 24,650	-1.4%
Maintenance and operations	\$ 22,060	\$ 27,190	23.3%	\$ 20,754	\$ 26,709	28.7%
Transportation	\$ 6,712	\$ 7,205	7.3%	\$ 5,847	\$ 6,808	16.4%
Community service	\$ 487	\$ 696	43.0%	\$ 88	\$ 672	666.0%
Interest on debt	\$ 6,932	\$ 6,295	-9.2%	\$ 5,320	\$ 5,201	-2.2%
Other	\$ 3,992	\$ 3,510	-12.1%	\$ 3,640	\$ 3,169	-12.9%
<b>Total</b>	<b><u>\$ 262,860</u></b>	<b><u>\$ 259,756</u></b>	<b>-1.2%</b>	<b><u>\$ 230,645</u></b>	<b><u>\$ 224,891</u></b>	<b>-2.5%</b>

*Note: totals may not add due to rounding.*

## Management's Discussion and Analysis For the Year Ended June 30, 2014

### GOVERNMENTAL REVENUES BY TYPE

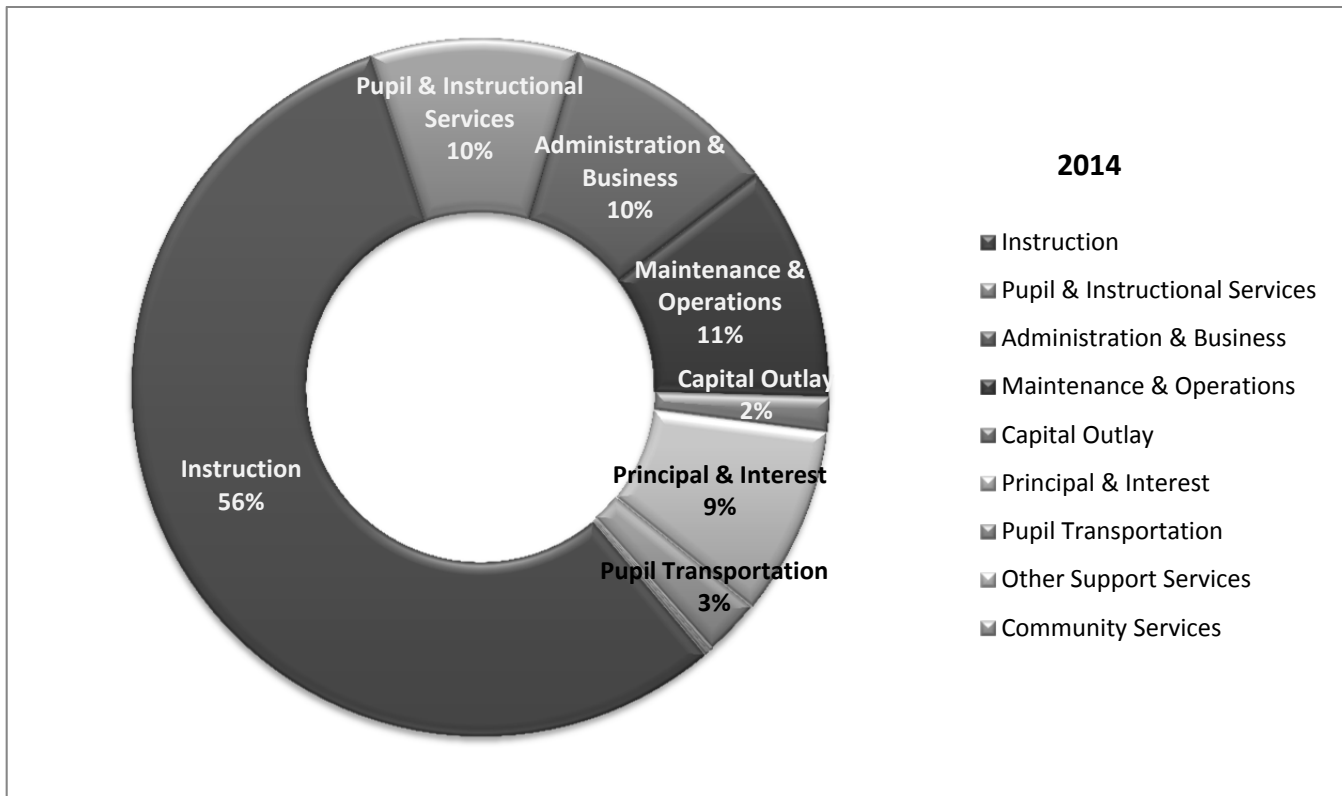


Governmental Revenues by Type	2013	2014
State Sources	\$ 161,565,278	\$ 162,908,060
Property Taxes	\$ 92,639,254	\$ 93,553,681
Federal Sources	\$ 15,551,827	\$ 19,020,738
Other Local Sources	\$ 2,275,299	\$ 2,163,235
Other Sources	\$ 2,379,681	\$ 2,059,798
Interdistrict Sources	\$ 351,557	\$ 341,003
Intermediate Sources	\$ 57,885	\$ 20,478
<b>Total Revenues</b>	<b>\$ 274,820,781</b>	<b>\$ 280,066,993</b>



## Management's Discussion and Analysis For the Year Ended June 30, 2014

### GOVERNMENTAL EXPENDITURES BY TYPE



Governmental Expenditures by Type	2013	2014
Instruction	\$ 156,854,845	\$ 155,824,710
Pupil & Instructional Services	\$ 27,421,454	\$ 26,754,523
Administration & Business	\$ 26,966,309	\$ 27,948,486
Maintenance & Operations	\$ 23,253,469	\$ 30,110,017
Capital Outlay	\$ 2,188,236	\$ 4,526,837
Principal & Interest	\$ 17,729,288	\$ 24,366,446
Pupil Transportation	\$ 6,702,227	\$ 7,204,163
Other Support Services	\$ 1,334,658	\$ 653,038
Community Services	\$ 478,485	\$ 698,790
<b>Total Expenditures</b>	<b>\$ 262,928,971</b>	<b>\$ 278,087,010</b>

# Management's Discussion and Analysis For the Year Ended June 30, 2014

## BUSINESS-TYPE ACTIVITIES

Operating revenues for the District's business-type activities (food service program) were \$8,299,820 comprised of charges for services (29%) and federal and state reimbursements (71%). Expenses of \$7,231,679 resulted in operating income of \$1,068,141 for the year. Major expenses include food and supply purchases (58.1%) and labor/benefits (39.0%).

## FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with fund balance of \$55,607,889 up from last year's ending fund balance of \$29,625,126 due to the following:

- The general fund had an increase in fund balance of \$9,696,155, of which \$4.8 million was contributed by one-time unexpected revenues coming into the District, a majority of which was prior year Medicaid reimbursement adjustments. In addition, \$4.1 million was achieved as a result of conservative staffing and hiring practices, and an overall conservative spending approach.
- The debt service fund had an increase of \$2,328,003. The fund balance of the debt service fund will fluctuate each year, based on bond activity.
- The capital project fund had a fund balance of \$13,490,260 at fiscal year-end due to the opening of a new energy efficiency capital projects plan initiated under 2011 Wisconsin Act 32.

## GENERAL FUND BUDGETARY HIGHLIGHTS

- The District adopts an interim budget in July for the year (beginning July 1st). Consistent with current state statutes and regulations an *original* budget is adopted in October, following a determination of the official enrollment, the certification of general state aids, and equalized property valuations. After the October budget adoption the District then notifies its respective municipalities of their share of the tax levy no later than November 10<sup>th</sup>, in compliance with Wis. Stats. 120.12(3)(a).
- The Third Friday membership count for the 2013-2014 school year, as measured on September 20, 2013, was 22,296, a decrease of 111 full time student equivalents from the final Third Friday count for the 2012-2013 school year.
- The District is continuing to experience declining enrollment, which can be primarily attributed to a decrease in births in the community. This lower birthrate occurred most significantly during the years of 2008 to 2012, which first had an impact on kindergarten enrollments during the 2013-2014 school year.
- Staffing levels were increased during 2013-2014. The funding for this increase was made possible due to the implementation of the 2011 Wisconsin Act 10 budgetary tools, specifically employee contributions to pension and health insurance premiums.

# Management's Discussion and Analysis For the Year Ended June 30, 2014

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2014, the District had invested \$273,020,241 in capital assets, including buildings, sites, and equipment (See Table 4). Total accumulated depreciation on these assets total \$113,286,948. Capital Asset acquisitions for governmental activities totaled \$4,526,838. The District recognized depreciation expense of \$5,162,698 for governmental activities and \$80,252 for the food service program. Detailed information about capital assets can be found in Note 3(b) to the financial statements.

**Table 4  
Capital Assets**

*(net of depreciation, in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total School District		Total % Change
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013- 2014</u>
Land	\$ 8,830	\$ 8,830	\$ -	\$ -	\$ 8,830	\$ 8,830	0.0%
Construction in progress	\$ 401	\$ 4,008	\$ -	\$ -	\$ 401	\$ 4,008	99.3%
Site improvements	\$ 6,208	\$ 6,208	\$ -	\$ -	\$ 6,208	\$ 6,208	0.0%
Buildings & building improvements	\$ 208,368	\$ 208,797	\$ -	\$ -	\$ 208,368	\$ 208,797	0.2%
Equipment & furniture	\$ 45,253	\$ 45,744	\$ 2,610	\$ 2,641	\$ 47,863	\$ 48,385	1.1%
Accumulated depreciation	\$ (106,556)	\$ (111,719)	\$ (1,488)	\$ (1,568)	\$ (108,044)	\$ (113,287)	4.9%
<b>Total</b>	<b>\$ 162,505</b>	<b>\$ 161,868</b>	<b>\$ 1,122</b>	<b>\$ 1,073</b>	<b>\$ 163,627</b>	<b>\$ 162,941</b>	<b>-2.4%</b>

*Note: totals may not add due to rounding.*

### Long-Term Debt

At year-end the District had \$111,455,000 in general obligation bonds and notes payable and \$80,539,571 other long-term debt outstanding – an increase of 2.1% over last year (see Table 5).

**Table 5  
Outstanding Long-Term Obligations**  
*(in thousands of dollars)*

	Total School District		Total Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
General obligation debt	\$ 106,546	\$ 111,455	4.6%
Other	\$ 81,435	\$ 80,540	-1.1%
<b>Total</b>	<b>\$ 187,981</b>	<b>\$ 191,995</b>	<b>2.1%</b>

## **Management's Discussion and Analysis For the Year Ended June 30, 2014**

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

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Wisconsin has experienced several consecutive years of reductions in K-12 education funding, beginning with 2011 Wisconsin Act 32, which decreased general school aids by \$749 million over the biennium. As a result of the 2011-13 state budget school districts experienced a 5.5% revenue limit cut. This had a strong impact on the District, specifically demonstrated by a significant drop in general fund balance in fiscal year 2011.
- The 2013-15 state budget did include slight increases to the allowed per pupil amount for revenue limit calculation purposes, however this has not allowed for a full recovery of pre-2011 spending levels. Looking ahead to the 2015-17 state budget, which has yet to be determined, the District does not expect any significant changes to funding, either positive or negative.
- In October 2011 and March 2012, KUSD received a partial settlement from the CDO lawsuit. The Securities and Exchange Commission took action against the Royal Bank of Canada Capital Markets LLC for its misconduct in the sale of unsuitable investments to five Wisconsin school districts, including the District, and its inadequate disclosures regarding the risks associated with those investments. Proceeds received to date (beyond payments for legal fees) have been used to pay down the related \$9.5m State Trust Fund loan. The balance remaining on the State Trust Fund loan at June 30, 2014 is \$3,155,000. Following successful settlement with Stifel, the districts amended their complaint to include Stifel as a plaintiff against the RBC defendants. While legal action continues in this suit, all counterclaims against the school district Plaintiffs and all but one against the OPEB trust Plaintiffs, have been dismissed.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kenosha Unified School District Finance Department (262-359-6300), Kenosha Unified School District, 3600 52<sup>nd</sup> Street, Kenosha, WI 53144.

