



Kenosha Unified  
School District



# ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2015



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

June 30, 2015

**Table of Contents**

|  | <u>Page No.</u> |
|--|-----------------|
| TRANSMITTAL LETTER   |                 |
| INDEPENDENT AUDITORS' REPORT   | 1 - 3           |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 4 - 15          |
| BASIC FINANCIAL STATEMENTS   |                 |
| District-wide Financial Statements   |                 |
| Statement of Net Position  | 16              |
| Statement of Activities  | 17              |
| Fund Financial Statements  |                 |
| Balance Sheet - Governmental Funds   | 18 - 19         |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds   | 20 - 21         |
| Statement of Net Position - Fiduciary Fund   | 22              |
| Statement of Changes in Net Position - Fiduciary Funds   | 23              |
| Notes to Basic Financial Statements  | 24 - 49         |
| REQUIRED SUPPLEMENTARY INFORMATION   |                 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -<br>General Fund - Budgetary Basis                           | 50              |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -<br>Special Education Special Revenue Fund - Budgetary Basis | 51              |
| Schedule of Funding Progress   | 52              |
| Schedule of Employer Contributions   | 53              |
| Schedule of Proportionate Share of the Net Pension Asset - Wisconsin Retirement System   | 54              |
| Schedule of Contributions - Wisconsin Retirement System  | 55              |
| Notes to Required Supplementary Information  | 56 - 57         |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

June 30, 2015

**Table of Contents (Continued)**

|   | <u><b>Page No.</b></u> |
|---|------------------------|
| <b>SUPPLEMENTARY INFORMATION</b>  |                        |
| Combining Balance Sheet - Nonmajor Governmental Funds   | 58                     |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Nonmajor Governmental Funds   | 59                     |
| Schedule of Changes in Assets and Liabilities - Pupil Activity Funds  | 60                     |
| <b>ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS</b>   |                        |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 61 - 62                |
| <b>FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>  |                        |
| Independent Auditors' Report on Compliance for Each Major Federal and State Program<br>and on Internal Control Over Compliance Required by OMB Circular A-133<br>and the <i>State Single Audit Guidelines</i>                   | 63 - 64                |
| Schedule of Expenditures of Federal Awards  | 65 - 67                |
| Schedule of State Financial Assistance  | 68                     |
| Notes to the Schedule of Expenditures of Federal Awards and the Schedule of<br>State Financial Assistance   | 69                     |
| Schedule of Findings and Questioned Costs   | 70 - 73                |
| Schedule of Prior Year Audit Findings and Corrective Action Plan  | 74                     |

October 23, 2015

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, 2015. 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 are 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 2014-2015 school year, the District served 22,474 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 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 four years since the 2011 Wisconsin Budget Act 10 reduced state funding for public schools. After budget deficits and lay-offs, the District has spent the last three years rebuilding with a conservative approach to spending and a culture of accountability. As a result of such efforts, the District was able to modestly increase fund balance for the third year in a row to achieve a more stable level of reserves. With a progressive Superintendent, 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  
Chief Financial Officer



Lisa M. Salo, CPA  
Accounting Manager



**KENOSHA UNIFIED SCHOOL DISTRICT  
SCHOOL BOARD AND ADMINISTRATION  
2014-2015**

**Our Vision:**       *"To be Wisconsin's top performing urban school district that is highly regarded for continuously exceeding all expectations."*

**Our Mission:**     *"Provide excellent, challenging learning opportunities and experiences that prepare each student for success."*

**MEMBERS OF THE BOARD OF EDUCATION**

|                   |                |
|-------------------|----------------|
| Tamarra Coleman   | President      |
| Mary Snyder       | Vice President |
| Daniel Wade       | Clerk          |
| Michael Falkofske | Treasurer      |
| Kyle Flood        | Member         |
| Gary Kunich       | Member         |
| Rebecca Stevens   | Member         |

**ADMINISTRATION**

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

**ANNUAL FINANCIAL REPORT PREPARED BY**

Lisa M. Salo, CPA, Accounting Manager  
with the assistance of the  
Dedicated Finance Department Team

## 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, 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, 2015, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note C.6, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

As described in Note C.5, the District reclassified food service operations from an enterprise fund to a special revenue fund as of July 1, 2014. Our opinions are not modified with respect to this matter.

## **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, and the schedules relating to pensions and other post-employment benefits on pages 4 through 15 and 50 through 57 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, 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.



Certified Public Accountants  
Green Bay, Wisconsin  
October 23, 2015



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

## For the Year Ended June 30, 2015

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.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### District-wide Financial Statements

The District-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*.

- 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.

#### Fund Financial Statements

There are three kinds of fund types: *governmental*, *proprietary*, and *fiduciary*. The District has governmental funds and fiduciary funds. The District does not have any proprietary funds. A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities. Fund statements generally report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

#### **1. Governmental Funds**

*Governmental funds* are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. In general, this means that the focus of the fund types is what revenues have come in and what expenditures have been paid out. *Governmental funds* include the general fund, special revenue funds (Head Start, Trust, Food Service and Community Service), debt service fund and capital projects fund.

The District produces *fund financial statements* for this fund type. 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 special revenue trust fund, Head Start fund, food service fund, community service fund, and debt service fund is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.



## **Management's Discussion and Analysis For the Year Ended June 30, 2015**

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 District adopts an annual budget for its governmental funds. Budgetary comparison statements for the general fund and any major special revenue funds have been provided in the required supplementary information to demonstrate budget compliance as required by generally accepted accounting principles.

### **2. *Proprietary Funds***

*Proprietary funds* operate similar to a business. These funds have exchange transactions where each party receives and gives up essentially equal value for the essential activity for that fund. This fund type uses the accrual basis of accounting. The District does not have any proprietary funds.

### **3. *Fiduciary Funds***

The District also serves as a trustee, or *fiduciary*, for student and parent organizations called the pupil activity fund, a retiree insurance fund used to provide for premiums the District has obligated itself related to prior service of retired employees, and a private benefit 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 District-wide financial statements because the District cannot use these assets to finance its operations. These funds follow the accrual basis of accounting that is described above in the District-wide Financial Statement section. There are two fiduciary financial statements, the *statement of net position* and the *statement of changes in net position* (operating statement).

### **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 District-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

### **Required Supplementary Information**

The *required supplementary information and related notes* contains information that is required to be reported under generally accepted accounting principles. This information is not audited and although not part of the basic financial statements is considered to be an essential part of financial reporting. The required supplementary information and related notes follow the notes to the financial statements.

### **Supplementary Information**

The *supplementary information* is provided for additional analysis and is not part of the basic financial statements. It includes the combining fund statements which provide additional details for the non-major governmental funds. This information follows the required supplementary information section.

### **Changes in Accounting Principles**

There are two significant differences in the current annual financial report when you compare it to the prior year annual financial report. In the past, the food service fund has been reported as a business-type activity in the

## **Management's Discussion and Analysis For the Year Ended June 30, 2015**

District-wide financial statements and a proprietary fund in the fund financial statements. District management reviewed generally accepted accounting principles and the State of Wisconsin Department of Public Instruction's chart of accounts related to accounting for the food service fund. As a result of that review, management decided to report the food service fund as a governmental activity on the District-wide financial statements and as a special revenue fund in the fund statements. This change aligns the District's annual financial reporting with best practices used in the school district industry. The June 30, 2014 balances have been restated as a result of this change. Additional information on the restatement can be found in Note C.5.

The second difference is related to pension accounting. The District participates in the Wisconsin Retirement System. As a result, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. These are required implementations that revised and established new financial reporting requirements related to the District's participation in the Wisconsin Retirement System. The new standards recognize pension costs as employment services are provided rather than when the pensions are funded. The cumulative change has been shown as a one line item called cumulative effect of change in accounting principle in the District-wide Statement of Activities. Additional information on the changes can be found in Note C.6.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded the liabilities at the close of the fiscal year by \$87.7 million (*net position*). Of this amount, \$76.9 million represents the net investment in capital assets and \$9.3 million is restricted; \$2.6 million for food service programs, \$3.5 million for capital projects, \$2.4 million for community service programs and \$900,000 for debt service. This results in an unrestricted net position balance of \$1.4 million.
- Net position for the fiscal year increased \$14 million over the prior year before the cumulative change in accounting principle from the implementation of Governmental Accounting Standards Board Statement Nos. 68 and 71 regarding pension accounting.
- Long-term obligations decreased by \$12 million.
- Total capital assets increased by \$6.8 million.
- In the governmental funds, total fund balance decreased by \$5.5 million. However, the net decrease is comprised of the General Fund experiencing an increase from operations of \$5.4 million, a Capital Projects Fund decrease of \$10 million and a decrease in the other governmental funds of \$900,000.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$39.6 million dollars.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

#### **Governmental Activities**

As noted earlier, the District-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*.

## Management's Discussion and Analysis For the Year Ended June 30, 2015

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2015 compared to 2014.

| <div>Table 1</div> <div>Condensed Statement of Net Position</div> <div>(in thousands of dollars)</div> |                         |            |              |             |
|--|-------------------------|------------|--------------|-------------|
|  | Governmental Activities |            | \$<br>Change | %<br>Change |
|  | 2015                    | 2014       |              |             |
| <b>Assets</b>  |                         |            |              |             |
| Current assets   | \$ 98,359               | \$ 122,570 | \$ (24,211)  | -19.8%      |
| Net pension asset  | 24,739                  | 40,232     | (15,493)     | -38.5%      |
| Capital assets   | 169,778                 | 162,942    | 6,836        | 4.2%        |
| Total Assets   | 292,876                 | 325,744    | (32,868)     | -54.1%      |
| <b>Deferred Outflows</b>   |                         |            |              |             |
| Loss on advance refunding  | 285                     | 388        | (103)        | -26.5%      |
| Related to pension   | 22,067                  | 6,095      | 15,972       | 100.0%      |
|  | 22,352                  | 6,483      | 15,869       | 73.5%       |
| <b>Liabilities</b>   |                         |            |              |             |
| Long-term obligations  | 180,819                 | 192,861    | (12,042)     | -6.2%       |
| Other liabilities  | 46,673                  | 65,621     | (18,948)     | -28.9%      |
| Total Liabilities  | 227,492                 | 258,482    | (30,990)     | -35.1%      |
| <b>Net Position</b>  |                         |            |              |             |
| Net investment in capital assets   | 76,985                  | 81,916     | (4,931)      | -6.0%       |
| Restricted   | 9,348                   | 18,110     | (8,762)      | -48.4%      |
| Unrestricted (deficit)   | 1,403                   | (26,281)   | 27,684       | 105.3%      |
| Total Net Position   | \$ 87,736               | \$ 73,745  | \$ 13,991    | 50.9%       |

*Note: may be rounding differences. In addition, 2014 information has been updated to reflect the changes in accounting principles described previously in the Management's Discussion and Analysis and in the Notes to the Financial Statements (Note C.5 and C.6).*



## Management's Discussion and Analysis For the Year Ended June 30, 2015

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 11% of total net position. Restricted net position is a result of restrictions imposed by external groups such as creditors, grantors or other governments or through enabling legislation. The District's restricted net position consists of \$2.6 million for food service programs, \$3.5 million for capital projects, \$2.4 million for community service programs and \$900,000 million for debt service. These restrictions have been imposed by bond issuance and through legislation from the state of Wisconsin. The remaining net position is called unrestricted net position which increased \$27.7 million to \$1.4 million from a \$26.3 deficit in the previous year.

Table 2 provides summarized operating results and their impact on net position for the year ended June 30, 2015 compared to 2014.

| <b>Table 2</b><br><b>Changes in Net Position from Operating Results</b><br><b>(in thousands of dollars)</b> |                         |                  |                   |               |
|---|-------------------------|------------------|-------------------|---------------|
|   | Governmental Activities |                  | \$ Change         | % Change      |
|   | 2015                    | 2014             |                   |               |
| <b>Revenues</b>   |                         |                  |                   |               |
| Program Revenues  |                         |                  |                   |               |
| Charges for services  | \$ 4,008                | \$ 4,118         | \$ (110)          | -2.7%         |
| Operating grants and contributions  | 37,440                  | 39,044           | (1,604)           | -4.1%         |
| General Revenues  |                         |                  |                   |               |
| Property taxes  | 89,509                  | 93,554           | (4,045)           | -4.3%         |
| State and Federal Aids  |                         |                  |                   |               |
| Not restricted  | 155,661                 | 149,898          | 5,763             | 3.8%          |
| Interest and investment earnings  | 66                      | 42               | 24                | 57.1%         |
| Miscellaneous   | 1,536                   | 1,712            | (176)             | -10.3%        |
| <b>Total Revenues</b>   | <b>288,220</b>          | <b>288,368</b>   | <b>(148)</b>      | <b>-0.1%</b>  |
| <b>Expenses</b>   |                         |                  |                   |               |
| Instruction   | 163,465                 | 158,897          | 4,568             | 2.9%          |
| Support services  | 101,041                 | 98,242           | 2,799             | 2.8%          |
| Interest and fiscal charges   | 5,706                   | 6,295            | (589)             | -9.4%         |
| Community services  | 744                     | 696              | 48                | 6.9%          |
| Non-program   | 3,273                   | 2,857            | 416               | 14.6%         |
| <b>Total Expenses</b>   | <b>274,229</b>          | <b>266,987</b>   | <b>7,242</b>      | <b>2.7%</b>   |
| <b>Change in Net Position</b>   | <b>\$ 13,991</b>        | <b>\$ 21,381</b> | <b>\$ (7,390)</b> | <b>-34.6%</b> |

*Note: May be rounding differences. In addition, 2014 information has been updated to reflect the changes in accounting principles described previously in the Management's Discussion and Analysis and in the Notes to the Financial Statements (Note C.5 and C.6).*

## Management's Discussion and Analysis For the Year Ended June 30, 2015

The District relies primarily on property taxes (31.06%), state and federal aids that are not restricted (54.01%) and operating grants and contributions (12.99%) to fund District activities. There were only minor variations between years within the sources of revenue, with the exception of miscellaneous general revenues and interest and investment earnings. Miscellaneous general revenues include donations and gifts to the District and those sources may vary from year to year. Interest and investment earnings are earnings on all cash sources. In 2014-15, the energy efficiency projects were in full swing and the bond proceeds were invested and collecting interest and dividends for an entire year.