## **BASIC FINANCIAL STATEMENTS**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 90,613,048	\$ 3,461	\$ 90,616,509
Receivables			
Taxes	20,474,859	-	20,474,859
Accounts	5,307,515	53,829	5,361,344
Due from other governments	4,966,673	242,923	5,209,596
Internal balances	(2,167,143)	2,167,143	-
Prepaid items	331,767	-	331,767
Inventory	3,700	571,889	575,589
Capital assets			
Land	8,830,458	-	8,830,458
Construction in progress	4,008,151	-	4,008,151
Land improvements	6,208,343	-	6,208,343
Buildings	200,957,226	-	200,957,226
Building improvements	7,840,251	-	7,840,251
Furniture and equipment	45,743,680	2,641,040	48,384,720
Less: accumulated depreciation	<u>(111,718,738)</u>	<u>(1,568,210)</u>	<u>(113,286,948)</u>
Total Capital Assets	<u>161,869,371</u>	<u>1,072,830</u>	<u>162,942,201</u>
<b>TOTAL ASSETS</b>	<u>281,399,790</u>	<u>4,112,075</u>	<u>285,511,865</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>388,350</u>	<u>-</u>	<u>388,350</u>
<b>LIABILITIES</b>			
Short-term notes payable	29,300,000	-	29,300,000
Accounts payable	12,523,945	134,666	12,658,611
Accrued payroll liabilities	21,598,403	-	21,598,403
Due to other governments	250,950	-	250,950
Accrued interest payable	1,540,220	-	1,540,220
Unearned revenues	131,881	140,708	272,589
Long-term obligations			
Due within one year	12,342,451	-	12,342,451
Due in more than one year	<u>180,519,263</u>	<u>-</u>	<u>180,519,263</u>
<b>TOTAL LIABILITIES</b>	<u>258,207,113</u>	<u>275,374</u>	<u>258,482,487</u>
<b>NET POSITION</b>			
Net investment in capital assets	80,843,281	1,072,830	81,916,111
Restricted for			
Food service programs	-	2,763,871	2,763,871
Capital expansion	13,490,260	-	13,490,260
Debt service	1,856,105	-	1,856,105
Unrestricted	<u>(72,608,619)</u>	<u>-</u>	<u>(72,608,619)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 23,581,027</u>	<u>\$ 3,836,701</u>	<u>\$ 27,417,728</u>

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>						
Instruction						
Regular instruction	\$ 110,425,683	\$ 1,041,866	\$ 4,106,679	\$ (105,277,138)	\$ -	\$ (105,277,138)
Vocational instruction	4,785,556	-	357,445	(4,428,111)	-	(4,428,111)
Special education instruction	35,779,481	-	19,907,707	(15,871,774)	-	(15,871,774)
Other instruction	7,906,190	-	438,158	(7,468,032)	-	(7,468,032)
Instruction	158,896,910	1,041,866	24,809,989	(133,045,055)	-	(133,045,055)
Support Services						
Pupil services	16,911,781	-	2,051,571	(14,860,210)	-	(14,860,210)
Instructional staff services	14,160,546	-	4,385,046	(9,775,500)	-	(9,775,500)
General administration services	1,861,431	-	6,186	(1,855,245)	-	(1,855,245)
Building administration services	13,694,174	-	218,434	(13,475,740)	-	(13,475,740)
Business services	2,250,915	-	-	(2,250,915)	-	(2,250,915)
Operation and maintenance of plant	27,190,087	331,505	149,714	(26,708,868)	-	(26,708,868)
Pupil transportation	7,205,304	-	396,921	(6,808,383)	-	(6,808,383)
Central services	7,083,476	-	15,577	(7,067,899)	-	(7,067,899)
Insurance	653,038	-	-	(653,038)	-	(653,038)
Support services	91,010,752	331,505	7,223,449	(83,455,798)	-	(83,455,798)
Community services	696,202	23,732	-	(672,470)	-	(672,470)
Interest on debt	6,294,713	-	1,093,252	(5,201,461)	-	(5,201,461)
Non program						
General tuition payments	2,586,577	341,003	-	(2,245,574)	-	(2,245,574)
Other nonprogram	270,764	-	-	(270,764)	-	(270,764)
Non-program	2,857,341	341,003	-	(2,516,338)	-	(2,516,338)
Total Governmental Activities	259,755,918	1,738,106	33,126,690	(224,891,122)	-	(224,891,122)
<b>Business-Type Activities</b>						
Food service	7,231,679	2,379,652	5,917,256	-	1,065,229	1,065,229
Total	\$ 266,987,597	4,117,758	\$ 39,043,946	\$ (224,891,122)	\$ 1,065,229	\$ (223,825,893)

**General revenues:**

Property taxes, levied for general purposes	75,664,429	-	75,664,429
Property taxes, levied for debt service	16,152,697	-	16,152,697
Property taxes, levied for community service	1,500,000	-	1,500,000
Other taxes	236,555	-	236,555
State and federal aids not restricted to specific functions			
General	149,492,121	-	149,492,121
Other	405,806	-	405,806
Interest and investment earnings	41,421	419	41,840
Miscellaneous			
Gifts and donations	555,832	-	555,832
Other	1,153,336	2,912	1,156,248
Total general revenues	245,202,197	3,331	245,205,528
Change in net position	20,311,075	1,068,560	21,379,635.00
Net position - beginning of year	3,269,952	2,768,141	6,038,093
Net position - end of year	\$ 23,581,027	\$ 3,836,701	\$ 27,417,728

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



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 72,508,373	\$ 15,016,209	\$ 3,088,466	\$ 90,613,048
Receivables				
Taxes	20,474,859	-	-	20,474,859
Accounts	5,259,622	-	47,893	5,307,515
Due from other governments	4,824,350	-	142,323	4,966,673
Due from other funds	897,157	-	2,232,726	3,129,883
Prepaid items	331,767	-	-	331,767
Inventory	3,700	-	-	3,700
<b>TOTAL ASSETS</b>	<b><u>\$ 104,299,828</u></b>	<b><u>\$ 15,016,209</u></b>	<b><u>\$ 5,511,408</u></b>	<b><u>\$ 124,827,445</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Short-term notes payable	\$ 29,300,000	\$ -	\$ -	\$ 29,300,000
Accounts payable	11,695,743	762,468	65,734	12,523,945
Accrued payroll liabilities	21,598,403	-	-	21,598,403
Accrued interest payable	117,351	-	-	117,351
Due to other governments	250,950	-	-	250,950
Unearned revenues	131,881	-	-	131,881
Due to other funds	4,399,869	763,481	133,676	5,297,026
<b>Total Liabilities</b>	<b><u>67,494,197</u></b>	<b><u>1,525,949</u></b>	<b><u>199,410</u></b>	<b><u>69,219,556</u></b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventory	3,700	-	-	3,700
Prepaid items	331,767	-	-	331,767
<b>Restricted</b>				
Retirement of long-term debt	-	-	3,278,974	3,278,974
Capital expansion	-	13,490,260	-	13,490,260
<b>Assigned</b>				
Community services	-	-	2,033,024	2,033,024
Charter schools	1,223,803	-	-	1,223,803
Unassigned	35,246,361	-	-	35,246,361
<b>Total Fund Balances</b>	<b><u>36,805,631</u></b>	<b><u>13,490,260</u></b>	<b><u>5,311,998</u></b>	<b><u>55,607,889</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 104,299,828</u></b>	<b><u>\$ 15,016,209</u></b>	<b><u>\$ 5,511,408</u></b>	<b><u>\$ 124,827,445</u></b>

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

**KENOSHA UNIFIED SCHOOL DISTRICT**  
Balance Sheet (continued)  
Governmental Funds  
June 30, 2014

Reconciliation to Statement of Net Position

Fund balance, as shown above	\$ 55,607,889
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	161,869,371
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation debt	(111,455,000)
Premium on long term debt	(867,143)
Deferred charge on refunding	388,350
Accrued interest on long-term obligations	(1,422,869)
Compensated absences	(2,306,593)
Accrued OPEB obligation	<u>(78,232,978)</u>
Net position of governmental activities as reported on the Statement of Net Position (see page 14)	<u>\$ 23,581,027</u>

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 75,900,984	\$ -	\$ 17,652,697	\$ 93,553,681
Other local sources	2,069,148	9,168	84,919	2,163,235
Interdistrict sources	341,003	-	-	341,003
Intermediate sources	17,318	-	3,160	20,478
State sources	162,908,060	-	-	162,908,060
Federal sources	17,158,106	-	1,862,632	19,020,738
Other sources	966,516	-	1,093,282	2,059,798
<b>Total Revenues</b>	<b>259,361,135</b>	<b>9,168</b>	<b>20,696,690</b>	<b>280,066,993</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	106,949,185	-	307,980	107,257,165
Vocational instruction	4,775,709	-	-	4,775,709
Special education instruction	35,116,773	-	790,516	35,907,289
Other instruction	7,884,547	-	-	7,884,547
<b>Total Instruction</b>	<b>154,726,214</b>	<b>-</b>	<b>1,098,496</b>	<b>155,824,710</b>
<b>Support Services</b>				
Pupil services	16,576,847	-	439,841	17,016,688
Instructional staff services	14,232,931	-	31,741	14,264,672
General administration services	1,487,124	-	376,836	1,863,960
School administration services	13,548,806	-	206,736	13,755,542
Business services	2,263,007	-	-	2,263,007
Operation and maintenance of plant	26,779,321	3,208,908	121,788	30,110,017
Pupil transportation	7,199,667	-	4,496	7,204,163
Central services	7,192,583	-	86	7,192,669
Insurance	653,038	-	-	653,038
<b>Total Support Services</b>	<b>89,933,324</b>	<b>3,208,908</b>	<b>1,181,524</b>	<b>94,323,756</b>
<b>Debt Service</b>				
Principal	-	-	18,191,000	18,191,000
Interest and fiscal charges	307,340	-	5,868,106	6,175,446
<b>Total Debt Service</b>	<b>307,340</b>	<b>-</b>	<b>24,059,106</b>	<b>24,366,446</b>
<b>Community services</b>				
Non-program	-	-	698,790	698,790
<b>Non-program</b>				
General tuition payments	2,586,577	-	-	2,586,577
Special education tuition	15,967	-	-	15,967
Other non-program transactions	270,764	-	-	270,764
<b>Total Non-program</b>	<b>2,873,308</b>	<b>-</b>	<b>-</b>	<b>2,873,308</b>
<b>Total Expenditures</b>	<b>247,840,186</b>	<b>3,208,908</b>	<b>27,037,916</b>	<b>278,087,010</b>
Excess revenues over (under) expenditures	11,520,949	(3,199,740)	(6,341,226)	1,979,983
<b>Other Financing Sources (Uses)</b>				
Long term debt issued	-	16,690,000	6,410,000	23,100,000
Premium on long term debt	-	-	902,779	902,779
Transfers in	-	-	1,824,794	1,824,794
Transfers out	(1,824,794)	-	-	(1,824,794)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,824,794)</b>	<b>16,690,000</b>	<b>9,137,573</b>	<b>24,002,779</b>
Net change in fund balances	9,696,155	13,490,260	2,796,347	25,982,762
Fund balances - beginning of year	27,109,476	-	2,515,650	29,625,126
<b>Fund balances - end of year</b>	<b>\$ 36,805,631</b>	<b>\$ 13,490,260</b>	<b>\$ 5,311,997</b>	<b>\$ 55,607,888</b>