Program revenues, in the form of charges for services and operating grants and contributions, decreased \$1.7 million or 6.8% for governmental activities reflecting a decrease in federal and state grants.

Overall, expenses increased a minimal 2.7% compared to the prior year.

Table 3 presents the cost of the five 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.

| <b>Table 3</b><br><b>Total and Net Cost of Governmental Activities</b><br><b>(in thousands of dollars)</b> |                           |                   |                 |             |                         |                   |                 |             |
|--|---------------------------|-------------------|-----------------|-------------|-------------------------|-------------------|-----------------|-------------|
|  | Total Cost<br>of Services |                   | \$<br>Change    | %<br>Change | Net Cost<br>of Services |                   | \$<br>Change    | %<br>Change |
|  | 2015                      | 2014              |                 |             | 2015                    | 2014              |                 |             |
| Instruction  | \$ 163,465                | \$ 158,897        | \$ 4,568        | 2.9%        | \$ 139,579              | \$ 133,045        | \$ 6,534        | 4.9%        |
| Support services   | 101,041                   | 98,242            | 2,799           | 2.8%        | 85,066                  | 82,391            | 2,675           | 3.2%        |
| Community services   | 744                       | 696               | 48              | 6.9%        | 4,651                   | 672               | 3,979           | 592.1%      |
| Interest and fiscal charges  | 5,706                     | 6,295             | (589)           | -9.4%       | 699                     | 5,201             | (4,502)         | -86.6%      |
| Non-program  | 3,273                     | 2,857             | 416             | 14.6%       | 2,786                   | 2,516             | 270             | 10.7%       |
| <b>Totals</b>  | <b>\$ 274,229</b>         | <b>\$ 266,987</b> | <b>\$ 7,242</b> | <b>2.7%</b> | <b>\$ 232,781</b>       | <b>\$ 223,825</b> | <b>\$ 8,956</b> | <b>4.0%</b> |

*Note: totals may not add due to rounding. In addition, 2014 information has been updated to reflect the changes in accounting principles described previously in the Management's Discussion and Analysis and in the Notes to the Financial Statements (Note C.5 and C.6).*

The cost of all governmental activities this year was \$274,228,973. Individuals who directly participated or benefited from a program offering paid \$4,007,818 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$37,440,441. The net cost of governmental activities totaling \$232,780,714 was financed by general revenues of the District.

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 2014-2015 District equalized property value of \$7,956,343,824 represents a 3.42% increase over the previous year and the total tax mill rate for 2014-2015 is \$11.22 and represents a 7.46% decrease over the previous year.

General state aid is paid according to a complex formula taking into consideration district spending, pupil counts and property values as compared to spending and property values for the state as a whole. The District's general equalization state aid increased by \$4,175,027 over the prior year due to increased spending. The 2014-15 aid is based on 2013-14 spending which increased in comparison to the 2012-13 spending and resulted in a higher shared cost per member.

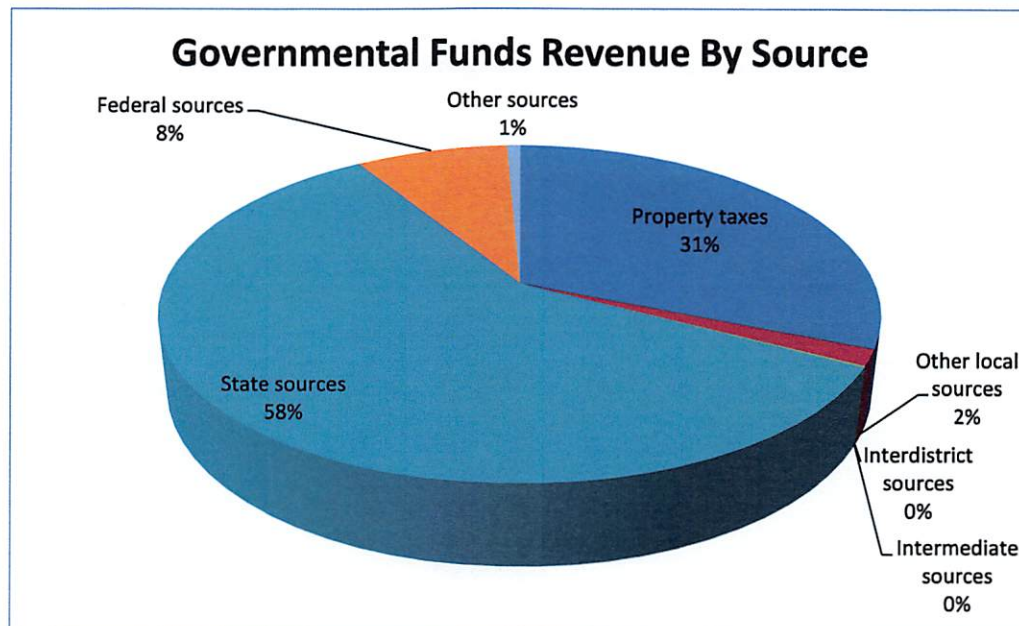
## Management's Discussion and Analysis For the Year Ended June 30, 2015

### Governmental Funds

The District uses fund accounting to provide information on inflows, outflows and balances of spendable resources. Fund statements generally report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

Total governmental fund revenues decreased from the prior year in total by .01%. Federal sources made up the majority of the revenue decrease because the District received less Medicaid School Based Services revenue in the current year.

| <b>Table 4</b><br><b>Governmental Funds Revenue By Source</b><br><b>(in thousands of dollars)</b> |            |            |              |             |
|---|------------|------------|--------------|-------------|
|   |            |            | \$<br>Change | %<br>Change |
|   | 2015       | 2014       |              |             |
| Property taxes  | \$ 89,308  | \$ 93,554  | \$ (4,246)   | -4.54%      |
| Other local sources   | 4,345      | 4,543      | (198)        | -4.36%      |
| Interdistrict sources   | 487        | 341        | 146          | 42.82%      |
| Intermediate sources  | 21         | 21         | -            | 0.00%       |
| State sources   | 168,593    | 163,043    | 5,550        | 3.40%       |
| Federal sources   | 23,431     | 24,802     | (1,371)      | -5.53%      |
| Other sources   | 2,035      | 2,062      | (27)         | -1.31%      |
| Total   | \$ 288,220 | \$ 288,366 | \$ (146)     | -0.1%       |

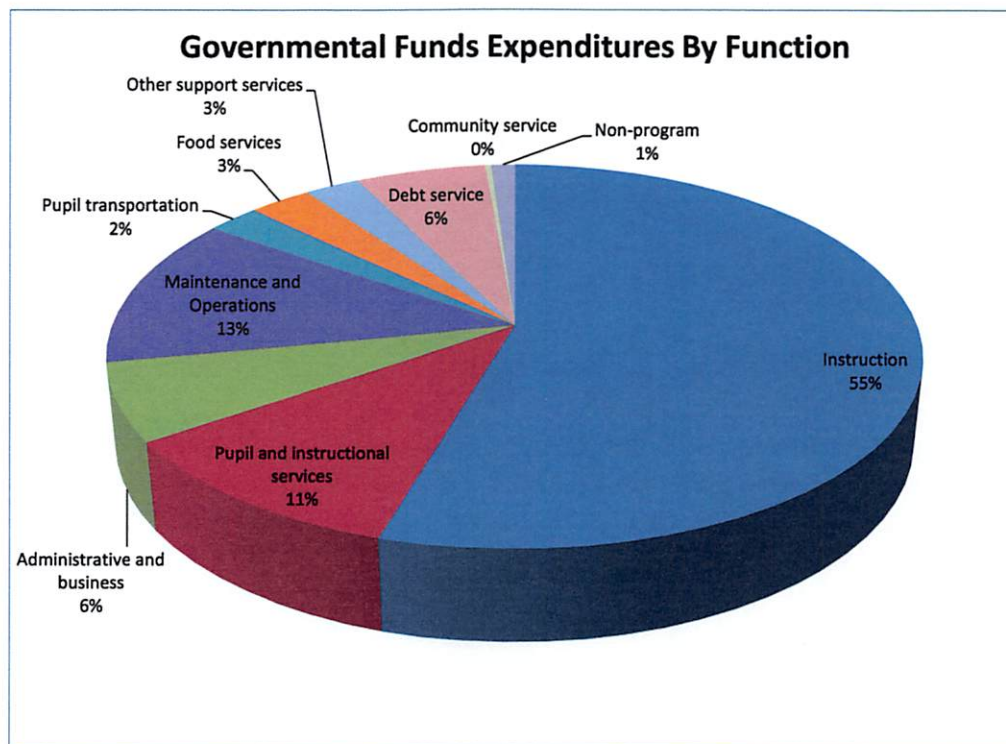


## Management's Discussion and Analysis For the Year Ended June 30, 2015

Total governmental expenditures increased by 3% from the prior year mainly due to the energy efficiency projects in progress during the year. This is discussed in more detail below.

**Table 5**  
**Governmental Funds Expenditures By Function**  
(in thousands of dollars)

|                                  |            |            | \$       | %      |
|----------------------------------|------------|------------|----------|--------|
|                                  | 2015       | 2014       | Change   | Change |
| Instruction                      | \$ 160,348 | \$ 155,825 | \$ 4,523 | 2.9%   |
| Pupil and instructional services | 32,015     | 31,282     | 733      | 2.3%   |
| Administrative and business      | 19,111     | 17,883     | 1,228    | 6.9%   |
| Maintenance and Operations       | 37,298     | 30,110     | 7,188    | 23.9%  |
| Pupil transportation             | 7,064      | 7,204      | (140)    | -1.9%  |
| Food services                    | 8,561      | 7,152      | 1,409    | 19.7%  |
| Other support services           | 7,476      | 7,846      | (370)    | -4.7%  |
| Debt service                     | 17,815     | 24,366     | (6,551)  | -26.9% |
| Community service                | 745        | 698        | 47       | 6.7%   |
| Non-program                      | 3,273      | 2,873      | 400      | 13.9%  |
| Total                            | \$ 293,706 | \$ 285,239 | \$ 8,467 | 3.0%   |



*Note: totals may not add due to rounding. In addition, 2014 information has been updated to reflect the changes in accounting principles described previously in the Management's Discussion and Analysis and in the Notes to the Financial Statements (Note C.5 and C.6).*



## Management's Discussion and Analysis For the Year Ended June 30, 2015

| <b>Table 6</b><br><b>Comparison of Governmental Fund Balances</b><br><b>(in thousands of dollars)</b> |                 |                  |                   |              |
|---|-----------------|------------------|-------------------|--------------|
| Fund  | Fund Balance    |                  | \$ Change         | % Change     |
|   | 2015            | 2014             |                   |              |
| General Fund  | \$42,222        | \$ 36,806        | \$ 5,416          | 14.7%        |
| Head Start  | -               | -                | -                 | 0.0%         |
| Special Revenue Trust   | 10              | -                | 10                | 100.0%       |
| Food service  | 2,580           | 2,764            | (184)             | -6.7%        |
| Community service   | 2,369           | 2,033            | 336               | 16.5%        |
| Debt service  | 2,240           | 3,279            | (1,039)           | -31.7%       |
| Capital projects  | 3,465           | 13,490           | (10,025)          | -74.3%       |
|   | <u>\$52,886</u> | <u>\$ 58,372</u> | <u>\$ (5,486)</u> | <u>-9.4%</u> |

*Note: totals may not add due to rounding. In addition, 2014 information has been updated to reflect the changes in accounting principles described previously in the Management's Discussion and Analysis and in the Notes to the Financial Statements (Note C.5 and C.6).*

The District completed the year with fund balance of \$52,886,183 which was down from last year's ending fund balance of \$58,371,760 due to the following:

- The general fund had an increase in fund balance of \$5,416,562, of which was achieved as a result of conservative staffing practices, and an overall conservative spending approach. The general fund actual results are discussed further in the General Fund Budgetary Highlights below.
- The food service fund balance had a decrease of \$184,446. The food service fund had several project upgrades in the current year. Two of them being the purchase of new point of sale terminals and beginning construction on a new freezer at the ESC Building.
- The debt service fund balance had a decrease of \$1,038,590. The fund balance of the debt service fund will fluctuate each year, based on bond activity and the timing of bond payments.
- The capital project fund had a decrease in fund balance of \$10,025,275. The decrease is due to spending on the energy efficiency capital projects plan initiated under 2011 Wisconsin Act 32. Those projects are anticipated to be completed at the end of December 2015.

### 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).

## Management's Discussion and Analysis For the Year Ended June 30, 2015

For budgetary purposes, DPI requires the District to separate the special education revenues and expenditures from other general fund amounts. The budgetary schedules are displayed on pages 50 and 51 in the required supplementary information.

The general fund budgeted a net change in fund balance of (\$1,219,042). The actual general fund net change in fund balance was \$5,416,562. There are several reasons for the surplus. First, staffing levels were increased during 2014-15; however, not to the extent budgeted. When final enrollments were determined at the start of the year, there were positions budgeted for that remained vacant. In addition, the District budgeted for large sick and vacation payouts related to retirements that did not materialize. This provided for savings in salaries and benefits in the instruction and support services functions.

Cost savings measures also contributed to the general fund's surplus. District personnel have been cognizant in monitoring for unnecessary spending and saving on costs when possible. In addition, contracted transportation costs and property and liability insurance were less than anticipated. Lastly, the District benefited from a warm winter and as a result, utility expenditures were less than budgeted.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2015, the District had invested \$288,264,507 in capital assets, including buildings, sites, and equipment (See Table 7). Total accumulated depreciation on these assets total \$118,486,587. Capital Asset acquisitions for governmental activities totaled \$12,035,358. The District recognized depreciation expense of \$5,199,630 for governmental activities. The increase in the construction in progress is a result of the energy efficiency projects scheduled to be completed by the end of the year. Detailed information about capital assets can be found in Note B(2) to the financial statements.

| <b>Table 7</b><br><b>Capital Assets</b><br><b>(in thousands of dollars)</b> |                            |                   |                  |             |
|---|----------------------------|-------------------|------------------|-------------|
|   | Governmental<br>Activities |                   | \$<br>Change     | %<br>Change |
|   | 2015                       | 2014              |                  |             |
| Land  | \$ 8,830                   | \$ 8,830          | \$ -             | 0.0%        |
| Construction in progress  | 14,892                     | 4,008             | 10,884           | 271.6%      |
| Land improvements   | 6,208                      | 6,208             | -                | 0.0%        |
| Buildings   | 200,957                    | 200,957           | -                | 0.0%        |
| Building improvements   | 7,840                      | 7,840             | -                | 0.0%        |
| Furniture and equipment   | 49,536                     | 48,386            | 1,150            | 2.4%        |
| <b>Total</b>  | <b>\$ 288,263</b>          | <b>\$ 276,229</b> | <b>\$ 12,034</b> | <b>4.4%</b> |

# Management's Discussion and Analysis For the Year Ended June 30, 2015

## OUTSTANDING LONG-TERM OBLIGATIONS

At year-end the District had \$99,408,000 in general obligation bonds and notes payable and \$80,591,760 other long-term debt outstanding – a decrease of 6.2% over last year (see Table 8).

| <b>Table 8</b><br><b>Outstanding Long-term Obligations</b><br><b>(in thousands of dollars)</b> |                         |                   |                    |              |
|--|-------------------------|-------------------|--------------------|--------------|
|  | Governmental Activities |                   | \$ Change          | % Change     |
|  | 2015                    | 2014              |                    |              |
| General obligation debt  |                         |                   |                    |              |
| Bonds and notes payable  | \$ 99,408               | \$ 111,455        | \$ (12,047)        | -10.8%       |
| Premium on long-term debt  | 820                     | 867               | (47)               | -5.4%        |
| Other liabilities  |                         |                   |                    |              |
| Accrued OPEB Obligation  | 78,351                  | 78,233            | 118                | 0.2%         |
| Compensated absences   | 2,240                   | 2,307             | (67)               | -2.9%        |
| <b>Total</b>   | <b>\$ 180,819</b>       | <b>\$ 192,862</b> | <b>\$ (12,043)</b> | <b>-6.2%</b> |

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.

On May 22, 2015, Moody's upgraded the District's general obligation bond rating from A1 to Aa3. The Aa3 rating reflects the District's large tax base, healthy reserve levels that have strengthened in recent years, marked improvement in management practices, an average debt burden and payout and affordable pension liabilities.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 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. The 2014-15 enrollment was 22,474. The projected 2015-16, 2016-17 and 2017-18 enrollments are 22,249; 21,900; and 21,660 respectively.
- 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, the District does not expect any significant changes to funding, either positive or negative.

## **Management's Discussion and Analysis For the Year Ended June 30, 2015**

- At the June 23, 2015 School Board meeting, the Board voted to approve a resolution authorizing the sale of general obligation corporate purpose bonds in an amount not to exceed \$31,000,000. The bond was issued July 15, 2015 in the amount of \$30,005,000 to finance \$16.7 Million for construction of athletic facility improvements approved through the referendum process as well as refunding of existing debt obligations. Construction is expected to begin on the athletic facility in January 2016.
- 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, 2015 is \$2,865,000. 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.
- On September 8, 2015, Moody's Investors Service assigned a MIG 1 short-term rating to the District's short term tax and revenue anticipation promissory notes. This is the highest rating for short term debt obligations. The MIG 1 short term rating incorporates the historical timeliness and predictability of pledged revenues, which include property tax receipts and state aid, the accuracy of the District's past cash flow projections, as well as the reasonableness of the District's future cash flow projections.
- The District is expecting the tax base will experience modest growth going forward given the recent recovery in property valuations and ongoing development in the local economy. The District is located in Kenosha County along the busy 1-94 transportation corridor and benefits from its position between the converging Milwaukee and Chicago metro areas. There is significant development activity with Amazon.com, Inc. regarding its one million square foot fulfillment center located within District boundaries which is expected to bring 1,000 jobs to the area's workforce. In addition, Uline, a packaging materials distributor is undergoing another round of expansions that will double the company's current distribution facilities and also add approximately 1,000 jobs to the area's workforce.

### **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, 2015

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>                               |                            |
| Cash and investments                        | \$ 66,234,329              |
| Receivables                                 |                            |
| Taxes                                       | 19,962,917                 |
| Accounts                                    | 4,995,782                  |
| Due from other governments                  | 6,137,454                  |
| Prepaid items                               | 716,623                    |
| Inventory                                   | 311,601                    |
| Other assets                                |                            |
| Net pension asset                           | 24,739,006                 |
| Capital assets                              |                            |
| Land  | 8,830,458                  |
| Construction in progress                    | 14,891,744                 |
| Land improvements                           | 6,208,343                  |
| Buildings                                   | 200,957,226                |
| Building improvements                       | 7,840,251                  |
| Furniture and equipment                     | 49,536,485                 |
| Less: Accumulated depreciation              | (118,486,578)              |
| <b>TOTAL ASSETS</b>                         | <b>292,875,641</b>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                            |
| Deferred charge on refunding                | 284,790                    |
| Deferred outflows related to pension        | 22,067,486                 |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>22,352,276</b>          |
| <b>LIABILITIES</b>                          |                            |
| Short-term notes payable                    | 9,500,000                  |
| Accounts payable                            | 13,242,693                 |
| Accrued payroll liabilities                 | 21,501,966                 |
| Accrued interest payable                    | 1,367,685                  |
| Due to other governments                    | 166,481                    |
| Unearned revenues                           | 125,444                    |
| Deposits payable                            | 768,381                    |
| Long-term obligations                       |                            |
| Due within one year                         | 12,555,321                 |
| Due in more than one year                   | 168,264,067                |
| <b>TOTAL LIABILITIES</b>                    | <b>227,492,038</b>         |
| <b>NET POSITION</b>                         |                            |
| Net investment in capital assets            | 76,984,703                 |
| Restricted for                              |                            |
| Food service programs                       | 2,579,425                  |
| Community services                          | 2,368,849                  |
| Capital expansion                           | 3,464,985                  |
| Debt service                                | 935,451                    |
| Unrestricted                                | 1,402,466                  |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 87,735,879</b>       |

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, 2015

| Functions/Programs          | Expenses              | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|-----------------------------|-----------------------|-------------------------|--|--|
|                             |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| Governmental Activities     |                       |                         |  |  |
| Instruction                 | \$ 163,465,076        | \$ 1,179,084            | \$ 22,706,885                            | \$ (139,579,107)   |
| Support services            | 101,040,841           | 2,296,608               | 13,678,330                               | (85,065,903)   |
| Interest and fiscal charges | 5,706,423             | -                       | 1,055,226                                | (4,651,197)  |
| Community services          | 743,694               | 45,006                  | -  | (698,688)  |
| Non-program transactions    | 3,272,939             | 487,120                 | -  | (2,785,819)  |
| Total School District       | <u>\$ 274,228,973</u> | <u>\$ 4,007,818</u>     | <u>\$ 37,440,441</u>                     | <u>(232,780,714)</u>                                       |

|  |                             |
|--|-----------------------------|
| General revenues   |                             |
| Property taxes, levied for general purposes                    | 72,788,341                  |
| Property taxes, levied for debt service                        | 15,019,454                  |
| Property taxes, levied for community service                   | 1,500,000                   |
| Other taxes  | 201,735                     |
| State and federal aids not restricted to<br>specific functions |                             |
| General  | 155,329,973                 |
| Other  | 331,049                     |
| Interest and investment earnings                               | 65,931                      |
| Miscellaneous  |                             |
| Gifts and donations  | 79,707                      |
| Other  | 1,456,099                   |
| Total General Revenues   | <u>246,772,289</u>          |
| Change in net position   | 13,991,575                  |
| Net position - July 1 (Restated)                               | 27,417,728                  |
| Cumulative change in accounting principle                      | <u>46,326,576</u>           |
| Net position - June 30   | <u><u>\$ 87,735,879</u></u> |

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, 2015

|  | General              | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                      |                     |                                |                                |
| Cash and investments                       | \$ 53,062,232        | \$ 6,194,983        | \$ 6,977,114                   | \$ 66,234,329                  |
| Receivables                                |                      |                     |                                |                                |
| Taxes                                      | 19,962,917           | -                   | -                              | 19,962,917                     |
| Accounts                                   | 4,887,314            | 5,005               | 103,463                        | 4,995,782                      |
| Due from other funds                       | 118,412              | -                   | -                              | 118,412                        |
| Due from other governments                 | 5,684,606            | -                   | 452,848                        | 6,137,454                      |
| Inventories                                | 1,732                | -                   | 309,869                        | 311,601                        |
| Prepaid items                              | 716,623              | -                   | -                              | 716,623                        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 84,433,836</b> | <b>\$ 6,199,988</b> | <b>\$ 7,843,294</b>            | <b>\$ 98,477,118</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                     |                                |                                |
| Liabilities                                |                      |                     |                                |                                |
| Short-term notes payable                   | \$ 9,500,000         | \$ -                | \$ -                           | \$ 9,500,000                   |
| Accounts payable                           | 10,729,364           | 2,121,403           | 391,926                        | 13,242,693                     |
| Accrued payroll liabilities                | 21,606,772           | -                   | -                              | 21,606,772                     |
| Accrued interest payable                   | 62,752               | -                   | -                              | 62,752                         |
| Due to other funds                         | -                    | -                   | 118,412                        | 118,412                        |
| Due to other governments                   | 166,481              | -                   | -                              | 166,481                        |
| Unearned revenues                          | 125,444              | -                   | -                              | 125,444                        |
| Deposits payable                           | 20,830               | 613,600             | 133,951                        | 768,381                        |
| Total Liabilities                          | 42,211,643           | 2,735,003           | 644,289                        | 45,590,935                     |
| Fund Balances                              |                      |                     |                                |                                |
| Nonspendable                               |                      |                     |                                |                                |
| Inventories                                | 1,732                | -                   | 309,869                        | 311,601                        |
| Prepaid items                              | 716,623              | -                   | -                              | 716,623                        |
| Restricted                                 |                      |                     |                                |                                |
| Retirement of long-term debt               | -                    | -                   | 2,240,384                      | 2,240,384                      |
| Capital expansion                          | -                    | 3,464,985           | -                              | 3,464,985                      |
| Food service                               | -                    | -                   | 2,269,556                      | 2,269,556                      |
| Community service                          | -                    | -                   | 2,368,849                      | 2,368,849                      |
| Committed                                  |                      |                     |                                |                                |
| Contracts                                  | 686,538              | -                   | -                              | 686,538                        |
| Donations                                  | -                    | -                   | 10,347                         | 10,347                         |
| Assigned                                   |                      |                     |                                |                                |
| Charter schools                            | 1,188,193            | -                   | -                              | 1,188,193                      |
| Unassigned                                 | 39,629,107           | -                   | -                              | 39,629,107                     |
| Total Fund Balances                        | 42,222,193           | 3,464,985           | 7,199,005                      | 52,886,183                     |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 84,433,836</b> | <b>\$ 6,199,988</b> | <b>\$ 7,843,294</b>            | <b>\$ 98,477,118</b>           |

(Continued)

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1****Balance Sheet (Continued)****Governmental Funds****June 30, 2015**

|   |
|---|
| <b>Total<br/>Governmental<br/>Funds</b> |
|---|

**Reconciliation to the Statement of Net Position****Total Fund Balances from previous page****\$ 52,886,183**

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.