(continued)

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds (continued)  
For the Year Ended June 30, 2014

Reconciliation to Statement of Activities

Net Change in Fund Balances - Total Governmental Funds from the previous page \$ 25,982,762

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay reported in governmental fund statements	4,526,838	
Depreciation expense reported in the statement of activities	(5,162,698)	
Amount by which the capital outlays in current period is less than depreciation		(635,860)

Certain employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year. This year the accrual of these benefits (increased) decreased by:

Other post-employment benefits (OPEB)		74,139
Accrued sick leave and vacation payable		821,078

The loss on advance refunding is reported in the governmental funds as an expenditure when paid. In the Statement of Activities, this cost is deferred and amortized over the life of the bonds. The amount of amortization reported on the Statement of Activities in the current year (103,560)

Premiums are reported in the governmental funds as an other financing source while discounts are shown as expenditures. In the Statement of Activities, these items are deferred and amortized over the life of the bonds. The change reported related to these items on the (867,143)

The District issued bonds during the year to both refinance previous bond issues and for capital projects. The amount of the debt issue is reported in the governmental funds as a source of financing. In the statement of net position however, debt is not reported as a financing source, but rather constitutes a long-term liability. The amount of long-term debt reported as proceeds in the governmental funds statement is: (23,100,000)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities. The amount of long-term debt principal payments in the current year is:

General obligation debt		18,191,000
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Accrued interest as presented in the governmental funds does not include an estimate of the interest expense incurred during the current period which relates to bonds and notes payable that were not recorded in the governmental funds. (51,341)

Change in net position of Governmental Activities reported in the Statement of Activities (see page 15)		\$ 20,311,075
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*The notes to the basic financial statements are an integral part of this statement.*

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Net Position

Proprietary Fund

June 30, 2014

	Food Service Fund
<b>ASSETS</b>	
Cash and investments	\$ 3,461
Accounts receivable	53,829
Due from other governments	242,923
Due from other funds	2,167,143
Inventories and prepaid items	571,889
Capital assets	
Furniture and equipment	2,641,040
Less: Accumulated depreciation	<u>(1,568,210)</u>
<b>TOTAL ASSETS</b>	<u>4,112,075</u>
<b>LIABILITIES</b>	
Accounts payable	134,666
Unearned revenues	<u>140,708</u>
<b>TOTAL LIABILITIES</b>	<u>275,374</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,072,830
Restricted for food service	<u>2,763,871</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 3,836,701</u></u>

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

	Food Service Fund
Revenues	
Operating revenue	
Food sales	\$ 2,379,652
State sources	135,136
Federal sources	5,287,849
Federal commodities	494,271
Other sources	2,912
Total operating revenues	8,299,820
Operating Expenses	
Salaries and wages	2,088,049
Employer paid benefits	731,612
Purchased services	127,269
Supplies, food and materials	4,204,497
Depreciation	80,252
Total operating expenses	7,231,679
Operating income	1,068,141
Non-operating revenues	
Investment earnings	419
Total non-operating revenues	419
Change in net position	1,068,560
Net Position - beginning of year	2,768,141
Net Position - end of year	\$ 3,836,701

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from user charges	\$ 2,344,253
Cash received from other government payments	5,993,652
Cash payments to employees for services	(2,819,662)
Cash payments for utilities and other purchased services	(127,269)
Cash payments to suppliers for goods and services	(3,856,735)
Net cash provided by operating activities	1,534,239
Cash Flows from Non-Capital and Related Financing Activities	
Increase in cash held by General Fund	(2,167,143)
Net cash used by non-capital and related financing activities	(2,167,143)
Cash Flows from Capital and Related Financing Activities	
Cash payments for acquisition of capital assets	(31,371)
Net cash used by capital and related financing activities	(31,371)
Cash Flows from Investing Activities	
Interest received	419
Net cash provided by investing activities	419
Net decrease in cash and cash equivalents	(663,856)
Cash and cash equivalents - beginning of year	667,317
Cash and cash equivalents - end of year	\$ 3,461
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,068,141
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	80,252
Changes in assets and liabilities:	
Due from other governments	570,668
Accounts receivable	(25,711)
Accounts payable	106,548
Inventories and prepaid items	(255,971)
Unearned revenue	(9,688)
Net cash provided by operating activities	\$ 1,534,239
Noncash Operating Activities	
During the years, the District received commodities from the U.S. Department of Agriculture in the amount of:	\$ 494,271

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



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Net Position

Fiduciary Fund

June 30, 2014

	Retiree Health Ins	Private-Benefit Trust	Agency Fund	Total Fiduciary Funds
<b>ASSETS</b>				
Cash and investments	\$ 7,318,374	\$ 225,875	\$ 1,150,693	\$ 8,694,942
Accounts receivable	9,053,563	21,041	345,474	9,420,078
	<u>16,371,937</u>	<u>246,916</u>	<u>1,496,167</u>	<u>18,115,020</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	4,926,786	-	19,495	4,946,281
Due to student organizations	-	-	1,476,672	1,476,672
	<u>4,926,786</u>	<u>-</u>	<u>1,496,167</u>	<u>6,422,953</u>
<b>NET POSITION</b>				
Held in trust	<u>\$ 11,445,151</u>	<u>\$ 246,916</u>	<u>\$ -</u>	<u>\$ 11,692,067</u>

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Changes in Net Position

Fiduciary Fund

For the Year Ended June 30, 2014

	Retiree Health Ins	Private-Benefit Trust
<b>Additions</b>		
Employer contributions	\$ 11,642,903	\$ -
Earnings on investments	18,723	656
Other income	268,448	852
<b>Total Additions</b>	<u>11,930,074</u>	<u>1,508</u>
<b>Deductions</b>		
Trust fund distributions	9,029,549	-
Other expenditures	701	-
<b>Total Deductions</b>	<u>9,030,250</u>	<u>-</u>
<b>Change in Net Position</b>	2,899,824	1,508
<b>Net Position - beginning of year</b>	<u>8,545,327</u>	<u>245,408</u>
<b>Net Position - end of year</b>	<u>\$ 11,445,151</u>	<u>\$ 246,916</u>

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Kenosha Unified School District No. 1 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

**Note 1(a) - Reporting Entity**

The Kenosha Unified School District No. 1 is organized as a common school district governed by an elected seven-member school board. The District operates grades pre-kindergarten through grade 12, Head Start, and several adult education and recreation programs. The District is comprised of three municipal taxing districts (City of Kenosha, Village of Pleasant Prairie, and Town of Somers).

The accompanying financial statements present the activities of the Kenosha Unified School District No. 1 under GASB Statement No. 61 criteria. The School District is not a component unit of another reporting entity, nor does it have any component units.

**Note 1(b) - Basis of Presentation**

Government-Wide Statements

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

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

Fund Financial Statements

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

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

The District reports on the following funds:

Major Governmental Funds:

*General Fund.* This is the District's primary operating fund. It accounts for all financial activity that is not accounted for in another fund. The District follows the regulatory requirements of the Wisconsin Department of Public Instruction, which requires educational programs for students with disabilities to be reported in a separate Special Education Fund (Fund 27) from other instructional activities reported in the General Fund (Fund 10). Under GAAP, the activities of the Special Education Fund are reported with General Fund activities because excess expenditures within the Special Education Fund are financed by a transfer from Fund 10. General fund sources include financial aid received from the state and federal government and payments from other school districts.

*Capital Projects Fund.* This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

Non-Major Governmental Funds:

*Head Start Fund.* This fund is used to account for the federal Head Start program.

*Community Service Fund.* This fund is used to account for activities such as adult education, community recreation programs such as evening swimming pool operation and sports leagues, and other programs which are not elementary and secondary educational programs but have the primary function of serving the community.

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

The District operates one enterprise fund, the *Food Service Fund*. This fund accounts for the activities of the District's food service, generally school breakfast, lunch and snack programs.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund.

The District accounts for assets that are accumulated to finance retiree health insurance benefits in the fiduciary fund – retiree health insurance trust.

The District accounts for assets that are accumulated to finance scholarships in the fiduciary fund – private purpose trust.

**Note 1(c) - Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**Note 1(d) - Assets and Liabilities**

Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of several funds is allocated based on average investment balances.

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with original maturities of three months or less from date of acquisition are considered to be cash equivalents.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

Property Tax Levy

Under Wisconsin law, personal property taxes and first and second installments real estate taxes are collected by city, town, and village treasurers who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Third installments real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village and school districts before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Accounts Receivable

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

Inventories and Prepaid Items

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

These non-liquid assets (inventories and prepaid items) of governmental fund types are offset by nonspendable fund balance accounts to signify that a portion of fund balance is not available for other subsequent expenditures.

Due to / Due from Other Funds

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between different fund types (governmental activities and business-type activities). Eliminations have been made for amounts due to and due from within the same fund type. See Note 4(d) for a detailed description of the individual interfund balances as of June 30, 2014.

Capital Assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$5,000	Straight-line	50 years
Building improvements	\$5,000	Straight-line	20 to 25 years
Site improvements	\$5,000	Straight-line	10 to 20 years
Furniture & equipment*	\$5,000	Straight-line	5 to 15 years
Computer & related technology*	\$5,000	Straight-line	4 to 10 years
Library books*	\$5,000	Straight-line	7 years

\* For these categories, the District recognizes similar group purchases exceeding \$5,000 under the capitalization threshold for the year.

Unearned Revenues

The District reports unearned revenues on its balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

Vested Employee Benefits

*Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Generally, sick leave can be accumulated up to a maximum of 95 to 120 days depending on the employment agreement. Accumulated sick time may not be taken in compensation but, upon retirement for certain collective bargaining groups, the employee is granted a payout equal to 50% of cumulative sick days times their daily rate. The District accrues that sick leave which it deems probable of payout for employee retirement. Only sick leave relating to employees qualifying for retirement is accrued.

The entire compensated absence liability is reported on the government-wide financial statements. The estimated liabilities include required salary-related payments. For governmental fund financial statements only, the matured compensated absences payable to currently terminating employees are reported as a liability.

*Retirement Plans.*

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

*Post-Employment Benefits.*

The District provides varying amounts of health insurance to eligible retired employees until age 65, based on the employment agreement in existence at the date of their retirement. The benefit is offered to all employees who retire from the District on or after attaining age 55 (age 58 under a certain employment agreement) with at least fifteen years of service. The District will cover the cost of a single premium or a family premium based on the applicable employment agreement.

The District conducted an actuarial valuation study to determine the Unfunded Actuarial Accrued Liability and annual required contribution for the post-retirement healthcare and life insurance plans on the basis of GASB 45. See Note 4(f) for more detail.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For the district-wide statements and the proprietary fund statements, bond issuance costs are reported as expenses while bond discounts and premiums are included with long-term obligations. Bond premiums and discounts are amortized over the life of the issue using the straight-line method.

In the fund financial statements, governmental fund types recognize bond issuance costs, bond premium and discounts during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures while bond premiums and discounts are recorded as other financing sources or uses.