**169,777,929**

Deferred outflow of resources is reported in the statement of net position for:

Loss on advance refinancing

**284,790**

The District's proportionate share of Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements

Net pension asset

**24,739,006**

Deferred outflows of resources

**22,067,486**

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

**(99,408,000)**

Premium on long term debt

**(819,628)**

Accrued interest on long-term obligations

**(1,304,933)**

Compensated absences

**(2,135,341)**

Accrued OPEB obligation

**(78,351,613)**

**Net Position of Governmental Activities as Reported on the  
Statement of Net Position (see page 16)**

**\$ 87,735,879**

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, 2015**

|   | General              | Capital Projects    | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------|--------------------------|
| <b>Revenues</b>                                     |                      |                     |                          |                          |
| Property taxes                                      | \$ 72,788,341        | \$ -                | \$ 16,519,454            | \$ 89,307,795            |
| Other local sources                                 | 2,295,973            | 25,572              | 2,023,274                | 4,344,819                |
| Interdistrict sources                               | 487,120              | -                   | -                        | 487,120                  |
| Intermediate sources                                | 21,479               | -                   | 350                      | 21,829                   |
| State sources                                       | 168,455,260          | -                   | 138,075                  | 168,593,335              |
| Federal sources                                     | 15,123,345           | -                   | 8,307,728                | 23,431,073               |
| Other sources                                       | 869,211              | 98,625              | 1,066,741                | 2,034,577                |
| <b>Total Revenues</b>                               | <b>260,040,729</b>   | <b>124,197</b>      | <b>28,055,622</b>        | <b>288,220,548</b>       |
| <b>Expenditures</b>                                 |                      |                     |                          |                          |
| <b>Instruction</b>                                  |                      |                     |                          |                          |
| Regular instruction                                 | 109,935,067          | -                   | 265,307                  | 110,200,374              |
| Vocational instruction                              | 4,811,038            | -                   | -                        | 4,811,038                |
| Special education instruction                       | 36,113,762           | -                   | 801,295                  | 36,915,057               |
| Other instruction                                   | 8,412,472            | -                   | 9,020                    | 8,421,492                |
| <b>Total Instruction</b>                            | <b>159,272,339</b>   | <b>-</b>            | <b>1,075,622</b>         | <b>160,347,961</b>       |
| <b>Support Services</b>                             |                      |                     |                          |                          |
| Pupil services                                      | 16,739,292           | -                   | 489,584                  | 17,228,876               |
| Instructional staff services                        | 14,755,323           | -                   | 31,011                   | 14,786,334               |
| General administration services                     | 1,145,334            | -                   | 373,466                  | 1,518,800                |
| School administration services                      | 14,820,329           | -                   | 230,395                  | 15,050,724               |
| Business services                                   | 2,541,069            | -                   | -                        | 2,541,069                |
| Operation and maintenance of plant                  | 26,868,511           | 10,149,472          | 279,491                  | 37,297,474               |
| Pupil transportation                                | 7,032,575            | -                   | 31,695                   | 7,064,270                |
| Food services                                       | -                    | -                   | 8,560,652                | 8,560,652                |
| Central services                                    | 6,818,211            | -                   | 15                       | 6,818,226                |
| Insurance   | 576,337              | -                   | -                        | 576,337                  |
| Other support services                              | 82,061               | -                   | -                        | 82,061                   |
| <b>Total Support Services</b>                       | <b>91,379,042</b>    | <b>10,149,472</b>   | <b>9,996,309</b>         | <b>111,524,823</b>       |
| <b>Debt Service</b>                                 |                      |                     |                          |                          |
| Principal   | -                    | -                   | 12,047,000               | 12,047,000               |
| Interest and fiscal charges                         | 197,742              | -                   | 5,570,572                | 5,768,314                |
| <b>Total Debt Service</b>                           | <b>197,742</b>       | <b>-</b>            | <b>17,617,572</b>        | <b>17,815,314</b>        |
| <b>Community services</b>                           | <b>-</b>             | <b>-</b>            | <b>745,088</b>           | <b>745,088</b>           |
| <b>Non-program transactions</b>                     |                      |                     |                          |                          |
| General tuition payments                            | 3,052,187            | -                   | -                        | 3,052,187                |
| Special education tuition payments                  | 1,638                | -                   | -                        | 1,638                    |
| Adjustments and refunds                             | 208,739              | -                   | 10,375                   | 219,114                  |
| <b>Total Non-program transactions</b>               | <b>3,262,564</b>     | <b>-</b>            | <b>10,375</b>            | <b>3,272,939</b>         |
| <b>Total Expenditures</b>                           | <b>254,111,687</b>   | <b>10,149,472</b>   | <b>29,444,966</b>        | <b>293,706,125</b>       |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>5,929,042</b>     | <b>(10,025,275)</b> | <b>(1,389,344)</b>       | <b>(5,485,577)</b>       |
| <b>Other Financing Sources (Uses)</b>               |                      |                     |                          |                          |
| Transfers in  | -                    | -                   | 512,480                  | 512,480                  |
| Transfers out                                       | (512,480)            | -                   | -                        | (512,480)                |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(512,480)</b>     | <b>-</b>            | <b>512,480</b>           | <b>-</b>                 |
| <b>Net Change in Fund Balances</b>                  | <b>5,416,562</b>     | <b>(10,025,275)</b> | <b>(876,864)</b>         | <b>(5,485,577)</b>       |
| <b>Fund Balances - July 1 (Restated)</b>            | <b>36,805,631</b>    | <b>13,490,260</b>   | <b>8,075,869</b>         | <b>58,371,760</b>        |
| <b>Fund Balances - June 30</b>                      | <b>\$ 42,222,193</b> | <b>\$ 3,464,985</b> | <b>\$ 7,199,005</b>      | <b>\$ 52,886,183</b>     |

(Continued)



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

|   |
|---|
| <b>Total<br/>Governmental<br/>Funds</b> |
|---|

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page \$ (5,485,577)

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      | \$ 12,035,358 |           |
| Depreciation expense reported in the statement of activities | (5,199,630)   |           |
| Amount in which depreciation is less than capital outlays    |               | 6,835,728 |

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. The accrual of these benefits (increased) decreased by:

|   |  |           |
|---|--|-----------|
| Other post-employment benefits (OPEB)   |  | (118,635) |
| Accrued sick leave and vacation payable |  | 171,252   |

The change in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan

479,916

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 is:

(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 statement of activities in the current year is:

47,515

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 |  | 12,047,000 |
|-------------------------|--|------------|

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.

117,936

Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 17)

\$ 13,991,575

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 Funds****June 30, 2015**

|   | Retiree<br>Health Ins | Private-Benefit<br>Trust | Agency<br>Fund<br>Pupil<br>Activity | Total<br>Fiduciary<br>Funds |
|---|-----------------------|--------------------------|-------------------------------------|-----------------------------|
| <b>ASSETS</b>                                 |                       |                          |                                     |                             |
| Cash and investments                          | \$ 10,612,526         | \$ 249,930               | \$ 1,641,307                        | \$ 12,503,763               |
| Accounts receivable                           | 8,478,691             | -                        | -                                   | 8,478,691                   |
| <b>TOTAL ASSETS</b>                           | <b>\$ 19,091,217</b>  | <b>\$ 249,930</b>        | <b>\$ 1,641,307</b>                 | <b>\$ 20,982,454</b>        |
| <b>LIABILITIES</b>                            |                       |                          |                                     |                             |
| Accounts payable                              | \$ 4,674,772          | \$ -                     | \$ 57,786                           | \$ 4,732,558                |
| Due to student organizations                  | -                     | -                        | 1,583,521                           | 1,583,521                   |
| <b>TOTAL LIABILITIES</b>                      | <b>4,674,772</b>      | <b>-</b>                 | <b>1,641,307</b>                    | <b>6,316,079</b>            |
| <b>NET POSITION</b>                           |                       |                          |                                     |                             |
| Restricted for:                               |                       |                          |                                     |                             |
| Retiree health insurance                      | 14,416,445            | -                        | -                                   | 14,416,445                  |
| Scholarships                                  | -                     | 249,930                  | -                                   | 249,930                     |
| <b>TOTAL NET POSITION</b>                     | <b>14,416,445</b>     | <b>249,930</b>           | <b>-</b>                            | <b>14,666,375</b>           |
| <b>TOTAL LIABILITIES AND<br/>NET POSITION</b> | <b>\$ 19,091,217</b>  | <b>\$ 249,930</b>        | <b>\$ 1,641,307</b>                 | <b>\$ 20,982,454</b>        |

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 Funds****For the Year Ended June 30, 2015**

|                          | Retiree<br>Health Ins | Private-Benefit<br>Trust | Total<br>Fiduciary<br>Funds |
|--------------------------|-----------------------|--------------------------|-----------------------------|
| <b>ADDITIONS</b>         |                       |                          |                             |
| Employer contributions   | \$ 11,670,815         | \$ -                     | \$ 11,670,815               |
| Earnings on investments  | 19,064                | 407                      | 19,471                      |
| Other income             | 271,886               | 14,459                   | 286,345                     |
| Total Additions          | 11,961,765            | 14,866                   | 11,976,631                  |
| <b>DEDUCTIONS</b>        |                       |                          |                             |
| Trust fund disbursements | \$ 8,966,533          | \$ 11,852                | \$ 8,978,385                |
| Other expenditures       | 23,938                | -                        | 23,938                      |
| Total Deductions         | 8,990,471             | 11,852                   | 9,002,323                   |
| Change in Net Position   | 2,971,294             | 3,014                    | 2,974,308                   |
| Net Position - July 1    | 11,445,151            | 246,916                  | 11,692,067                  |
| Net Position - June 30   | \$ 14,416,445         | \$ 249,930               | \$ 14,666,375               |

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

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Kenosha Unified School District No. 1 ("the District"), Kenosha, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (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:

### 1. 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).

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

### 2. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District reports no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no enterprise or internal service funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

## MAJOR FUNDS

The District reports the following major governmental funds:

### GENERAL FUND

This is the District's primary operating fund. It accounts for all financial activity that is not 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL PROJECTS FUND**

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

**NON-MAJOR FUNDS**

The District reports the following non-major governmental funds:

**HEAD START FUND**

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

**TRUST FUND**

This fund is used to account for trust funds that can be used for district operations.

**FOOD SERVICE FUND**

This fund accounts for the activities of the District's food service, generally school breakfast, lunch and snack programs.

**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.

Additionally, the District reports the following fund types:

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

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*.

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.



# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 employee benefit programs 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.

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.

### 4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

#### a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

#### b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

#### c. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent December 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

e. Inventories

Inventories are recorded at cost which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

g. 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.

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 district-wide statements and proprietary funds are as follows:

| Governmental Activities        |                             |                        |                          |
|--------------------------------|-----------------------------|------------------------|--------------------------|
|                                | Capitalization<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life |
| <u>Assets</u>                  |                             |                        |                          |
| 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          | 4 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. 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.

i. 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 90 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 district-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.

*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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. 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 has two items that qualify for reporting in this category. One 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. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

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.

**k. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. For the district-wide 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 funds 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.

**l. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**m. Fund Equity**

**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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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 to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

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

**5. Use of Estimates**

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS**

**1. Cash and Investments**

The debt service and capital project 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 \$78,738,092 on June 30, 2015 as summarized below:

|                                      |                      |
|--------------------------------------|----------------------|
| Petty cash funds                     | \$ 9,732             |
| Deposits with financial institutions | 68,157,184           |
| Investments                          | 10,571,176           |
|                                      | <u>\$ 78,738,092</u> |

Reconciliation to the basic financial statements:

|   |                      |
|---|----------------------|
| District-wide Statement of Net Position   |                      |
| Cash and investments                      | \$ 66,234,329        |
| Fiduciary funds Statement of Net Position |                      |
| Retiree Health Insurance Trust Fund       | 10,612,526           |
| Private-Purpose Trust Fund                | 249,930              |
| Agency fund                               | 1,641,307            |
|   | <u>\$ 78,738,092</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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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 accounts and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts 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. 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, 2015, 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.

**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.

| Investment Type                            | Amount               | Exempt<br>From<br>Disclosure | Rating as of Year End |             |                     |
|--|----------------------|------------------------------|-----------------------|-------------|---------------------|
|  |                      |                              | AAA                   | Aa          | Not<br>Rated        |
| Wisconsin local government investment pool | \$ 1,145             | \$ -                         | \$ -                  | \$ -        | \$ 1,145            |
| WISC investments                           |                      |                              |                       |             |                     |
| Cash management series                     | 614,530              | -                            | 614,530               | -           | -                   |
| Investment series                          | 2,967,299            | -                            | 2,967,299             | -           | -                   |
| Negotiated certificates of deposits        | 2,988,202            | -                            | -                     | -           | 2,988,202           |
| Repurchase agreements                      | 4,000,000            | 4,000,000                    | -                     | -           | -                   |
| Totals                                     | <u>\$ 10,571,176</u> | <u>\$ 4,000,000</u>          | <u>\$ 3,581,829</u>   | <u>\$ -</u> | <u>\$ 2,989,347</u> |

On June 30, 2015, 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, 2015, the District held Wisconsin Investment Series Cooperative Cash Management Series of \$614,530 of which the underlying investments are held by the investment's counterparty, not in the name of the District.

On June 30, 2015, the District held Wisconsin Investment Series Cooperative Investment Series of \$2,967,299 of which the underlying certificates of deposit were covered by FDIC insurance.



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)****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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table 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   | 25 to 60 Months | More Than 60 Months |
| Wisconsin local government investment pool | \$ 1,145             | \$ 1,145                       | \$ -              | \$ -            | \$ -                |
| WISC investments                           |                      |                                |                   |                 |                     |
| Cash management series                     | 614,530              | 614,530                        | -                 | -               | -                   |
| Investment series                          | 2,967,299            | 2,967,299                      | -                 | -               | -                   |
| Negotiated certificates of deposits        | 2,988,202            | 2,241,824                      | 746,378           | -               | -                   |
| Repurchase agreements                      | 4,000,000            | 4,000,000                      | -                 | -               | -                   |
| Totals                                     | <u>\$ 10,571,176</u> | <u>\$ 9,824,798</u>            | <u>\$ 746,378</u> | <u>\$ -</u>     | <u>\$ -</u>         |

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuation**

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 \$1,145 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, 2015, 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 \$64,495,581 at year end consisting of \$614,530 invested in the Cash Management Series, \$2,967,299 invested in the Investment Series, \$2,988,202 in Negotiated Certificates of Deposits, \$11,381,659 in savings deposit accounts, \$42,369,272 in insured cash sweep accounts, and \$4,174,619 in certificates of deposit. 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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 investments are valued at amortized cost, which approximates market value. At June 30, 2015, the fair value of the District's share of the WISC assets was substantially equal to the carrying value.

**2. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

|  | Beginning<br>Balance  | Increases           | Decreases   | Ending<br>Balance           |
|--|-----------------------|---------------------|-------------|-----------------------------|
| <b>Governmental activities:</b>              |                       |                     |             |                             |
| Capital assets, not being depreciated:       |                       |                     |             |                             |
| Sites (land)                                 | \$ 8,830,458          | \$ -                | \$ -        | \$ 8,830,458                |
| Construction in progress                     | 4,008,151             | 10,883,593          | -           | 14,891,744                  |
| Total capital assets, not being depreciated  | 12,838,609            | 10,883,593          | -           | 23,722,202                  |
| Capital assets, being depreciated:           |                       |                     |             |                             |
| 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                      | 48,384,720            | 1,151,765           | -           | 49,536,485                  |
| Total capital assets being depreciated       | 263,390,540           | 1,151,765           | -           | 264,542,305                 |
| Less accumulated depreciation for:           |                       |                     |             |                             |
| Land improvements                            | 4,889,213             | 249,865             | -           | 5,139,078                   |
| Buildings & building improvements            | 64,538,083            | 3,913,825           | -           | 68,451,908                  |
| Furniture and equipment                      | 43,859,652            | 1,035,940           | -           | 44,895,592                  |
| Total accumulated depreciation               | 113,286,948           | 5,199,630           | -           | 118,486,578                 |
| Total capital assets, being depreciated, net | 150,103,592           | (4,047,865)         | -           | 146,055,727                 |
| Governmental activities capital assets, net  | <u>\$ 162,942,201</u> | <u>\$ 6,835,728</u> | <u>\$ -</u> | <u>169,777,929</u>          |
| Less:  |                       |                     |             |                             |
| Related general obligation debt outstanding  |                       |                     |             | <u>92,793,226</u>           |
| Net investment in capital assets             |                       |                     |             | <u><u>\$ 76,984,703</u></u> |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to the following functions of the District as follows:

**Governmental activities**

**Instruction**

|                               |                  |
|-------------------------------|------------------|
| Regular instruction           | \$ 3,560,380     |
| Vocational instruction        | 36,366           |
| Special education instruction | 3,447            |
| Other instruction             | 47,352           |
| <b>Total instruction</b>      | <b>3,647,545</b> |

**Support Services**

|                                    |                  |
|------------------------------------|------------------|
| Pupil services                     | 7,016            |
| Instructional staff services       | 36,073           |
| General administration services    | 740              |
| School administration services     | 12,735           |
| Business services                  | 15,129           |
| Operation and maintenance of plant | 1,298,393        |
| Pupil transportation services      | 1,929            |
| Central services                   | 61,499           |
| Food service                       | 118,571          |
| <b>Total support services</b>      | <b>1,552,085</b> |

|   |                     |
|---|---------------------|
| <b>Total depreciation expense - governmental activities</b> | <b>\$ 5,199,630</b> |
|---|---------------------|

**3. Interfund Receivable, Payables, and Transfers**

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, 2015 were as follows:

|                                      | Interfund<br>Receivables | Interfund<br>Payables |
|--------------------------------------|--------------------------|-----------------------|
| <b>Governmental Activities</b>       |                          |                       |
| General Fund                         | \$ 118,412               | \$ -                  |
| Head Start Fund                      | -                        | 118,412               |
| <b>Total Governmental Activities</b> | <b>\$ 118,412</b>        | <b>\$ 118,412</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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended June 30, 2015 were as follows:

|                                 | Transfer to: |              |            |
|---------------------------------|--------------|--------------|------------|
|                                 | Debt Service | Food Service | Total      |
| Transfers from:<br>General Fund | \$ 500,000   | \$ 12,480    | \$ 512,480 |

4. 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, 2015 was as follows:

|                        | Outstanding<br>7/1/14 | Issued        | Retired       | Outstanding<br>6/30/15 |
|------------------------|-----------------------|---------------|---------------|------------------------|
| Tax anticipation notes | \$ 29,300,000         | \$ 24,500,000 | \$ 44,300,000 | \$ 9,500,000           |

The \$14,500,000 Tax and Revenue Anticipation Promissory Note matures on September 24, 2015 and bears interest of 0.940% per annum due at maturity. The District repaid \$5,000,000 of the original debt issue prior to June 30, 2015.

Interest paid on short-term debt for the year ended June 30, 2015, was \$215,890.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2015:

|                                 | Outstanding<br>7/1/14 | Issued        | Retired       | Outstanding<br>6/30/15 | Due Within<br>One Year |
|---------------------------------|-----------------------|---------------|---------------|------------------------|------------------------|
| <b>Governmental activities:</b> |                       |               |               |                        |                        |
| General Obligation Debt         |                       |               |               |                        |                        |
| Bonds and notes payable         | \$ 111,455,000        | \$ -          | \$ 12,047,000 | \$ 99,408,000          | \$ 12,403,000          |
| Premium on long term debt       | 867,143               | -             | 47,515        | 819,628                | 47,515                 |
| Total                           | 112,322,143           | -             | 12,094,515    | 100,227,628            | 12,450,515             |
| Accrued OPEB obligation         | 78,232,978            | 11,789,450    | 11,670,815    | 78,351,613             | -                      |
| Compensated absences            | 2,306,593             | 305,794       | 372,240       | 2,240,147              | 104,806                |
| Governmental activities         |                       |               |               |                        |                        |
| Long-term obligations           | \$ 192,861,714        | \$ 12,095,244 | \$ 24,137,570 | \$ 180,819,388         | \$ 12,555,321          |

Total interest paid during the year on long-term debt totaled \$5,570,572.

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2015

## NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

### General Obligation Debt

The full faith, credit, and taxing powers of the District secure all general obligation debt. Bonds and notes payable is comprised of the following individual issues:

|  | Issue Date | Average Interest Rates (%) | Dates of Maturity | Outstanding 6/30/15 |
|--|------------|----------------------------|-------------------|---------------------|
| <b>General Obligation Bonds and Notes</b>      |            |                            |                   |                     |
| Bond - Refinancing                             | 06/15/05   | 3.75% - 5.0%               | 04/01/16          | \$ 2,570,000        |
| Bond - Nash                                    | 02/01/06   | 3.24% - 3.81%              | 04/01/25          | 16,570,000          |
| Bond - Brass                                   | 06/20/07   | 3.69% - 3.98%              | 04/01/27          | 5,680,000           |
| Bond - Mahone                                  | 07/15/09   | 3.5% - 5.0%                | 04/01/20          | 845,000             |
| Bond - ITA Refinancing                         | 07/15/09   | 4.00% - 5.25%              | 04/01/24          | 13,950,000          |
| 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          | 654,000             |
| State Trust Fund Loan - Reuther QSCB           | 06/10/10   | 4.25%                      | 03/15/18          | 1,075,000           |
| State Trust Fund Loan - ITA QSCB               | 06/10/10   | 4.25%                      | 03/15/19          | 8,278,000           |
| State Trust Fund Loan - Reuther QZAB           | 06/10/10   | 4.25%                      | 03/15/20          | 2,951,000           |
| State Trust Fund Loan - OPEB                   | 06/08/11   | 3.75%                      | 03/15/19          | 2,865,000           |
| Bond - Refinancing                             | 02/15/12   | 3.75%                      | 04/01/18          | 5,440,000           |
| Bond - Refinancing & Energy Efficiency Project | 09/17/13   | 3.00% - 5.00%              | 04/01/33          | <u>18,530,000</u>   |

Total General Obligation Bonds and Notes

\$ 99,408,000

Aggregate cash flow requirements for retirement of long-term principal and interest on notes and bonds (including State Trust Loans) as of June 30, 2015 as follows:

| Year Ended<br>June 30, | Governmental Activities |                      |                       |
|------------------------|-------------------------|----------------------|-----------------------|
|                        | Principal               | Interest             | Total                 |
| 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                   | 6,589,000               | 3,645,379            | 10,234,379            |
| 2021-2025              | 31,135,000              | 13,712,468           | 44,847,468            |
| 2026-2030              | 21,655,000              | 4,826,374            | 26,481,374            |
| 2031-2033              | 3,685,000               | 361,902              | 4,046,902             |
|                        | <u>\$ 99,408,000</u>    | <u>\$ 40,581,042</u> | <u>\$ 139,989,042</u> |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2015 was \$697,161,833 as follows:

|   |                |                              |
|---|----------------|------------------------------|
| Equalized valuation of the District   |                | \$7,956,343,824              |
| Statutory limitation percentage   |                | (x) 10%                      |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes |                | <u>795,634,382</u>           |
| Total outstanding general obligation debt                                       | \$ 99,408,000  |                              |
| Less: Amounts available for financing general obligation debt                   |                |                              |
| Debt service fund <sup>(1)</sup>  | <u>935,451</u> |                              |
| Net outstanding general obligation debt applicable to debt limitation           |                | <u>98,472,549</u>            |
| Legal Margin for New Debt   |                | <u><u>\$ 697,161,833</u></u> |

(1) Less accrued interest

Operating Leases

The District leases buildings and other equipment under non-cancelable operating leases. Total costs for such leases were \$473,828 for facility leases, \$230,754 for vehicle leases, \$221,952 for copier leases, and \$14,816 for musical instrument leases for the year ended June 30, 2015. The future minimum lease payments totaling \$2,171,247 for these leases are as follows:

| Year Ended June 30           | Total                      |
|------------------------------|----------------------------|
| 2016                         | \$ 907,503                 |
| 2017                         | 389,133                    |
| 2018                         | 287,612                    |
| 2019                         | 198,103                    |
| 2020                         | 32,408                     |
| 2021 - 2025                  | 162,040                    |
| 2026 - 2030                  | 162,040                    |
| 2031                         | <u>32,408</u>              |
| Total Minimum Lease Payments | <u><u>\$ 2,171,247</u></u> |

**6. Pension Plan****a. Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**b. Post-Retirement Adjustments**

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2005 | 2.6%                 | 7%                       |
| 2006 | 0.8                  | 3                        |
| 2007 | 3.0                  | 10                       |
| 2008 | 6.6                  | 0                        |
| 2009 | (2.1)                | (42)                     |
| 2010 | (1.3)                | 22                       |
| 2011 | (1.2)                | 11                       |
| 2012 | (7.0)                | (7)                      |
| 2013 | (9.6)                | 9                        |
| 2014 | 4.7                  | 25                       |



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)****c. Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective 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.

During the reporting period, the WRS recognized \$9,911,151 in contributions from the District

Contribution rates as of June 30, 2015 are:

| Employee Category                  | Employee | Employer |
|------------------------------------|----------|----------|
| General (including teachers)       | 6.8%     | 6.8%     |
| Executives & Elected Officials     | 7.7%     | 7.7%     |
| Protective with Social Security    | 6.8%     | 9.5%     |
| Protective without Social Security | 6.8%     | 13.1%    |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported an asset of \$24,739,006 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 1.00717634%, which was a decrease of 0.01329035% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$9,748,437.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 3,586,386                      | \$ -                             |
| Net differences between projected and actual earnings on pension plan investments                             | 11,979,822                        | -                                |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 483,944                           | -                                |
| Employer contributions subsequent to the measurement date   | 6,017,334                         | -                                |
| <b>Total</b>  | <b>\$ 22,067,486</b>              | <b>\$ -</b>                      |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

\$6,017,334 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended<br>June 30 | Deferred Outflow<br>of Resources | Deferred Inflow<br>of Resources |
|-----------------------|----------------------------------|---------------------------------|
| 2015                  | \$ 3,151,660                     | \$ -                            |
| 2016                  | 3,151,660                        | -                               |
| 2017                  | 3,151,660                        | -                               |
| 2018                  | 3,151,660                        | -                               |
| 2019                  | 3,151,660                        | -                               |
| Thereafter            | 291,852                          | -                               |

**d. Actuarial Assumption**

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                       |                                |
|---------------------------------------|--------------------------------|
| Actuarial Valuation Date:             | December 31, 2013              |
| Measurement Date of Net Pension Asset | December 31, 2014              |
| Actuarial Cost Method:                | Entry Age                      |
| Asset Valuation Method:               | Fair Market Value              |
| Long-Term Expected Rate of Return:    | 7.2%                           |
| Discount Rate:                        | 7.2%                           |
| Salary Increases:                     |                                |
| Inflation                             | 3.2%                           |
| Seniority/Merit                       | 0.2% - 5.8%                    |
| Mortality:                            | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments*          | 2.1%                           |

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

*Long-term expected Return on Plan Assets.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                | Long-Term Real Rate of Return | Target Allocation |
|----------------------------|-------------------------------|-------------------|
| US Equities                | 5.3%                          | 21%               |
| International Equities     | 5.7%                          | 23%               |
| Fixed Income               | 1.7%                          | 36%               |
| Inflation Sensitive Assets | 2.3%                          | 20%               |
| Real Estate                | 4.2%                          | 7%                |
| Private Equity/Debt        | 6.9%                          | 7%                |
| Multi-Asset                | 3.9%                          | 6%                |
| Cash                       | 0.9%                          | -20%              |

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension asset to changes in the discount rate.* The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| 1% Decrease to<br>Discount Rate<br>(6.2%) | Current<br>Discount Rate<br>(7.2%) | 1% Increase to<br>Discount Rate<br>(8.2%) |
|---|------------------------------------|---|
|---|------------------------------------|---|

|  |               |                 |                 |
|--|---------------|-----------------|-----------------|
| District's proportionate share of the<br>the net pension liability (asset) | \$ 69,792,997 | \$ (24,739,006) | \$ (99,396,560) |
|--|---------------|-----------------|-----------------|

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

## NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At June 30, 2015, the District reported a payable of \$3,587,641 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

7. Minimum Fund Balance Policy

The Board of Education has adopted a policy that unassigned fund balance in the general fund will be equal to a minimum of 15% and a maximum of 20% of the ensuing year's budgeted general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

|  |                                     |
|--|-------------------------------------|
| Budgeted 2015-16 General Fund Expenditures | \$ 243,621,526                      |
| Minimum Fund Balance %                     | (x) 15% - 20%                       |
| Minimum Fund Balance Amount                | <u>\$36,543,229 to \$48,724,305</u> |

The District's general fund balance is in compliance with this policy.