Estimates

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



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

Fund Equity & Net Position

*Governmental Fund Financial Statements*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

**Note 2 - Stewardship and compliance; violations of finance related legal/contractual provisions**

There were no significant changes to the budget. The following individual funds had an excess of actual expenditures over budget by function for the year ended June 30, 2014:

General Fund		
General administration services	\$	212,911
Operation and maintenance of plant		273,713
General tuition payments		164,011
Other non-program transactions		141,148
Special Education Fund		
Pupil Services		131,422
Special education tuition		9,967
Other non-program transactions		129,616

**Note 3 - Detailed notes on all funds**

**Note 3(a) - Cash and Investments**

Deposit and Investment Risks

*Cash and Investments*

The debt service and capital service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following: time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "*Uniform Prudent Investor Act*".

The carrying amount of the District's cash and investments totaled \$99,311,451 on June 30, 2014 as summarized below:

Petty cash funds	\$	8,441
Deposits with financial institutions		54,374,847
Investments		44,928,163
		\$ 99,311,451
		\$ 99,311,451

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

The reconciliation to the basic financial statements on June 30, 2014 is as follows:

Basic Financial Statements		
Cash and Investments	\$	90,616,509
Fiduciary Funds		
Retiree Health Insurance Trust Fund		7,318,374
Private-Purpose Trust Fund		225,875
Agency Fund		1,150,693
	<u>\$</u>	<u>99,311,451</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

*Custodial Credit Risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for the combined amount of interest bearing and non-interest bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2014, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized or collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the District's name.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. Presented below is the actual rating as of year-end for each investment type.

Wisconsin Local Government Investment Pool	\$ 43,708	Not Rated
Wisconsin Investment Series Cooperative		
Cash Management Series	3,507,586	Rated: AAA
Investment Series	4,887,139	Rated: AAA
Term Series Investment Pool	<u>29,000,000</u>	Rated: AA
Subtotal	<u>37,394,725</u>	
Repurchase Agreements	<u>4,000,000</u>	Exempt from disclosure
Total Investments	<u>\$ 41,438,433</u>	
Negotiated Certificates of Deposits	\$ 3,489,730	Not Rated

On June 30, 2014, the District held repurchase agreement investment of \$4,000,000 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

On June 30, 2014, the District held Wisconsin Investment Series Cooperative Cash Management Series of \$3,507,586 of which the underlying investments are held by the investment's counterparty, not in the name of the District.

On June 30, 2014, the District held Wisconsin Investment Series Cooperative Investment Series of \$4,887,139 of which the underlying certificates of deposit were covered by FDIC insurance.

*Concentration of Credit Risk*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer:	Wisconsin Investment Series Cooperative
Investment Type and Amount:	Term Series Investment Pool (\$29,000,000)

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)	
		12 Months or Less	13 to 24 Months
Wisconsin Local Government Investment Pool	\$ 43,708	\$ 43,708	\$ -
Cash Management Series	3,507,586	3,507,586	-
Investment Series	4,887,139	4,887,139	-
Term Series Investment Pool	29,000,000	29,000,000	-
Repurchase agreements	4,000,000	4,000,000	-
Negotiated certificates of deposit	3,489,730	1,745,204	1,744,526
	<u>\$ 44,928,163</u>	<u>\$ 43,183,637</u>	<u>\$ 1,744,526</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District's investments do not include investments that are highly sensitive to interest rate fluctuations.

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$43,708 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2014, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$83,841,766 at year end. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less. Term series Investment Pools consist of allowable investments under the Wisconsin Statutes which have maturities between 30 days and one year. The District's investment consists of two maturities, \$14,000,000 maturing on July 30, 2014, and \$15,000,000 maturing on August 28, 2014.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC reports the fair value of its underlying assets, at amortized cost, on a monthly basis. At June 30, 2014, the fair value of the District's share of the WISC assets was substantially equal to the carrying value.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

**Note 3(b) - Capital assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Sites (land)	\$ 8,830,458	\$ -	\$ -	\$ 8,830,458
Construction in progress	400,950	3,607,201	-	4,008,151
Total capital assets not being depreciated	<u>9,231,408</u>	<u>3,607,201</u>	<u>-</u>	<u>12,838,609</u>
Capital assets being depreciated:				
Site Improvements	6,208,343	-	-	6,208,343
Buildings	200,957,226	-	-	200,957,226
Building improvements	7,410,923	429,328	-	7,840,251
Furniture and equipment	45,253,371	490,309	-	45,743,680
Total capital assets being depreciated	<u>259,829,863</u>	<u>919,637</u>	<u>-</u>	<u>260,749,500</u>
Less accumulated depreciation for:				
Site improvements	(4,611,064)	(278,149)	-	(4,889,213)
Buildings & building improvements	(60,590,917)	(3,947,166)	-	(64,538,083)
Furniture and equipment	(41,354,059)	(937,383)	-	(42,291,442)
Total accumulated depreciation	<u>(106,556,040)</u>	<u>(5,162,698)</u>	<u>-</u>	<u>(111,718,738)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>153,273,823</u>	<u>(4,243,061)</u>	<u>-</u>	<u>149,030,762</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 162,505,231</u>	<u>\$ (635,860)</u>	<u>\$ -</u>	<u>161,869,371</u>
Less related long term debt outstanding				<u>81,026,090</u>
Net investment in capital assets				<u>\$ 80,843,281</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,609,668	\$ 31,372	\$ -	\$ 2,641,040
Less accumulated depreciation	(1,487,958)	(80,252)	-	(1,568,210)
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 1,121,710</u>	<u>\$ (48,880)</u>	<u>\$ -</u>	<u>1,072,830</u>
Less related long term debt outstanding				<u>-</u>
Net investment in capital assets				<u>\$ 1,072,830</u>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

Depreciation expense was charged to the governmental activities functions as follows:

Regular instruction	\$ 3,634,040
Vocational instruction	29,936
Special education instruction	3,249
Other instruction	47,352
Pupil services	4,580
Instructional staff services	17,778
General administration services	740
School administration services	11,607
Business services	5,645
Operation and maintenance of plant	1,364,747
Pupil transportation services	1,929
Central services	41,095
<b>Total depreciation for governmental activities</b>	<b><u>\$ 5,162,698</u></b>
Food service	<u>\$ 80,252</u>
<b>Total depreciation for business type activities</b>	<b><u>\$ 80,252</u></b>

**Note 4 - Detailed Disclosures Regarding Liabilities and Expenditures**

**Note 4(a) - Short-Term Debt**

The District issues tax anticipation notes in advance of property tax collections. The notes are necessary because payments for the year begin in July whereas the tax collections are received from the municipalities beginning in January. Short-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation notes	<u>\$ 36,000,000</u>	<u>\$ 39,300,000</u>	<u>\$ 46,000,000</u>	<u>\$ 29,300,000</u>

The \$29,300,000 Tax and Revenue Anticipation Promissory Notes matures on September 18, 2014 and bears interest of 0.534% per annum due at maturity.

Interest paid on short-term debt for the year ended June 30, 2014, was \$307,340.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

**Note 4(b) - Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance*</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
General obligation debt					
Bonds and notes payable	\$ 106,546,000	\$ 23,100,000	\$ 18,191,000	\$ 111,455,000	\$ 12,047,000
Premium on long term debt	-	902,779	35,636	867,143	47,515
Other liabilities					
Accrued OPEB Obligation	78,307,117	11,568,764	11,642,903	78,232,978	-
Compensated absences	<u>3,127,671</u>	<u>211,743</u>	<u>1,032,821</u>	<u>2,306,593</u>	<u>247,936</u>
Total other liabilities	<u>81,434,788</u>	<u>11,780,507</u>	<u>12,675,724</u>	<u>80,539,571</u>	<u>247,936</u>
<b>Total governmental activity long-term liabilities</b>	<b><u>\$ 187,980,788</u></b>	<b><u>\$ 35,783,286</u></b>	<b><u>\$ 30,902,360</u></b>	<b><u>\$ 192,861,714</u></b>	<b><u>\$ 12,342,451</u></b>

Interest paid on long-term debt for the year ended June 30, 2014, was \$5,868,106.

The full faith, credit, and taxing powers of the District secure all general obligation debt, including business-type activities, if any. Bonds and notes payable is comprised of the following individual issues:

<u>Government Activities</u>				
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>Balance 6/30/2014</u>
Bond - Refinancing	06/15/05	3.75%-5.0%	04/01/16	\$ 5,440,000
Bond - Nash	02/01/06	3.24%-3.81%	04/01/25	17,480,000
Bond - Brass	06/20/07	3.69%-3.98%	04/01/27	6,025,000
Bond - Mahone	07/15/09	3.5%-5.0%	04/01/20	995,000
Bond - ITA Refinancing	07/15/09	4.00%-5.25%	04/01/24	16,070,000
Bond - ITA BAB	07/15/09	8.00%	04/01/29	20,000,000
State Trust Fund Loan - Reuther BAB	06/10/10	4.25%	03/15/17	1,053,000
State Trust Fund Loan - Reuther QSCB	06/10/10	4.25%	03/15/18	1,255,000
State Trust Fund Loan - ITA QSCB	06/10/10	4.25%	03/15/19	8,778,000
State Trust Fund Loan - Reuther QZAB	06/10/10	4.25%	03/15/20	3,199,000
State Trust Fund Loan - OPEB	06/08/11	3.75%	03/15/19	3,155,000
Bond - Refinancing	02/15/12	3.75%	04/01/18	7,180,000
Bond - Refinancing & Energy Efficiency Project	09/17/13	3.00%-5.00%	04/01/33	20,825,000
<b>Total bonds and notes</b>				<b><u>\$ 111,455,000</u></b>



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

Aggregate cash flow requirements for retirement of long-term principal and interest on notes and bonds (including State Trust Loans) as of June 30, 2014 as follows:

<b>Governmental Activities</b>			
<b>Year ended</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 12,047,000	\$ 5,570,572	\$ 17,617,572
2016	12,403,000	5,109,740	17,512,740
2017	7,754,000	4,619,141	12,373,141
2018	8,318,000	4,316,564	12,634,564
2019	7,869,000	3,989,474	11,858,474
2020-2024	30,874,000	15,252,168	46,126,168
2025-2029	27,390,000	6,700,991	34,090,991
2030-2033	4,800,000	592,964	5,392,964
<b>Totals</b>	<b><u>\$111,455,000</u></b>	<b><u>\$ 46,151,613</u></b>	<b><u>\$ 157,606,613</u></b>

The legal debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03 (1) (b), Wisconsin Statutes. The margin of indebtedness at June 30, 2014 is:

Equalized value certified by Wisconsin Department of Revenue for:	2014	<u>\$7,693,298,078</u>
Margin of indebtedness at 10%		769,329,808
Deduct long-term debt applicable to debt margin		<u>109,598,895</u>
<b>Margin of indebtedness</b>		<b><u>\$ 659,730,913</u></b>

**Note 4(c) - Operating Leases**

The District leases buildings and other equipment under non-cancelable operating leases. Total costs for such leases were \$740,919 for facility leases, \$168,578 for vehicle leases, and \$244,000 for copier leases for the year ended June 30, 2014. The future minimum lease payments totaling \$2,139,990 for these leases are as follows:

<b>Year Ended</b>	
<b>June 30</b>	<b>Total</b>
2015	\$ 722,445
2016	374,368
2017	265,733
2018	164,212
2019	204,336
2020-2024	182,040
2025-2029	162,040
2030-2031	64,816
<b>Total Minimum Lease Payments</b>	<b><u>\$ 2,139,990</u></b>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

**Note 4(d) - Interfund Balances and Activity**

The balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund Receivables and Payables at June 30, 2014 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Net internal balances on Statement of Net Position</u>
Governmental Activities			
General Fund	\$ 897,157	\$ 4,399,869	\$ (3,502,712)
Head Start Fund	-	128,761	(128,761)
Debt Service Fund	190,508	-	190,508
Capital Project Fund	-	763,481	(763,481)
Community Services Fund	2,042,218	4,915	2,037,303
<b>Total Governmental Activities</b>	<b>\$ 3,129,883</b>	<b>\$ 5,297,026</b>	<b>\$ (2,167,143)</b>
Business-Type Activities			
Food service fund	2,167,143	-	2,167,143
<b>Total Business Type Activities</b>	<b>2,167,143</b>	<b>-</b>	<b>2,167,143</b>
<b>Totals</b>	<b>\$ 5,297,026</b>	<b>\$ 5,297,026</b>	<b>\$ -</b>

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects. The district-wide statement of activities eliminates as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

The following schedule reports transfers within the reporting entity:

	<u>Transfer out</u>	<u>Transfer in</u>	<u>Net transfers on Statement of Activities</u>
Governmental Activities			
General Fund	\$ 1,824,794	\$ -	\$ 1,824,794
Debt Service Fund	-	1,824,794	(1,824,794)
<b>Total Governmental Activities</b>	<b>\$ 1,824,794</b>	<b>\$ 1,824,794</b>	<b>\$ -</b>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

**Note 4(e) - Contributions to Pension Plan**

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2013		2014	
	Employee	Employer	Employee	Employer
General (including Teachers)	6.65%	6.65%	7.00%	7.00%

The payroll for the Kenosha Unified School District No. 1 employees covered by the WRS for the year ended June 30, 2014 was \$154,724,962; the employer's total payroll was \$159,647,530. The total required contribution for the year ended June 30, 2014 was \$21,181,794, which consisted of \$9,114,308 or 6.84% of covered payroll from the employer for July 1, 2013 through December 31, 2013, and \$12,067,486 or 6.28% of covered payroll from employees for January 1, 2014 through June 30, 2014. The total contribution rates were 13.30% for the period of July 1, 2013 through December 31, 2013, and 14.00% for the period of January 1, 2014 through June 30, 2014. Employee contribution rates varied according to collective bargaining contracts. Total contributions for the years ended June 30, 2013 and 2012 were \$16,792,994 and \$17,697,224 respectively, equal to the required contributions for each year.

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

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

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

**Note 4(f) - Postemployment Benefits Trust**

On August 22, 2006, the District established the Kenosha Unified School District Post Employment Benefits Trust (the "Trust") for the purpose of holding assets (the "Trust Estate") for the payment of benefits to the members of the District's postemployment health and other OPEB benefits plan, and incurring debt, as provided in the agreement. The Trust is reported as a fiduciary fund in the District's basic financial statements. Separate financial statements are not prepared for the Trust. The basis of accounting and valuation of investments of the Trust are described in Note 1 while the required disclosures on the Trust's investments can be found in Note 3(a).

Plan Descriptions and Contribution Information

The District administers a single-employer defined benefit OPEB plan providing District retirees with medical and other postemployment benefits. The plan is administered by the District and does not issue a standalone financial report.

The District contracted with Milliman, Inc. to prepare an actuarial report dated August 4, 2014, which estimates the District's Expected Postretirement Benefit Obligation (EPSO) to be \$223,986,997 allocated, as follows:

Past Service Component (unfunded actuarial accrued liability)	\$113,349,387
Current Service Component (assets)	11,445,151
Future Service Component (present value of future normal costs)	<u>99,192,459</u>
Total Assets and Future Employer Contributions	<u>\$223,986,997</u>

The participant data as of July 1, 2014 was used in the development of the EPSO and ARC consisting of 1,937 active employees with the average age of 46.1 years and average service of 12 years, and 382 retirees (medical) with the average age of 61.8 years. Expected medical costs are based on estimates ranging from \$1,033 for male-single to \$3,303 for male-family and from \$1,142 for female-single to \$3,303 for female-family. Estimates are adjusted for age and demographic differences between retirees and all participants.

**Plan Assets and Debt Obligation**

*Plan Assets*

The Trust has cash and investments totaling \$7,318,374 as of June 30, 2014.

*Debt Obligations*

In 2006, the Trust entered into the Indenture of Trust dated as of September 1, 2006 (the "Trust Note Indenture") and issued an aggregate of \$28.4 million of its taxable Post-Employment Benefits Trust Asset Backed Notes (the "Trust Notes") bearing interest at a floating rate based upon a spread over the 3-month LIBOR rate. The District issued \$9.5 million of its Taxable Note Anticipation Notes (the "District Notes") due September 1, 2011 and deposited the proceeds with the Trust. On June 8, 2011, the District refinanced these District Notes with the proceeds of a 10-year loan through the Wisconsin State Trust Fund Loan program. The combined proceeds of the Trust Notes and the District Notes were used to acquire an aggregate of \$37.5 million of floating rate credit-linked secured notes due 2013 (the "CDOs") issued by a Cayman Island investment vehicle (the "CDO Issuer"). The District anticipated that the Trust would receive interest payments on the CDOs sufficient to pay interest on the Trust Notes. The District expected to pay interest on the District Notes from its general funds, with excess Trust earnings on the CDOs expected to ultimately fund a portion of the District's OPEB liabilities.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

Although the Trust Notes and the Trust Note Indenture provide that the Trust Notes are payable solely from the assets of the Trust that are pledged for that purpose under the Trust Note Indenture (including the Moral Obligation Contribution Agreement described below), it is an Event of Default under the Trust Note Indenture if the Asset Ratio falls below 95% and is not raised to at least 101% within 30 days after The Bank of New York Trust Company, N.A., the Trustee under the Trust Note Indenture (the "Indenture Trustee"), provides notice of that fact to the Trust and the District. The "Asset Ratio" is calculated by the valuation agent as the ratio of the value of the CDOs (as determined by the valuation agent, using a "market value" approach) to the outstanding principal amount of the Trust Notes.

The District entered into a Moral Obligation Contribution Agreement with the Trust (the "Moral Obligation Agreement") in connection with the execution of the Trust Note Indenture and the issuance of the Trust Notes. In the Moral Obligation Contribution Agreement, the District agreed that if it is notified by the Indenture Trustee that the Asset Ratio is less than 101%, the District's Director of Business Services will include the amount of the deficiency in each annual budget submitted to the District school board until an appropriation of that amount is made and, if appropriated by the District school board from funds available for that purpose, will deposit with the Indenture Trustee for the account of the Trust an amount sufficient to cause the Asset Ratio to be at least 101%. The Moral Obligation Contribution Agreement included a statement recognizing the District's "moral obligation" and expressing the District's "expectation and aspiration" to include any such deficiency in its next budget, but it expressly stated that the District's obligation constituted only a "moral obligation" and not a legal obligation or indebtedness of the District within the meaning of any state constitutional provision or statutory limitation. As part of the Stifel Settlement (explained below), the District has been released from the terms of the Moral Obligation Agreement.

Upon completion of the CDO transactions described above there were \$28.4 million of Trust Notes outstanding and \$37.5 million principal amount of CDOs held by the Trust. However, both the value of the CDOs and the Asset Ratio have since declined dramatically.

On February 7, 2008, the Indenture Trustee notified the Trust and the District that the Asset Ratio was below 95% and requested that the District pay such amounts to the Trust as were necessary to restore the Asset Ratio to 101% in accordance with the Moral Obligation Contribution Agreement.

The District hired outside counsel in connection with these matters. Four other Wisconsin school districts and their OPEB investment trusts that have entered into similar financing arrangements have hired the same law firms for this purpose. The school boards for the five districts filed a lawsuit seeking rescission, actual and exemplary damages, costs and fees.

On August 10, 2011, the Securities and Exchange Commission ("SEC") filed a complaint against Stifel, Nicolaus & Co. Inc. and a former executive. On August 11, 2011, Stifel Financial Corp. ("Stifel") announced that it had finalized an agreement to purchase the Trust Notes from the holder of the Trust Notes.

On September 27, 2011, the SEC separately charged RBC Capital Markets LLC (RBCCM). The SEC subsequently accepted an Offer of Settlement and ordered RBCCM to pay disgorgement, prejudgment interest and a civil money penalty aggregating in the amount of \$30.4 million. Pursuant to the settlement order, RBCCM was ordered to pay such aggregate amount in specified proportions to each of the Plaintiffs, including a payment of \$6,331,061 to the District, which the District has received. The District has used \$633,106 of such amount to pay related attorney's fees, and used the remainder to pay down \$6 million of the June 10, 2011 State Trust Fund Loan. The District cannot use any of this payment for general or operating expenses.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

On March 6, 2012, the Stifel Defendants entered into a Partial Settlement Agreement with the Plaintiffs in the Plaintiffs' suit against the Stifel Defendants (the "Stifel Settlement"). Under the terms of the Stifel Settlement, Stifel paid \$13 million to the Plaintiffs and provided a standby letter of credit for an additional \$9.5 million to be paid when, among other conditions, Stifel's case with the SEC as described above is resolved. The Stifel Settlement also provides for an additional conditional payment by Stifel to the Plaintiffs of the difference between any amounts recovered by the Plaintiffs from the RBC Defendants and a maximum of \$11 million. Additionally, as part of the Stifel Settlement, all of the Stifel Defendants' counterclaims against the Plaintiffs have been dismissed. Finally, the Stifel Settlement relieves and releases the District from the terms of the Moral Obligation Agreement and any other obligation to pay the Trust Notes. Accordingly, the Trust removed the liability from the Statement of Net Position and recognized an addition of \$27,649,483 during the 2011-2012 fiscal year. The District received \$2,041,431 from Stifel pursuant to the Stifel Settlement and is entitled to receive an additional \$3,454,876 under the standby letter of credit. The District has used \$1,831,740 of this amount to pay related attorney's fees, and expects to use the remainder to pay down June 10, 2011 State Trust Fund Loan.

Following the Stifel Settlement, the Plaintiffs and Stifel sought and received leave to file an amended complaint adding Stifel as a plaintiff against the RBC Defendants, which amended complaint was filed April 23, 2012. On June 12, 2012, the RBC Defendants filed an answer to the amended complaint and filed counterclaims against the Plaintiffs and the Stifel Defendants. On August 6, 2012, the Plaintiffs and the Stifel Defendants filed a Motion to Dismiss the RBC Defendants' counterclaims. The outcome of these legal proceedings cannot be predicted at this time.

**Annual OPEB Cost and Net OPEB Obligation**

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

	6/30/2014
Annual Required Contribution	\$ 13,098,348
Interest on net OPEB	2,349,214
Adjustment to Annual Required Contribution	(3,878,798)
Annual OPEB Cost (expense)	\$ 11,568,764
Contributions made	(11,642,903)
Change in net OPEB Obligation	\$ (74,139)
OPEB Obligation - Beginning of Year	78,307,117
OPEB Obligation - End of Year	\$ 78,232,978

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Notes to the Basic Financial Statements**  
June 30, 2014

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations.