## NOTE C - OTHER INFORMATION

1. 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 A while the required disclosures on the Trust's investments can be found in Note B.

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> |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)**

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 \$10,612,526 as of June 30, 2015.

*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.

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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)**

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.

In 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)****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.

|  |                             |
|--|-----------------------------|
| Annual Required Contribution               | \$ 13,368,918               |
| Interest on net OPEB                       | 2,425,826                   |
| Adjustment to annual required contribution | (4,005,294)                 |
| Annual OPEB cost (expense)                 | <u>11,789,450</u>           |
| Contributions made                         | <u>(11,670,815)</u>         |
| Change in net OPEB obligation              | 118,635                     |
| OPEB obligation - beginning of year        | <u>78,232,978</u>           |
| OPEB obligation - end of year              | <u><u>\$ 78,351,613</u></u> |

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:

| Fiscal Year Ended | Annual OPEB Cost | Annual Required Contribution (ARC) | Annual OPEB Cost Contributed | Percentage of ARC Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------------------|------------------------------|-------------------------------|---------------------|
| 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          |
| 6/30/2015         | 11,789,450       | 13,368,918                         | 11,670,815                   | 87.30%                        | 78,351,613          |



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)****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<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)-<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>(c) | UAAL<br>as a<br>Percentage<br>of Covered<br>Payroll<br>((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   | 113.4                                | 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.

**2. 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.

**SELF-FUNDED INSURANCE PROGRAM**

The District has a self-insured workman's compensation benefit plan for its employees. The Plan administrators, Aegis Corporation (administrator) is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2015.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the workman's compensation coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1 million per individual.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)**

At June 30, 2015, the District has reported a liability of \$754,482 which represents reported and unreported claims which were incurred on or before June 30, 2015, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2014 and June 30, 2015 are as follows:

| Year Ended<br>June 30 | Beginning<br>Balance | Incurred     | Payments     | Ending<br>Balance |
|-----------------------|----------------------|--------------|--------------|-------------------|
| 2014                  | \$ 820,364           | \$ 2,298,732 | \$ 2,195,920 | \$ 923,176        |
| 2015                  | 923,176              | 1,474,845    | 1,643,539    | 754,482           |

**3. Contingencies**

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. 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.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

**4. Limitation on School District Revenues**

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

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

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

**NOTE C - OTHER INFORMATION (Continued)****5. Restatement of Fund Balance/Net Position**

The District changed the financial reporting of the Food Service Program from being reported as a proprietary fund to being reported as a special revenue fund. The following table shows the restatement of net position and fund balance as of June 30, 2014.

**District-Wide Financial Statements**

|  |               |
|--|---------------|
| Governmental Activities Net Position as reported June 30, 2014 | \$ 23,581,027 |
|--|---------------|

|  |                  |
|--|------------------|
| Plus: Business-type Activity Net Position transferred to Governmental Activities | <u>3,836,701</u> |
|--|------------------|

|  |                             |
|--|-----------------------------|
| Governmental Activities Net Position, June 30, 2014, as restated | <u><u>\$ 27,417,728</u></u> |
|--|-----------------------------|

**Fund Financial Statements**

|                 |
|-----------------|
| Food<br>Service |
|-----------------|

|   |              |
|---|--------------|
| Proprietary Fund Net Position as reported June 30, 2014 | \$ 3,836,701 |
|---|--------------|

|   |                    |
|---|--------------------|
| Less: Capital assets not reported in governmental funds | <u>(1,072,830)</u> |
|---|--------------------|

|  |                            |
|--|----------------------------|
| Food Service Special Revenue Fund balance, June 30, 2014 as restated | <u><u>\$ 2,763,871</u></u> |
|--|----------------------------|

**6. Cumulative Effect of Change in Accounting Principle**

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standard recognizes pension costs as employment services are provided, rather than when the pensions are funded. Financial statements for the year ended June 30, 2014, have not been restated. The cumulative effect of this change was to increase the June 30, 2015 net position of the governmental activities by \$46,326,576.

**7. Subsequent Event**

At the June 23, 2015, School Board meeting the Board voted to approve a resolution authorizing the sale of general obligation corporate purpose bonds in an amount not to exceed \$31,000,000. The bond was issued July 15, 2015 in the amount of \$30,005,000 to finance \$14,630,000 in refunding of prior debt obligations and \$15,375,000 for construction of an athletic facility approved through the referendum process.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2015**

|   | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
|   | Original             | Final                |                      |   |
| <b>Revenues</b>                             |                      |                      |                      |   |
| Property taxes                              | \$ 72,788,341        | \$ 72,788,341        | \$ 72,788,341        | \$ -  |
| Other local sources                         | 2,198,511            | 2,360,513            | 2,286,535            | (73,978)  |
| Interdistrict sources                       | 350,000              | 350,000              | 487,120              | 137,120   |
| Intermediate sources                        | 20,383               | 35,383               | 21,479               | (13,904)  |
| State sources                               | 157,347,130          | 157,603,981          | 157,625,536          | 21,555  |
| Federal sources                             | 11,610,843           | 12,881,356           | 11,151,379           | (1,729,977)   |
| Other sources                               | 281,352              | 490,375              | 869,211              | 378,836   |
| <b>Total Revenues</b>                       | <b>244,596,560</b>   | <b>246,509,949</b>   | <b>245,229,601</b>   | <b>(1,280,348)</b>  |
| <b>Expenditures</b>                         |                      |                      |                      |   |
| Instruction                                 |                      |                      |                      |   |
| Regular instruction                         | 112,758,268          | 113,446,737          | 109,935,067          | 3,511,670   |
| Vocational instruction                      | 5,301,743            | 5,335,341            | 4,810,134            | 525,207   |
| Other instruction                           | 8,744,353            | 8,725,345            | 8,337,965            | 387,380   |
| <b>Total Instruction</b>                    | <b>126,804,364</b>   | <b>127,507,423</b>   | <b>123,083,166</b>   | <b>4,424,257</b>  |
| Support Services                            |                      |                      |                      |   |
| Pupil services                              | 11,202,701           | 10,980,171           | 10,776,262           | 203,909   |
| Instructional staff services                | 13,436,630           | 14,630,544           | 13,582,508           | 1,048,036   |
| General administration services             | 1,171,878            | 1,165,643            | 1,145,334            | 20,309  |
| School administration services              | 14,440,990           | 14,446,426           | 14,820,329           | (373,903)   |
| Business services                           | 2,691,115            | 2,684,765            | 2,541,069            | 143,696   |
| Operation and maintenance of plant          | 26,618,215           | 26,599,826           | 26,844,294           | (244,468)   |
| Pupil transportation services               | 4,884,338            | 4,952,493            | 4,439,514            | 512,979   |
| Central services                            | 7,685,119            | 7,764,474            | 6,818,211            | 946,263   |
| Insurance                                   | 756,664              | 756,664              | 576,337              | 180,327   |
| Other support services                      | -                    | 111,049              | 82,061               | 28,988  |
| <b>Total Support Services</b>               | <b>82,887,650</b>    | <b>84,092,055</b>    | <b>81,625,919</b>    | <b>2,466,136</b>  |
| Debt service                                | 333,176              | 334,176              | 197,742              | 136,434   |
| Non-program                                 |                      |                      |                      |   |
| General tuition payments                    | 2,725,500            | 2,730,149            | 3,052,187            | (322,038)   |
| Adjustments and refunds                     | -                    | -                    | 208,739              | (208,739)   |
| <b>Total Non-program</b>                    | <b>2,725,500</b>     | <b>2,730,149</b>     | <b>3,260,926</b>     | <b>(530,777)</b>  |
| <b>Total Expenditures</b>                   | <b>212,750,690</b>   | <b>214,663,803</b>   | <b>208,167,753</b>   | <b>6,496,050</b>  |
| <b>Excess of Revenues Over Expenditures</b> | <b>31,845,870</b>    | <b>31,846,146</b>    | <b>37,061,848</b>    | <b>5,215,702</b>  |
| <b>Other Financing Uses</b>                 |                      |                      |                      |   |
| Transfers out                               | (33,064,914)         | (33,065,188)         | (31,645,286)         | 1,419,902   |
| <b>Net Change in Fund Balance</b>           | <b>(1,219,044)</b>   | <b>(1,219,042)</b>   | <b>5,416,562</b>     | <b>6,635,604</b>  |
| <b>Fund Balance - July 1</b>                | <b>36,805,631</b>    | <b>36,805,631</b>    | <b>36,805,631</b>    | <b>-</b>  |
| <b>Fund Balance - June 30</b>               | <b>\$ 35,586,587</b> | <b>\$ 35,586,589</b> | <b>\$ 42,222,193</b> | <b>\$ 6,635,604</b>                                       |

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, 2015**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>Revenues</b>                              |                     |                     |                     |   |
| Other local sources                          | \$ 8,000            | \$ 8,000            | \$ 9,438            | \$ 1,438  |
| State sources                                | 10,791,667          | 10,791,667          | 10,829,724          | 38,057  |
| Federal sources                              | 7,583,262           | 8,595,101           | 3,971,966           | (4,623,135)   |
| <b>Total Revenues</b>                        | <b>18,382,929</b>   | <b>19,394,768</b>   | <b>14,811,128</b>   | <b>(4,583,640)</b>  |
| <b>Expenditures</b>                          |                     |                     |                     |   |
| Instruction                                  |                     |                     |                     |   |
| Vocational instruction                       | 1,100               | 32,100              | 904                 | 31,196  |
| Special education instruction                | 41,155,047          | 39,780,160          | 36,113,762          | 3,666,398   |
| Other instruction                            | 74,900              | 74,900              | 74,507              | 393   |
| <b>Total Instruction</b>                     | <b>41,231,047</b>   | <b>39,887,160</b>   | <b>36,189,173</b>   | <b>3,697,987</b>  |
| Support Services                             |                     |                     |                     |   |
| Pupil services                               | 5,969,844           | 6,178,859           | 5,963,030           | 215,829   |
| Instructional staff services                 | 839,303             | 2,358,972           | 1,172,815           | 1,186,157   |
| Operation and maintenance of plant           | 15,600              | 70,600              | 24,217              | 46,383  |
| Pupil transportation services                | 2,892,049           | 3,458,365           | 2,593,061           | 865,304   |
| <b>Total Support Services</b>                | <b>9,716,796</b>    | <b>12,066,796</b>   | <b>9,753,123</b>    | <b>2,313,673</b>  |
| Non-program                                  |                     |                     |                     |   |
| Special education tuition payments           | -                   | 6,000               | 1,638               | 4,362   |
| <b>Total Expenditures</b>                    | <b>50,947,843</b>   | <b>51,959,956</b>   | <b>45,943,934</b>   | <b>6,016,022</b>  |
| <b>Excess of Revenues Under Expenditures</b> | <b>(32,564,914)</b> | <b>(32,565,188)</b> | <b>(31,132,806)</b> | <b>1,432,382</b>  |
| <b>Other Financing Sources</b>               |                     |                     |                     |   |
| Transfers in                                 | 32,564,914          | 32,565,188          | 31,132,806          | (1,432,382)   |
| <b>Net Change in Fund Balance</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>  |
| <b>Fund Balance - July 1</b>                 | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>  |
| <b>Fund Balance - June 30</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

For the Year Ended June 30, 2015

(In Millions of Dollars)

| Other Post-Employment Benefit Plan       |  |   |                                     |   |                           |  |  |  |
|--|--|---|-------------------------------------|---|---------------------------|--|--|--|
| Actuarial<br>Valuation<br>Date<br>July 1 | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) Entry<br>Age Normal | (3)<br>Funded<br>Ratio<br>(1) / (2) | (4)<br>Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>(2) - (1) | (5)<br>Covered<br>Payroll | UAAL<br>as a<br>Percentage<br>of Covered<br>Payroll<br>(4) / (5) |  |  |
| 2010                                     | \$ 5.6                                 | \$ 150.8  | 3.71%                               | \$ 145.2  | \$ 140.6                  | 103.27%  |  |  |
| 2012                                     | \$ 8.1                                 | \$ 170.4  | 4.75%                               | \$ 162.3  | \$ 124.7                  | 130.15%  |  |  |
| 2014                                     | \$ 11.4                                | \$ 124.8  | 9.13%                               | \$ 113.4  | \$ 144.6                  | 78.42%   |  |  |

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Employer Contributions  
For the Year Ended June 30, 2015  
(In Millions of Dollars)

| Other Post-Employment Benefit Plan |          |                 |            |  |
|------------------------------------|----------|-----------------|------------|--|
| Year Ended June 30,                | Employer | Annual Required | Percentage |  |
| 2013                               | \$ 8.2   | \$ 19.4         | 42.27%     |  |
| 2014                               | \$ 11.6  | \$ 13.1         | 88.55%     |  |
| 2015                               | \$ 11.7  | \$ 13.4         | 87.31%     |  |

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



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Proportionate Share of the Net Pension Asset  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

|  | 2015          |
|--|---------------|
| Proportion of the net pension asset                                    | 1.007%        |
| Proportionate share of the net pension asset                           | \$24,739,006  |
| Covered-employee payroll   | \$141,510,815 |
| Plan fiduciary net position as a percentage of the total pension asset | 102.74%       |

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

**Kenosha, Wisconsin  
Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years\***

|   | <b>2015</b>   |
|---|---------------|
| Contractually required contributions                                  | \$9,911,151   |
| Contributions in relation to the contractually required contributions | \$9,911,151   |
| Contribution deficiency (excess)                                      | \$0           |
| Covered-employee payroll  | \$141,510,815 |
| Contributions as a percentage of covered-employee payroll             | 7.00%         |

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

**NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71**

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - *An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. Information for prior years is not available.