*Trend Information*

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/2012	\$ 17,679,408	\$ 18,706,056	\$ 4,739,082	25.33%	\$ 68,364,317
6/30/2013	\$ 18,195,253	\$ 19,412,312	\$ 8,252,456	42.51%	\$ 78,307,117
6/30/2014	\$ 11,568,764	\$ 13,098,348	\$ 11,642,903	88.89%	\$ 78,232,978

**Funded Status and Funding Progress**

The funded status and progress of the plan as of the most recent actuarial valuation date is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
7/1/2010	\$ 5.6	\$ 150.8	\$ 145.2	3.7%	\$ 140.6	103.3%
7/1/2012	\$ 8.1	\$ 170.4	\$ 162.3	4.8%	\$ 124.7	130.2%
7/1/2014	\$ 11.4	\$ 124.8	\$ 113.3	9.1%	\$ 144.6	78.4%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Note 4(g) - Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from coverage in the prior year.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to the Basic Financial Statements  
June 30, 2014

**Note 5 - Other Note Disclosures**

**Note 5(a) - Limitation of School District Revenues (Government)**

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

**Note 5(b) - Contingencies and Commitments**

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

The District participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2014 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 75,864,429	\$ 75,864,429	\$ 75,900,984	\$ 36,555
Other local sources	1,859,664	2,007,455	2,061,280	53,825
Interdistrict sources	350,000	350,000	341,003	(8,997)
Intermediate sources	24,376	39,376	17,117	(22,259)
State sources	151,496,515	151,616,796	151,689,893	73,097
Federal sources	9,346,928	10,446,225	12,856,960	2,410,735
Other sources	646,996	648,993	966,516	317,523
<b>Total Revenues</b>	<u>239,588,908</u>	<u>240,973,274</u>	<u>243,833,753</u>	<u>2,860,479</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	109,590,075	109,619,573	106,949,185	2,670,388
Vocational instruction	4,916,115	5,095,849	4,775,709	320,140
Other instruction	8,171,095	8,307,728	7,884,547	423,181
<b>Total Instruction</b>	<u>122,677,285</u>	<u>123,023,150</u>	<u>119,609,441</u>	<u>3,413,709</u>
<b>Support Services</b>				
Pupil services	10,644,404	10,687,249	10,562,334	124,915
Instructional staff services	15,373,315	14,065,634	13,300,004	765,630
General administration services	1,262,229	1,274,213	1,487,124	(212,911)
Building administration services	13,606,418	13,663,247	13,548,806	114,441
Business services	2,830,046	2,668,771	2,263,007	405,764
Operation and maintenance of plant	26,462,509	26,477,522	26,751,235	(273,713)
Pupil transportation	4,261,243	5,048,821	4,448,694	600,127
Central services	8,979,177	9,113,627	7,192,583	1,921,044
Insurance	954,457	997,957	653,038	344,919
<b>Total Support Services</b>	<u>84,373,798</u>	<u>83,997,041</u>	<u>80,206,825</u>	<u>3,790,216</u>
<b>Debt Service</b>				
Interest and fiscal charges	340,088	334,176	307,340	26,836
<b>Total Debt Service</b>	<u>340,088</u>	<u>334,176</u>	<u>307,340</u>	<u>26,836</u>
<b>Non-program</b>				
General tuition payments	2,195,454	2,422,566	2,586,577	(164,011)
Other non-program transactions	-	-	141,148	(141,148)
<b>Total non-program</b>	<u>2,195,454</u>	<u>2,422,566</u>	<u>2,727,725</u>	<u>(305,159)</u>
<b>Total Expenditures</b>	<u>209,586,625</u>	<u>209,776,933</u>	<u>202,851,331</u>	<u>6,925,602</u>
<b>Excess of Revenues Over Expenditures</b>	<u>30,002,283</u>	<u>31,196,341</u>	<u>40,982,422</u>	<u>9,786,081</u>
<b>Other Financing Uses</b>				
Transfers out	(30,002,283)	(31,196,341)	(31,286,267)	(89,926)
<b>Total Other Financing Uses</b>	<u>(30,002,283)</u>	<u>(31,196,341)</u>	<u>(31,286,267)</u>	<u>(89,926)</u>
<b>Net Change in Fund Balance</b>	-	-	9,696,155	9,696,155
Fund balance - beginning of year	27,109,476	27,109,476	27,109,476	-
<b>Fund balance - end of year</b>	<u>\$ 27,109,476</u>	<u>\$ 27,109,476</u>	<u>\$ 36,805,631</u>	<u>\$ 9,696,155</u>

*The notes to the required supplementary information are an integral part of this schedule.*

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Special Education Special Revenue Fund - Budgetary Basis  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Other local sources	\$ 10,000	\$ 10,000	\$ 7,868	\$ (2,132)
Interdistrict sources	20,000	20,000	-	(20,000)
Intermediate sources	-	-	202	202
State sources	10,390,000	10,390,000	11,218,167	828,167
Federal sources	5,592,254	7,862,072	4,301,145	(3,560,927)
<b>Total Revenues</b>	<b>16,012,254</b>	<b>18,282,072</b>	<b>15,527,382</b>	<b>(2,754,690)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Special education instruction	35,700,887	36,647,709	35,116,773	1,530,936
<b>Total Instruction</b>	<b>35,700,887</b>	<b>36,647,709</b>	<b>35,116,773</b>	<b>1,530,936</b>
<b>Support services</b>				
Pupil services	5,809,509	5,883,091	6,014,513	(131,422)
Instructional staff services	1,070,181	1,874,632	932,927	941,705
Operation and maintenance of plant	32,600	40,600	28,086	12,514
Pupil transportation	2,895,160	3,201,586	2,750,973	450,613
<b>Total Support Services</b>	<b>9,807,450</b>	<b>10,999,909</b>	<b>9,726,499</b>	<b>1,273,410</b>
<b>Non-program</b>				
Special education tuition	6,000	6,000	15,967	(9,967)
Other non-program transactions	-	-	129,616	(129,616)
<b>Total non-program</b>	<b>6,000</b>	<b>6,000</b>	<b>145,583</b>	<b>(139,583)</b>
<b>Total Expenditures</b>	<b>45,514,337</b>	<b>47,653,618</b>	<b>44,988,855</b>	<b>2,664,763</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(29,502,083)</b>	<b>(29,371,546)</b>	<b>(29,461,473)</b>	<b>(5,419,453)</b>
<b>Other Financing Sources</b>				
Transfers in	29,502,083	29,371,546	29,461,473	89,927
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*The notes to the required supplementary information are an integral part of this schedule.*

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Schedule of Funding Progress

Other Post-Employment Benefit Plan

For the Year Ended June 30, 2014

(In Millions of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Funded Ratio (a / b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
7/1/2010	\$ 5.6	\$ 150.8	3.71%	\$ 145.2	\$ 140.6	103.27%
7/1/2012	\$ 8.1	\$ 170.4	4.75%	\$ 162.3	\$ 124.7	130.15%
7/1/2014	\$ 11.4	\$ 124.8	9.10%	\$ 113.3	\$ 144.6	78.40%

*The notes to the required supplementary information is an integral part of this schedule.*

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin  
Schedule of Employer Contributions  
Other Post-Employment Benefit Plan  
For the Year Ended June 30, 2014  
(In Millions of Dollars)

Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
6/30/2012	\$ 4.7	\$ 19.4	24.23%
6/30/2013	\$ 8.2	\$ 19.4	42.27%
6/30/2014	\$ 11.6	\$ 13.1	88.89%

*The notes to the required supplementary information is an integral part of this schedule.*

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

## Notes to Required Supplementary Information For the Year Ended June 30, 2014

### **Note 1 – Other Post-employment Benefits**

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" for the fiscal year ended June 30, 2008.

### **Note 2 – Budgets and Budgetary Accounting**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction (DPI), which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the two-digit sub-function level in the General Fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution. The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Funds such as the general fund, food service, and Head Start are typically used to liquidate long-term liabilities such as loans and leases. No major budget adjustments occurred in 2014.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- Based upon requests from district staff, district administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may alter the proposed budget.
- After the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.
- Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances outstanding at year-end (e.g., purchase orders, contracts) are reported as reservations of fund balances. There were no encumbrances at the end of 2014.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2014

**Note 3 – Budgets and Budgetary Accounting**

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 243,833,753	\$ 15,527,382
Reclassification of special education	15,527,382	(15,527,382)
<b>Total Revenues</b>	<u>259,361,135</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	202,851,331	44,988,855
Reclassification of special education	44,988,855	(44,988,855)
<b>Total Expenditures</b>	<u>247,840,186</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	40,982,422	(29,461,473)
Reclassification of special education	(29,461,473)	29,461,473
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>11,520,949</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(31,286,267)	29,461,473
Reclassification of special education	29,461,473	(29,461,473)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,824,794)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	<u>9,696,155</u>	<u>-</u>
<b>Fund Balance - July 1</b>		
Actual amounts (budgetary basis)	<u>27,109,476</u>	<u>-</u>
<b>Fund Balance - June 30</b>		
Actual amounts (budgetary basis)	<u>\$ 36,805,631</u>	<u>\$ -</u>



## **SUPPLEMENTARY INFORMATION**



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds		Debt Service	Total Nonmajor Governmental Funds
	Head Start	Community Service		
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ 3,088,466	\$ 3,088,466
Receivables				
Accounts	24,977	22,916	-	47,893
Due from other governments	142,323	-	-	142,323
Due from other funds	-	2,042,218	190,508	2,232,726
<b>TOTAL ASSETS</b>	<u>\$ 167,300</u>	<u>\$ 2,065,134</u>	<u>\$ 3,278,974</u>	<u>\$ 5,511,408</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 38,539	\$ 27,195	\$ -	\$ 65,734
Due to other funds	128,761	4,915	-	133,676
<b>Total liabilities</b>	<u>167,300</u>	<u>32,110</u>	<u>-</u>	<u>199,410</u>
Fund Balances				
Restricted				
Retirement of long-term debt	-	-	3,278,974	3,278,974
Assigned - community services	-	2,033,024	-	2,033,024
<b>Total Fund Balances</b>	<u>-</u>	<u>2,033,024</u>	<u>3,278,974</u>	<u>5,311,998</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 167,300</u>	<u>\$ 2,065,134</u>	<u>\$ 3,278,974</u>	<u>\$ 5,511,408</u>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year ended June 30, 2014

	Special Revenue Funds		Debt Service	Total Nonmajor Governmental Funds
	Head Start	Community Service		
Revenues				
Property taxes	\$ -	\$ 1,500,000	\$ 16,152,697	\$ 17,652,697
Other local sources	-	81,332	3,587	84,919
Intermediate sources	-	3,160	-	3,160
Federal sources	1,862,632	-	-	1,862,632
Other sources	-	30	1,093,252	1,093,282
Total Revenues	<u>1,862,632</u>	<u>1,584,522</u>	<u>17,249,536</u>	<u>20,696,690</u>
Expenditures				
Instruction				
Regular instruction	307,980	-	-	307,980
Special education instruction	790,516	-	-	790,516
Total Instruction	<u>1,098,496</u>	<u>-</u>	<u>-</u>	<u>1,098,496</u>
Support Services				
Pupil services	439,841	-	-	439,841
Instructional staff services	31,741	-	-	31,741
General administration services	-	376,836	-	376,836
Building administration services	206,736	-	-	206,736
Operation and maintenance of plant	81,946	39,842	-	121,788
Pupil transportation	3,873	623	-	4,496
Central services	-	86	-	86
Total Support Services	<u>764,137</u>	<u>417,387</u>	<u>-</u>	<u>1,181,524</u>
Debt Service				
Principal	-	-	18,191,000	18,191,000
Interest and fiscal charges	-	-	5,868,106	5,868,106
Total Debt Service	<u>-</u>	<u>-</u>	<u>24,059,106</u>	<u>24,059,106</u>
Community service	<u>-</u>	<u>698,790</u>	<u>-</u>	<u>698,790</u>
Total Expenditures	<u>1,862,633</u>	<u>1,116,177</u>	<u>24,059,106</u>	<u>27,037,916</u>
Excess revenues over (under) expenditures	-	468,345	(6,809,570)	(6,341,226)
Other Financing Sources				
Long term debt issued	-	-	6,410,000	6,410,000
Premium on long term debt	-	-	902,779	902,779
Transfers in	-	-	1,824,794	1,824,794
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>9,137,573</u>	<u>9,137,573</u>
Net Change in Fund Balances	-	468,345	2,328,003	2,796,347
Fund balances - beginning of year	<u>-</u>	<u>1,564,679</u>	<u>950,971</u>	<u>2,515,650</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 2,033,024</u>	<u>\$ 3,278,974</u>	<u>\$ 5,311,997</u>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

## Schedule of Changes in Assets and Liabilities

## Pupil Activity Funds

For the Year ended June 30, 2014

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
<b>ASSETS</b>				
Cash and investments	\$ 1,441,505	\$ 4,355,877	\$ 4,646,689	\$ 1,150,693
Accounts receivable	-	345,474	-	345,474
Prepaid items	50	-	50	-
	<u>\$ 1,441,555</u>	<u>\$ 4,701,351</u>	<u>\$ 4,646,739</u>	<u>\$ 1,496,167</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,666	\$ 600,287	\$ 600,458	\$ 19,495
Due to student organizations	1,421,889	4,101,064	4,046,281	1,476,672
	<u>\$ 1,441,555</u>	<u>\$ 4,701,351</u>	<u>\$ 4,646,739</u>	<u>\$ 1,496,167</u>



**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**







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

To the Board of Education  
Kenosha Unified School District No. 1  
Kenosha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenosha Unified School District No. 1, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Kenosha Unified School District No. 1's basic financial statements, and have issued our report.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Kenosha Unified School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kenosha Unified School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kenosha Unified School District No. 1's internal control.