**NOTE B - BUDGETS AND BUDGETARY ACCOUNTING**

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the on digit function level for the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education 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 Board of Education may make alterations to the proposed budget.
- Once the Board of Education (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 Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- 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 2015.
- The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2015.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Required Supplementary Information

For the Year Ended June 30, 2015

**NOTE C - BUDGETARY INFORMATION**

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)                    | \$ 245,229,601 | \$ 14,811,128          |
| Reclassification of special education               | 14,811,128     | (14,811,128)           |
| Total Revenues                                      | 260,040,729    | -                      |
| <b>Expenditures</b>                                 |                |                        |
| Actual amounts (budgetary basis)                    | 208,167,753    | 45,943,934             |
| Reclassification of special education               | 45,943,934     | (45,943,934)           |
| Total Expenditures                                  | 254,111,687    | -                      |
| <b>Excess of Revenues Over (Under) Expenditures</b> |                |                        |
| Actual amounts (budgetary basis)                    | 37,061,848     | (31,132,806)           |
| Reclassification of special education               | (31,132,806)   | 31,132,806             |
| Excess of Revenues Over (Under) Expenditures        | 5,929,042      | -                      |
| <b>Other Financing Sources (Uses)</b>               |                |                        |
| Actual amounts (budgetary basis)                    | (31,645,286)   | 31,132,806             |
| Reclassification of special education               | 31,132,806     | (31,132,806)           |
| Total Other Financing Sources (Uses)                | (512,480)      | -                      |
| <b>Net Change in Fund Balance</b>                   |                |                        |
| Actual amounts (budgetary basis)                    | 5,416,562      | -                      |
| <b>Fund Balance - July 1</b>                        |                |                        |
| Actual amounts (budgetary basis)                    | 36,805,631     | -                      |
| <b>Fund Balance - June 30</b>                       |                |                        |
| Actual amounts (budgetary basis)                    | \$ 42,222,193  | \$ -                   |

**NOTE D - PENSION**

*Changes in benefit terms:* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions:* There were no changes in the assumptions.

## **SUPPLEMENTARY INFORMATION**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

|  | Special Revenue Funds |                  |                     |                      | Debt<br>Service     | Total Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|------------------|---------------------|----------------------|---------------------|---|
|  | Head Start            | Trust            | Food<br>Service     | Community<br>Service |                     |   |
| <b>ASSETS</b>                                  |                       |                  |                     |                      |                     |   |
| Cash and investments                           | \$ -                  | \$ 10,347        | \$ 2,362,225        | \$ 2,364,158         | \$ 2,240,384        | \$ 6,977,114                            |
| Receivables                                    |                       |                  |                     |                      |                     |   |
| Accounts                                       | 25,216                | -                | 52,636              | 25,611               | -                   | 103,463                                 |
| Due from other governments                     | 184,867               | -                | 267,981             | -                    | -                   | 452,848                                 |
| Inventories                                    | -                     | -                | 309,869             | -                    | -                   | 309,869                                 |
| <b>TOTAL ASSETS</b>                            | <b>\$ 210,083</b>     | <b>\$ 10,347</b> | <b>\$ 2,992,711</b> | <b>\$ 2,389,769</b>  | <b>\$ 2,240,384</b> | <b>\$ 7,843,294</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>           |                       |                  |                     |                      |                     |   |
| <b>Liabilities</b>                             |                       |                  |                     |                      |                     |   |
| Accounts payable                               | \$ 91,671             | \$ -             | \$ 279,335          | \$ 20,920            | \$ -                | \$ 391,926                              |
| Due to other funds                             | 118,412               | -                | -                   | -                    | -                   | 118,412                                 |
| Deposits payable                               | -                     | -                | 133,951             | -                    | -                   | 133,951                                 |
| <b>Total Liabilities</b>                       | <b>210,083</b>        | <b>-</b>         | <b>413,286</b>      | <b>20,920</b>        | <b>-</b>            | <b>644,289</b>                          |
| <b>Fund Balances</b>                           |                       |                  |                     |                      |                     |   |
| <b>Nonspendable</b>                            |                       |                  |                     |                      |                     |   |
| Inventories                                    | -                     | -                | 309,869             | -                    | -                   | 309,869                                 |
| <b>Restricted</b>                              |                       |                  |                     |                      |                     |   |
| Retirement of long-term debt                   | -                     | -                | -                   | -                    | 2,240,384           | 2,240,384                               |
| Food service                                   | -                     | -                | 2,269,556           | -                    | -                   | 2,269,556                               |
| Community service                              | -                     | -                | -                   | 2,368,849            | -                   | 2,368,849                               |
| <b>Committed</b>                               |                       |                  |                     |                      |                     |   |
| Donations                                      | -                     | 10,347           | -                   | -                    | -                   | 10,347                                  |
| <b>Total Fund Balances</b>                     | <b>-</b>              | <b>10,347</b>    | <b>2,579,425</b>    | <b>2,368,849</b>     | <b>2,240,384</b>    | <b>7,199,005</b>                        |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 210,083</b>     | <b>\$ 10,347</b> | <b>\$ 2,992,711</b> | <b>\$ 2,389,769</b>  | <b>\$ 2,240,384</b> | <b>\$ 7,843,294</b>                     |

**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, 2015

|  | Special Revenue Funds |                  |                     |                     | Debt Service        | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------|---------------------|---------------------|---------------------|-----------------------------------|
|  | Head Start            | Trust            | Food Service        | Community Service   |                     |                                   |
| <b>Revenues</b>                          |                       |                  |                     |                     |                     |                                   |
| Property taxes                           | \$ -                  | \$ -             | \$ -                | \$ 1,500,000        | \$ 15,019,454       | \$ 16,519,454                     |
| Other local sources                      | -                     | -                | 1,943,481           | 76,659              | 3,134               | 2,023,274                         |
| Intermediate sources                     | -                     | -                | -                   | 350                 | -                   | 350                               |
| State sources                            | -                     | -                | 138,075             | -                   | -                   | 138,075                           |
| Federal sources                          | 1,934,953             | -                | 6,372,775           | -                   | -                   | 8,307,728                         |
| Other sources                            | -                     | 10,347           | -                   | -                   | 1,056,394           | 1,066,741                         |
| <b>Total Revenues</b>                    | <b>1,934,953</b>      | <b>10,347</b>    | <b>8,454,331</b>    | <b>1,577,009</b>    | <b>16,078,982</b>   | <b>28,055,622</b>                 |
| <b>Expenditures</b>                      |                       |                  |                     |                     |                     |                                   |
| Instruction                              |                       |                  |                     |                     |                     |                                   |
| Regular instruction                      | 265,307               | -                | -                   | -                   | -                   | 265,307                           |
| Special education instruction            | 801,295               | -                | -                   | -                   | -                   | 801,295                           |
| Other instruction                        | -                     | -                | -                   | 9,020               | -                   | 9,020                             |
| <b>Total Instruction</b>                 | <b>1,066,602</b>      | <b>-</b>         | <b>-</b>            | <b>9,020</b>        | <b>-</b>            | <b>1,075,622</b>                  |
| Support Services                         |                       |                  |                     |                     |                     |                                   |
| Pupil services                           | 457,430               | -                | -                   | 32,154              | -                   | 489,584                           |
| Instructional staff services             | 31,011                | -                | -                   | -                   | -                   | 31,011                            |
| General administration services          | -                     | -                | -                   | 373,466             | -                   | 373,466                           |
| Building administration services         | 230,395               | -                | -                   | -                   | -                   | 230,395                           |
| Operation and maintenance of plant       | 118,866               | -                | 90,577              | 70,048              | -                   | 279,491                           |
| Pupil transportation                     | 30,649                | -                | -                   | 1,046               | -                   | 31,695                            |
| Food services                            | -                     | -                | 8,560,652           | -                   | -                   | 8,560,652                         |
| Central services                         | -                     | -                | -                   | 15                  | -                   | 15                                |
| <b>Total Support Services</b>            | <b>868,351</b>        | <b>-</b>         | <b>8,651,229</b>    | <b>476,729</b>      | <b>-</b>            | <b>9,996,309</b>                  |
| Debt Service                             |                       |                  |                     |                     |                     |                                   |
| Principal                                | -                     | -                | -                   | -                   | 12,047,000          | 12,047,000                        |
| Interest and fiscal charges              | -                     | -                | -                   | -                   | 5,570,572           | 5,570,572                         |
| <b>Total Debt Service</b>                | <b>-</b>              | <b>-</b>         | <b>-</b>            | <b>-</b>            | <b>17,617,572</b>   | <b>17,617,572</b>                 |
| Community services                       | -                     | -                | -                   | 745,088             | -                   | 745,088                           |
| Non-program transactions                 |                       |                  |                     |                     |                     |                                   |
| Adjustments and refunds                  | -                     | -                | 28                  | 10,347              | -                   | 10,375                            |
| <b>Total Expenditures</b>                | <b>1,934,953</b>      | <b>-</b>         | <b>8,651,257</b>    | <b>1,241,184</b>    | <b>17,617,572</b>   | <b>29,444,966</b>                 |
| <b>Excess of Revenues Over (Under)</b>   |                       |                  |                     |                     |                     |                                   |
| Expenditures                             | -                     | 10,347           | (196,926)           | 335,825             | (1,538,590)         | (1,389,344)                       |
| <b>Other Financing Sources</b>           |                       |                  |                     |                     |                     |                                   |
| Transfers in                             | -                     | -                | 12,480              | -                   | 500,000             | 512,480                           |
| <b>Net Change in Fund Balances</b>       | <b>-</b>              | <b>10,347</b>    | <b>(184,446)</b>    | <b>335,825</b>      | <b>(1,038,590)</b>  | <b>(876,864)</b>                  |
| <b>Fund Balances - July 1 (restated)</b> | <b>-</b>              | <b>-</b>         | <b>2,763,871</b>    | <b>2,033,024</b>    | <b>3,278,974</b>    | <b>8,075,869</b>                  |
| <b>Fund Balances - June 30</b>           | <b>\$ -</b>           | <b>\$ 10,347</b> | <b>\$ 2,579,425</b> | <b>\$ 2,368,849</b> | <b>\$ 2,240,384</b> | <b>\$ 7,199,005</b>               |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1****Pupil Activity Funds****Schedule of Changes in Assets and Liabilities****For the Year Ended June 30, 2015**

| Pupil Activity Funds |              |              |                    |
|----------------------|--------------|--------------|--------------------|
| Balance<br>7/1/14    | Additions    | Deletions    | Balance<br>6/30/15 |
| \$ 1,150,693         | \$ 4,052,720 | \$ 3,562,106 | \$ 1,641,307       |
| 345,474              | -            | 345,474      | -                  |
| <hr/>                |              |              |                    |
| \$ 1,496,167         | \$ 4,052,720 | \$ 3,907,580 | \$ 1,641,307       |
| <hr/>                |              |              |                    |

|              |              |              |              |
|--------------|--------------|--------------|--------------|
| \$ 19,495    | \$ 57,786    | \$ 19,495    | \$ 57,786    |
| 1,476,672    | 3,994,934    | 3,888,085    | 1,583,521    |
| <hr/>        |              |              |              |
| \$ 1,496,167 | \$ 4,052,720 | \$ 3,907,580 | \$ 1,641,307 |
| <hr/>        |              |              |              |

**ASSETS**

Cash and investments

Accounts receivable

**TOTAL ASSETS****LIABILITIES**

Accounts payable

Due to student organizations

**TOTAL LIABILITIES**



**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, 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, 2015, 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 thereon which included an emphasis of matter paragraph as indicated on page 2 dated October 23, 2015.

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

## **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  
October 23, 2015

## **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, 2015. 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, 2015.

## Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

Kenosha Unified School District No. 1's response to the noncompliance findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Kenosha Unified School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of 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 and 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be significant deficiencies.