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

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Kenosha Unified School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kenosha Unified School District No. 1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kenosha Unified School District No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 5, 2014

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**





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

To the Board of Education  
Kenosha Unified School District No. 1  
Kenosha, Wisconsin

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

We have audited Kenosha Unified School District No. 1's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Kenosha Unified School District No. 1's major federal and state programs for the year ended June 30, 2014. Kenosha Unified School District No. 1's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Kenosha Unified School District No. 1's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Kenosha Unified School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Kenosha Unified School District No. 1's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, Kenosha Unified School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.



## Report on Internal Control Over Compliance

Management of Kenosha Unified School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kenosha Unified School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kenosha Unified School District No. 1's internal control over compliance.

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

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

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 5, 2014

KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
KENOSHA, WISCONSIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>U.S. Department of Agriculture</b>							
<i>Child Nutrition Cluster</i>							
<u>National School Breakfast Program</u>	DPI	10.553					
July 1, 2012 - June 30, 2013			\$ 146,283	\$ 146,283	\$ -	\$ -	\$ -
July 1, 2013 - June 30, 2014			-	825,288	-	869,524	44,236
Total 10.553			146,283	971,571	-	869,524	44,236
<u>National School Lunch Program</u>	DPI	10.555					
Cash Assistance:							
July 1, 2012 - June 30, 2013			625,668	625,668	-	-	-
July 1, 2013 - June 30, 2014			-	3,929,003	-	4,104,471	175,468
Donated Commodities			-	494,271	-	494,271	-
Total 10.555			625,668	5,048,942	-	4,598,742	175,468
<u>Summer Food Service Program</u>	DPI	10.559					
July 1, 2012 - June 30, 2013			20,709	20,709	-	-	-
July 1, 2013 - June 30, 2014			-	74,354	-	91,753	17,399
<i>Total Child Nutrition Cluster</i>			771,951	6,094,867	-	5,560,019	237,103
<u>Fresh Fruit &amp; Vegetable Program</u>	DPI	10.582					
July 1, 2012 - June 30, 2013			20,931	20,931	-	-	-
July 1, 2013 - June 30, 2014			-	216,280	-	222,100	5,820
Total 10.582			20,931	237,211	-	222,100	5,820
<b>Total U.S. Department of Agriculture</b>			792,882	6,332,078	-	5,782,119	242,923

(continued)

KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
KENOSHA, WISCONSIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
For the Year Ended June 30, 2014

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>U.S. Department of Justice</b>							
<u>Developing, Testing &amp; Demonstrating New Programs</u>	Direct Program	16.541					
July 1, 2012 - June 30, 2013			\$ 40,317	\$ 40,317	\$ -	\$ -	\$ -
July 1, 2013 - June 30, 2014			-	506	-	506	-
			<u>40,317</u>	<u>40,823</u>	<u>-</u>	<u>506</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>							
<b>U.S. Department of Education</b>							
<i>Title I, Part A Cluster</i>							
Title I - Grants to Local Educational Agencies							
<u>Title I, Part A (Basic Grant)</u>	DPI	84.010					
July 1, 2012 - June 30, 2013			1,590,797	1,590,797	-	-	-
July 1, 2013 - June 30, 2014			-	4,749,841	-	5,926,269	1,176,428
<u>Title I, Part A (Reservation)</u>	DPI	84.010					
July 1, 2012 - June 30, 2013			115,900	115,900	-	-	-
<u>Title I, Part A (Focus Schools)</u>	DPI	84.010					
July 1, 2012 - June 30, 2013			18,856	18,856	-	-	-
July 1, 2013 - June 30, 2014			-	31,257	-	83,374	52,117
<u>Title I, Part A (Delinquent)</u>	DPI	84.010					
July 1, 2012 - June 30, 2013			25,392	25,392	-	-	-
July 1, 2013 - June 30, 2014			-	59,169	-	64,205	5,036
Total 84.010			<u>1,750,945</u>	<u>6,591,212</u>	<u>-</u>	<u>6,073,848</u>	<u>1,233,581</u>
Total Title I, Part A Cluster			<u>1,750,945</u>	<u>6,591,212</u>	<u>-</u>	<u>6,073,848</u>	<u>1,233,581</u>
<u>Career and Technical Education (Carl Perkins IV)</u>	DPI	84.048					
July 1, 2012 - June 30, 2013			11,487	11,487	-	-	-
July 1, 2013 - June 30, 2014			-	223,123	-	232,396	9,273
Total 84.048			<u>11,487</u>	<u>234,610</u>	<u>-</u>	<u>232,396</u>	<u>9,273</u>

(continued)



KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
KENOSHA, WISCONSIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
For the Year Ended June 30, 2014

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>U.S. Department of Education, continued</b>							
<u>Safe and Drug Free Schools and Communities</u>	DPI	84.184					
July 1, 2012 - June 30, 2013			\$ 89,903	\$ 89,903	\$ -	\$ -	\$ -
July 1, 2013 - June 30, 2014			-	274,356	-	360,532	86,176
Total 84.184			89,903	364,259	-	360,532	86,176
<i>Special Education Cluster</i>							
Special Education - Grants to States							
<u>Special Education - IDEA Flow-through</u>	DPI	84.027					
July 1, 2012 - June 30, 2013			836,918	836,918	-	-	-
July 1, 2013 - June 30, 2014			-	3,010,467	-	2,759,516	(250,951)
<u>Special Education - CEIS Entitlement</u>	DPI	84.027					
July 1, 2012 - June 30, 2013			72,665	72,665	-	-	-
July 1, 2013 - June 30, 2014			-	331,592	-	420,960	89,368
<u>Special Education - High Cost</u>	DPI	84.027					
July 1, 2013 - June 30, 2014			-	116,232	-	116,232	-
Total 84.027			909,583	4,367,874	-	3,296,708	(161,583)
Special Education - Preschool Grants							
<u>Special Education - IDEA Preschool</u>	DPI	84.173					
July 1, 2012 - June 30, 2013			131,228	131,228	-	-	-
July 1, 2013 - June 30, 2014			-	108,965	-	132,110	23,145
Total 84.173			131,228	240,193	-	132,110	23,145
<i>Total Special Education Cluster</i>			1,040,811	4,608,067	-	3,428,818	(138,438)

(continued)

KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
 KENOSHA, WISCONSIN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
 For the Year Ended June 30, 2014

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>U.S. Department of Education, continued</b>							
<i>Education of Homeless Children &amp; Youth Cluster</i>							
<u>Education for Homeless</u>							
	DPI	84.196					
September 1, 2011 to August 31, 2012			\$ 5,848	\$ 5,848	\$ -	\$ -	\$ -
September 1, 2012 to August 31, 2013			-	40,358	-	44,530	4,172
Total 84.196			5,848	46,206	-	44,530	4,172
<u>Title II - A Charter Schools</u>							
	DPI	84.282					
July 1, 2012 - June 30, 2013			31,213	31,213	-	-	-
July 1, 2013 - June 30, 2014			-	9,275	-	9,275	-
Total 84.282			31,213	40,488	-	9,275	-
<u>21st Century Community Learning Centers</u>							
	DPI	84.287					
July 1, 2012 - June 30, 2013			209,644	209,644	-	-	-
July 1, 2013 - June 30, 2014			-	325,466	-	395,258	69,792
Total 84.287			209,644	535,110	-	395,258	69,792
<u>Title III-A - English Language Acquisition Grants</u>							
	DPI	84.365					
July 1, 2012 - June 30, 2013			36,838	36,838	-	-	-
July 1, 2013 - June 30, 2014			-	223,052	-	247,459	24,407
Total 84.365			36,838	259,890	-	247,459	24,407
<u>Improving Teacher Quality State Grants</u>							
	DPI	84.367					
July 1, 2012 - June 30, 2013			76,438	76,438	-	-	-
July 1, 2013 - June 30, 2014			-	594,710	-	793,876	199,166
Total 84.367			76,438	671,148	-	793,876	199,166
<b>Total U.S. Department of Education</b>			<u>3,253,127</u>	<u>13,350,990</u>	<u>-</u>	<u>11,585,992</u>	<u>1,488,129</u>

(continued)

KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
KENOSHA, WISCONSIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
For the Year Ended June 30, 2014

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>U.S. Department of Health and Human Services</b>							
<u>Head Start</u>	Direct Program	93.600					
July 1, 2012 - June 30, 2013			167,770	167,770	-	-	-
July 1, 2013 - June 30, 2014			-	1,782,674	-	1,924,997	142,323
Total 93.600			167,770	1,950,444	-	1,924,997	142,323
<u>Medical Assistance</u>	DHS	93.778					
School Based Services							
July 1, 2012 - June 30, 2013			56,597	56,597	-	-	-
July 1, 2013 - June 30, 2014			-	5,237,059	-	5,446,336	209,277
Total 93.778			56,597	5,293,656	-	5,446,336	209,277
<u>CDC Movin Schools</u>							
July 1, 2013 - June 30, 2014	DHS	93.938	-	1,305	-	1,305	-
<b>Total U.S. Department of Health and Human Services</b>			224,367	7,245,405	-	7,372,638	351,600
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 4,310,693</u>	<u>\$ 26,969,296</u>	<u>\$ -</u>	<u>\$ 24,741,255</u>	<u>\$ 2,082,652</u>

DPI - Wisconsin Department of Public Instruction  
DHS - Wisconsin Department of Health Services

See Notes to Schedule of Expenditures of Federal Awards.

KENOSHA UNIFIED SCHOOL DISTRICT NO. 1  
KENOSHA, WISCONSIN  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2014

Grantor Agency/State Program Title	Pass-through Agency	State ID Number	Accrued Receivable 7/1/2013	Revenues		Total Expenditures	Accrued Receivable 6/30/2014
				Amount Received	Local Share		
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>							
Special Education and School Age Parents	Direct Program	255.101	\$ -	\$ 11,132,461	\$ -	\$ 11,132,461	\$ -
School Lunch Aid Program	Direct Program	255.102	-	81,944	-	81,944	-
Common School Fund Library Aid	Direct Program	255.103	-	788,961	-	788,961	-
Bilingual-Bicultural Education Aid	Direct Program	255.106	-	63,900	-	63,900	-
Pupil Transportation Aid	Direct Program	255.107	-	263,770	-	263,770	-
WI Morning Milk	Direct Program	255.109	-	9,771	-	9,771	-
Equalization Aid	Direct Program	255.201					
July 1, 2012 to June 30, 2013			2,712,122	2,712,122	-	-	-
July 1, 2013 to June 30, 2014			-	143,862,079	-	146,490,566	2,628,487
High Cost Special Education Aid	Direct Program	255.210	-	85,706	-	85,706	-
Alcohol and Other Drug Abuse	Direct Program	255.306					
July 1, 2012 to June 30, 2013			11,473	11,473	-	-	-
July 1, 2013 to June 30, 2014			-	19,105	-	24,437	5,332
Head Start	Direct Program	255.327					
July 1, 2012 to June 30, 2013			81,322	81,322	-	-	-
July 1, 2013 to June 30, 2014			-	249,740	-	340,725	90,985
School Breakfast Aid	Direct Program	255.344	-	43,421	-	43,421	-
Tuition Payments	Direct Program	255.401	-	191,853	-	191,853	-
Aid for High-Poverty School District	Direct Program	255.926	-	1,317,430	-	1,317,430	-
CDC WI Movin Schools	Direct Program	255.930	-	901	-	901	-
Educator Effectiveness Grant	Direct Program	255.940	-	118,320	-	118,320	-
Per Pupil Aid	Direct Program	255.945	-	1,684,125	-	1,684,125	-
Youth Opportunities	CESA #1	N/A					
July 1, 2012 to June 30, 2013			2,659	2,659	-	-	-
July 1, 2013 to June 30, 2014			-	1,989	-	2,117	128
Total Wisconsin Department of Public Instruction			<u>2,804,917</u>	<u>162,718,404</u>	<u>-</u>	<u>162,640,408</u>	<u>2,724,804</u>
TOTAL STATE AWARDS			<u>\$ 2,804,917</u>	<u>\$ 162,718,404</u>	<u>\$ -</u>	<u>\$ 162,640,408</u>	<u>\$ 2,724,804</u>

See notes to Schedule of State Awards.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2014

**Note A – Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Kenosha Unified School District No. 1 and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B – Special Education and School Age Parents Program**

The 2013-2014 eligible costs under the State Special Education Program as reported by the District are \$39,875,855.

**Note C – Oversight Agencies**

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

**Note D – Donated Services**

The District receives an undeterminable amount of donated services from a variety of unpaid volunteers assisting the Head Start program. Therefore, no amounts have been recorded in the Schedule of Expenditures of Federal Awards.

**Note E – Reconciliation of Revenue to Basic Financial Statements**

The following is a reconciliation of federal and state revenues per the schedule of expenditures of federal and state financial assistance to the federal and state revenues per the District's basic financial statements.

	Federal	State
Revenues per schedule of expenditures of federal and state awards:		
\$ 24,741,255	\$ 24,741,255	\$ 162,640,408
Programs not subject to single audit	<u>61,603</u>	<u>402,788</u>
Revenues per basic financial statements	<u>\$ 24,802,858</u>	<u>\$ 163,043,196</u>
Revenues per basic financial statements:		
Governmental funds		
Federal and state sources	\$ 19,020,738	\$ 162,908,060
Proprietary funds	<u>5,782,120</u>	<u>135,136</u>
Revenues per basic financial statements	<u>\$ 24,802,858</u>	<u>\$ 163,043,196</u>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
 Kenosha, Wisconsin  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2014

**Section I - Summary of Auditors' Results**

Basic Financial Statements

Type of auditors' report issued: Unmodified  
 Internal control over financial reporting:  
     • Material weakness(es) identified? No  
     • Significant deficiency(ies) identified? None Reported  
 Noncompliance material to basic financial statements noted? No

Federal Awards

Internal control over major programs:  
     • Material weakness(es) identified? No  
     • Significant deficiency(ies) identified? No  
 Type of auditors' report issued on compliance for major programs Unmodified  
 Any audit findings disclosed that are required to be reported  
 in accordance with Section 510(1) of Circular A-133? No  
 Audit threshold used to determine between Type A and Type B programs: \$742,237  
 Auditee qualified as low-risk auditee? Yes

Identification of major federal programs:

CFDA #	Programs
	<i>Child Nutrition Cluster</i>
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
84.367	Improving Teacher Quality State Grants

State Financial Assistance

Internal control over major programs:  
     • Material weakness(es) identified? No  
     • Significant deficiency(ies) identified? None Reported  
 Type of auditors' report issued on compliance for major programs Unmodified  
 Any audit findings disclosed that are required to be reported in  
 accordance with the *State Single Audit Guidelines*? No  
 Audit threshold used to determine between Type A and Type B programs: \$100,000  
 Auditee qualified as low-risk auditee? Yes

Identification of major state programs:

State ID #	Programs
255.101	Special Education and School Age Parents
255.201	Equalization Aid
255.926	Aid for High-Poverty School District
255.103	Common School Fund Library Aid
255.940	Educator Effectiveness Grant
255.945	Per Pupil Aid

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
 Kenosha, Wisconsin  
 Schedule of Findings and Questioned Costs (continued)  
 For the Year Ended June 30, 2014

**Section II - Financial Statement Findings**

There were no findings or questioned costs noted for the year ending June 30, 2014.

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs**

There were no findings or questioned costs noted for the year ending June 30, 2014.

**Section IV - Other Issues**

Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ Yes        X   No

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

- Department of Administration
- Department of Health Services
- Department of Public Instruction

_____	Yes	<u>  X  </u>	No
_____	Yes	<u>  X  </u>	No
_____	Yes	<u>  X  </u>	No

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

  X   Yes      \_\_\_\_\_ No

Name and signature of shareholder



\_\_\_\_\_  
 David L. Maccoux, CPA

Date of report

**November 5, 2014**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended June 30, 2014

**Status of Prior Year Audit Findings**

**Finding 2013-01** The finding was satisfactorily addressed in fiscal year ended June 30, 2014.

**Corrective Action Plan**

No corrective action plan required for year ended June 30, 2014.





## Elementary Schools

### **Bose Elementary School**

1900 15th St., Kenosha, WI 53140  
Phone: 359-4044 Fax: 359-4005

### **Brass Community School**

6400 15th Ave., Kenosha, WI 53143  
Phone: 359-8000 Fax: 359-8050

### **EBSOLA Creative Arts**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400

### **EBSOLA Dual Language**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400

### **Forest Park Elementary School**

6810 45th Ave., Kenosha, WI 53142  
Phone: 359-6319 Fax: 359-6170

### **Frank Elementary School**

1816 57th St., Kenosha, WI 53140  
Phone: 359-6324 Fax: 359-6393

### **Grant Elementary School**

1716 35th St., Kenosha, WI 53140  
Phone: 359-6346 Fax: 359-6672

### **Grewenow Elementary School**

7714 20th Ave., Kenosha, WI 53140  
Phone: 359-6362 Fax: 359-7706

### **Harvey Elementary School**

2012 19th Ave., Kenosha, WI 53140  
Phone: 359-4040 Fax: 359-4020

### **Jefferson Elementary School**

1832 43rd St., Kenosha, WI 53140  
Phone: 359-6390 Fax: 359-7578

### **Jeffery Elementary School**

4011 87th St., Kenosha, WI 53142  
Phone: 359-2100 Fax: 359-2033

### **McKinley Elementary School**

5520 32nd Ave., Kenosha, WI 53144  
Phone: 359-6002 Fax: 359-7641

### **Charles W. Nash Elementary School**

6801 99th Ave., Kenosha, WI 53142  
Phone: 359-3500 Fax: 359-3550

### **Pleasant Prairie Elementary School**

9208 Wilmot Rd., Pleasant Prairie, WI 53158  
Phone: 359-2104 Fax: 359-2157

### **Prairie Lane Elementary School**

10717 47th Ave., Pleasant Prairie, WI 53158  
Phone: 359-3600 Fax: 359-3650

### **Roosevelt Elementary School**

3322 Roosevelt Rd., Kenosha, WI 53142  
Phone: 359-6097 Fax: 359-6107

### **Somers Elementary School**

1245 72nd Ave., Kenosha, WI 53144  
Phone: 359-3200 Fax: 359-3212

### **Southport Elementary School**

723 76th St., Kenosha, WI 53143  
Phone: 359-6309 Fax: 359-5952

### **Stocker Elementary School**

6315 67th St., Kenosha, WI 53142  
Phone: 359-2143 Fax: 359-2012

### **C. Strange Elementary School**

5414 49th Ave., Kenosha, WI 53144  
Phone: 359-6024 Fax: 359-6247

### **Jane Vernon Elementary School**

8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2113 Fax: 359-2169

### **Whittier Elementary School**

8542 Cooper Rd., Pleasant Prairie, WI 53158  
Phone: 359-2110 Fax: 359-2270

### **Wilson Elementary School**

4520 33rd Ave., Kenosha, WI 53144  
Phone: 359-6094 Fax: 359-5993

## Middle Schools

### **John Bullen Middle School**

2804 39th Ave., Kenosha, WI 53144  
Phone: 359-4460 Fax: 359-4487

### **Lance Middle School**

4515 80th St., Kenosha, WI 53142  
Phone: 359-2240 Fax: 359-2184

### **Lincoln Middle School**

6729 18th Ave., Kenosha, WI 53143  
Phone: 359-6296 Fax: 359-5966

### **Mary Lou Mahone Middle School**

6900 60th St., Kenosha, WI 53144  
Phone: 359-8100 Fax: 359-6851

### **Washington Middle School**

811 Washington Rd., Kenosha, WI 53140  
Phone: 359-6291 Fax: 359-6056

## High Schools

### **Bradford High School**

3700 Washington Rd., Kenosha, WI 53144  
Phone: 359-6200 Fax: 359-5948

### **Indian Trail High School & Academy**

6800 60th St., Kenosha, WI 53144  
Phone: 359-8700 Fax: 359-8756

### **Tremper High School**

8560 26th Ave., Kenosha, WI 53143  
Phone: 359-2200 Fax: 359-2353

## Specialty Schools

### **LakeView Technology Academy**

(Choice School, 9-12)  
9449 88th Ave., Pleasant Prairie, WI 53158  
Phone: 359-8155 Fax: 359-8159

### **Reuther Central High School**

(Choice School, 9-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-6160 Fax: 359-6281

### **The Brompton School**

(Charter School, Grade K-8)  
8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2191 Fax: 359-2194

### **Dimensions of Learning Academy**

(Charter School, Grade K-8)  
6218 25th Ave., Kenosha, WI 53143  
Phone: 359-6849 Fax: 359-3134

### **Harborside Academy**

(Charter School, Grade 6-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-8400 Fax: 359-8450

### **KTEC (Kenosha School of Technology Enhanced Curriculum)**

(Charter School, Grade K-8)  
East: 6811 18th Ave., Kenosha, WI 53143  
West: 5710 32nd Ave., Kenosha, WI 53143  
Phone: 359-3800 Fax: 359-3850

### **Kenosha eSchool**

(Online School, Grade K-12)  
1808 41st Place, Kenosha, WI 53140  
Phone: 359-7715 Fax: 359-5933

### **Cesar E. Chavez Learning Station**

(Head Start Center)  
6300 27th Ave., Kenosha, WI 53143  
Phone: 359-6078 Fax: 359-6286

### **Hillcrest School**

(Bridges Center/T.I.M.E. Program, Grade 9-12)  
4616 24th St., Kenosha, WI 53144  
Phone: 359-6118 Fax: 359-7870



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Prepared by the Finance Office