Kenosha Unified School District No. 1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Kenosha Unified School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
October 23, 2015



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

| Federal Grantor/Program Name/Grant Period          | Pass-Through Agency                        | Federal Catalog Number | (Accrued Receivable) Deferred Revenue 7/1/14 | Cash Received (Refunded) | Accrued Receivable (Deferred Revenue) 6/30/15 | Total Revenues | Total Expenditures |
|--|--|------------------------|--|--------------------------|---|----------------|--------------------|
| <b>U.S. Department of Agriculture</b>              |  |                        |  |                          |   |                |                    |
| <i>Child Nutrition Cluster</i>                     |  |                        |  |                          |   |                |                    |
| National School Breakfast Program                  |  | 10.553                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | \$ (44,236)                                  | \$ 44,236                | \$ -  | \$ -           | \$ -               |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 1,022,987                | 53,968  | 1,076,955      | 1,076,955          |
| Total National School Breakfast Program            |  |                        | (44,236)                                     | 1,067,223                | 53,968  | 1,076,955      | 1,076,955          |
| National School Lunch Program                      |  | 10.555                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (175,468)                                    | 175,468                  | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 4,278,456                | 181,987                                       | 4,460,443      | 4,460,443          |
| Donated Commodities                                | Wisconsin Department of Public Instruction |                        | -  | 518,978                  | -   | 518,978        | 518,978            |
| Total National School Lunch Program                |  |                        | (175,468)                                    | 4,972,902                | 181,987                                       | 4,979,421      | 4,979,421          |
| Summer Food Service Program                        |  | 10.559                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (17,399)                                     | 17,399                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 54,287                   | 21,310  | 75,597         | 75,597             |
| Total National School Lunch Program                |  |                        | (17,399)                                     | 71,686                   | 21,310  | 75,597         | 75,597             |
| Total Child Nutrition Cluster                      |  |                        | (237,103)                                    | 6,111,811                | 257,265                                       | 6,131,973      | 6,131,973          |
| Fresh Fruit & Vegetable Program                    |  | 10.582                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (5,820)                                      | 5,820                    | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 230,086                  | 10,715  | 240,801        | 240,801            |
| Total Fresh Fruit & Vegetable Program              |  |                        | (5,820)                                      | 235,906                  | 10,715  | 240,801        | 240,801            |
| Total U.S. Department of Agriculture               |  |                        | (242,923)                                    | 6,347,717                | 267,980                                       | 6,372,774      | 6,372,774          |
| <b>U.S. Department of Education</b>                |  |                        |  |                          |   |                |                    |
| <i>Title I, Part A Cluster</i>                     |  |                        |  |                          |   |                |                    |
| Title I Grants to Local Educational Agencies       |  | 84.010                 |  |                          |   |                |                    |
| Basic Grant  |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (1,176,428)                                  | 1,176,428                | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 4,488,507                | 1,304,774                                     | 5,793,281      | 5,793,281          |
| Focus Schools                                      |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (52,117)                                     | 52,117                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 68,970                   | 10,500  | 79,470         | 79,470             |
| Delinquent   |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                       | Wisconsin Department of Public Instruction |                        | (5,036)                                      | 5,036                    | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 49,954                   | 37  | 49,991         | 49,991             |
| State Program Improvement                          |  |                        |  |                          |   |                |                    |
| July 1, 2014 - June 30, 2015                       | Wisconsin Department of Public Instruction |                        | -  | 4,116                    | 14,347  | 18,463         | 18,463             |
| Total Title I Grants to Local Educational Agencies |  |                        | (1,233,581)                                  | 5,845,128                | 1,329,658                                     | 5,941,205      | 5,941,205          |
| Total Title I, Part A Cluster                      |  |                        | (1,233,581)                                  | 5,845,128                | 1,329,658                                     | 5,941,205      | 5,941,205          |

(Continued)

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

| Federal Grantor/Program Name/Grant Period              | Pass-Through Agency                        | Federal Catalog Number | (Accrued Receivable) Deferred Revenue 7/1/14 | Cash Received (Refunded) | Accrued Receivable (Deferred Revenue) 6/30/15 | Total Revenues | Total Expenditures |
|--|--|------------------------|--|--------------------------|---|----------------|--------------------|
| <b>U.S. Department of Education (Continued)</b>        |  |                        |  |                          |   |                |                    |
| Career and Technical Education (Carl Perkins IV)       |  | 84.048                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (9,273)                                      | 9,273                    | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 187,653                  | 34,348  | 222,001        | 222,001            |
| Total Career and Technical Education (Carl Perkins IV) |  |                        | (9,273)                                      | 196,926                  | 34,348  | 222,001        | 222,001            |
| <b>Special Education Cluster (IDEA)</b>                |  |                        |  |                          |   |                |                    |
| Special Education - Grants to States                   |  | 84.027                 |  |                          |   |                |                    |
| Special Education - IDEA Flow-through                  |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | 250,951                                      | (250,951)                | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 2,595,445                | 627,900                                       | 3,223,345      | 3,223,345          |
| Special Education - CEIS Entitlement                   |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (89,368)                                     | 89,368                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 364,947                  | 93,541  | 458,488        | 458,488            |
| Special Education - High Cost                          |  |                        |  |                          |   |                |                    |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 36,457                   | -   | 36,457         | 36,457             |
| Total Special Education - Grants to States             |  |                        | 161,583                                      | 2,835,266                | 721,441                                       | 3,718,290      | 3,718,290          |
| Special Education - Preschool Grants                   |  | 84.173                 |  |                          |   |                |                    |
| Special Education - IDEA Preschool                     |  |                        |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (23,145)                                     | 23,145                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 122,577                  | 32,028  | 154,605        | 154,605            |
| Total Special Education - Preschool Grants             |  |                        | (23,145)                                     | 145,722                  | 32,028  | 154,605        | 154,605            |
| Total Special Education Cluster (IDEA)                 |  |                        | 138,438                                      | 2,980,988                | 753,469                                       | 3,872,895      | 3,872,895          |
| Safe and Drug Free Schools and Communities             |  | 84.184                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (86,176)                                     | 86,176                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 72,590                   | 34,164  | 106,754        | 106,754            |
| Total Safe and Drug Free Schools and Communities       |  |                        | (86,176)                                     | 158,766                  | 34,164  | 106,754        | 106,754            |
| Education for Homeless                                 |  | 84.196                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (4,172)                                      | 4,172                    | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 43,065                   | 5,955   | 49,020         | 49,020             |
| Total Education for Homeless                           |  |                        | (4,172)                                      | 47,237                   | 5,955   | 49,020         | 49,020             |
| 21st Century Community Learning Centers                |  | 84.287                 |  |                          |   |                |                    |
| July 1, 2013 - June 30, 2014                           | Wisconsin Department of Public Instruction |                        | (69,792)                                     | 69,792                   | -   | -              | -                  |
| July 1, 2014 - June 30, 2015                           | Wisconsin Department of Public Instruction |                        | -  | 284,066                  | 67,586  | 351,652        | 351,652            |
| Total 21st Century Community Learning Centers          |  |                        | (69,792)                                     | 353,858                  | 67,586  | 351,652        | 351,652            |

(Continued)



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
**Kenosha, Wisconsin**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

| Federal Grantor/Program Name/Grant Period             | Pass-Through Agency                        | Federal Catalog Number | (Accrued Receivable) Deferred Revenue 7/1/14 | Cash Received (Refunded) | Accrued Receivable (Deferred Revenue) 6/30/15 | Total Revenues       | Total Expenditures   |
|---|--|------------------------|--|--------------------------|---|----------------------|----------------------|
| <b>U.S. Department of Education (Continued)</b>       |  |                        |  |                          |   |                      |                      |
| Title III-A English Language Acquisition Grants       |  | 84.365                 |  |                          |   |                      |                      |
| July 1, 2013 - June 30, 2014                          | Wisconsin Department of Public Instruction |                        | (24,407)                                     | 24,407                   | -   | -                    | -                    |
| July 1, 2014 - June 30, 2015                          | Wisconsin Department of Public Instruction |                        | -  | 264,859                  | 20,462  | 285,321              | 285,321              |
| Total Title III-A English Language Acquisition Grants |  |                        | (24,407)                                     | 289,266                  | 20,462  | 285,321              | 285,321              |
| <b>Improving Teacher Quality State Grants</b>         |  |                        |  |                          |   |                      |                      |
| July 1, 2013 - June 30, 2014                          | Wisconsin Department of Public Instruction | 84.367                 | (199,166)                                    | 199,166                  | -   | -                    | -                    |
| July 1, 2014 - June 30, 2015                          | Wisconsin Department of Public Instruction |                        | -  | 653,667                  | 157,669                                       | 811,336              | 811,336              |
| Total Improving Teacher Quality State Grants          |  |                        | (199,166)                                    | 852,833                  | 157,669                                       | 811,336              | 811,336              |
| Total U.S. Department of Education                    |  |                        | (1,488,129)                                  | 10,725,002               | 2,403,311                                     | 11,640,184           | 11,640,184           |
| <b>U.S. Department of Health and Human Services</b>   |  |                        |  |                          |   |                      |                      |
| Head Start  |  | 93.600                 |  |                          |   |                      |                      |
| July 1, 2013 - June 30, 2014                          | Direct Program                             |                        | (142,323)                                    | 142,323                  | -   | -                    | -                    |
| July 1, 2014 - June 30, 2015                          | Direct Program                             |                        | -  | 1,814,813                | 184,867                                       | 1,999,680            | 1,999,680            |
| Total Head Start                                      |  |                        | (142,323)                                    | 1,957,136                | 184,867                                       | 1,999,680            | 1,999,680            |
| <b>Medical Assistance</b>                             |  |                        |  |                          |   |                      |                      |
| July 1, 2013 - June 30, 2014                          | Wisconsin Department of Health Services    | 93.778                 | (209,277)                                    | 209,277                  | -   | -                    | -                    |
| July 1, 2014 - June 30, 2015                          | Wisconsin Department of Health Services    |                        | -  | 3,156,548                | 198,271                                       | 3,354,819            | 3,354,819            |
| Total Medical Assistance                              |  |                        | (209,277)                                    | 3,365,825                | 198,271                                       | 3,354,819            | 3,354,819            |
| Total U.S. Department of Health and Human Services    |  |                        | (351,600)                                    | 5,322,961                | 383,138                                       | 5,354,499            | 5,354,499            |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>             |  |                        | <b>\$ (2,082,652)</b>                        | <b>\$ 22,395,680</b>     | <b>\$ 3,054,429</b>                           | <b>\$ 23,367,457</b> | <b>\$ 23,367,457</b> |

See Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2015

| State Grantor/Program Name/Grant Period                 | Pass-through Agency | State<br>I.D.<br>Number | (Accrued<br>Receivable)<br>Deferred<br>Revenue<br>7/1/14 | Cash<br>Received      | Accrued<br>Receivable<br>(Deferred<br>Revenue)<br>6/30/15 | Total<br>Revenues     | Total<br>Expenditures |
|---|---------------------|-------------------------|--|-----------------------|---|-----------------------|-----------------------|
| <b>Wisconsin Department of Public Instruction</b>       |                     |                         |  |                       |   |                       |                       |
| Special Education and School Age Parents                | Direct Program      | 255.101                 | \$ -   | \$ 10,594,415         | \$ -  | \$ 10,594,415         | \$ 10,594,415         |
| School Lunch Aid Program                                | Direct Program      | 255.102                 | -  | 81,685                | -   | 81,685                | 81,685                |
| Common School Fund Library Aid                          | Direct Program      | 255.103                 | -  | 913,451               | -   | 913,451               | 913,451               |
| Bilingual-Bicultural Education Aid                      | Direct Program      | 255.106                 | -  | 54,257                | -   | 54,257                | 54,257                |
| Pupil Transportation Aid                                | Direct Program      | 255.107                 | -  | 289,643               | -   | 289,643               | 289,643               |
| WI Morning Milk   | Direct Program      | 255.109                 | -  | 12,222                | -   | 12,222                | 12,222                |
| Equalization Aid  | Direct Program      | 255.201                 |  |                       |   |                       |                       |
| July 1, 2013 - June 30, 2014                            |                     |                         | (2,628,487)  | 2,628,487             | -   | -                     | -                     |
| July 1, 2014 - June 30, 2015                            |                     |                         | -  | 148,020,774           | 2,644,819   | 150,665,593           | 150,665,593           |
| High Cost Special Education Aid                         | Direct Program      | 255.210                 | -  | 235,309               | -   | 235,309               | 235,309               |
| Alcohol and Other Drug Abuse                            | Direct Program      | 255.306                 |  |                       |   |                       |                       |
| July 1, 2013 - June 30, 2014                            |                     |                         | (5,332)  | 5,332                 | -   | -                     | -                     |
| July 1, 2014 - June 30, 2015                            |                     |                         | -  | 20,451                | 4,518   | 24,969                | 24,969                |
| Head Start  | Direct Program      | 255.327                 |  |                       |   |                       |                       |
| July 1, 2013 - June 30, 2014                            |                     |                         | (90,985)   | 90,985                | -   | -                     | -                     |
| July 1, 2014 - June 30, 2015                            |                     |                         | -  | 212,685               | 102,621   | 315,306               | 315,306               |
| School Breakfast Aid                                    | Direct Program      | 255.344                 | -  | 44,168                | -   | 44,168                | 44,168                |
| Wisconsin's Movin' Schools                              | Direct Program      | 255.345                 | -  | 250                   | -   | 250                   | 250                   |
| Tuition Payments  | Direct Program      | 255.401                 | -  | 185,889               | -   | 185,889               | 185,889               |
| Aid for High-Poverty School District                    | Direct Program      | 255.926                 | -  | 1,317,430             | -   | 1,317,430             | 1,317,430             |
| STEM Grant  | Direct Program      | 255.929                 | -  | 8,437                 | 17  | 8,454                 | 8,454                 |
| Childhood Fitness                                       | Direct Program      | 255.938                 | -  | 2,000                 | -   | 2,000                 | 2,000                 |
| Educator Effectiveness Grant                            | Direct Program      | 255.940                 | -  | 130,400               | -   | 130,400               | 130,400               |
| Per Pupil Aid   | Direct Program      | 255.945                 | -  | 3,346,950             | -   | 3,346,950             | 3,346,950             |
| Career and Technical Education Incentive Grants         | Direct Program      | 255.950                 | -  | 5,000                 | (5,000)   | -                     | -                     |
| Youth Opportunities                                     | CESA #1             | N/A                     |  |                       |   |                       |                       |
| July 1, 2013 - June 30, 2014                            |                     |                         | (128)  | 128                   | -   | -                     | -                     |
| July 1, 2014 - June 30, 2015                            |                     |                         | -  | 6,478                 | -   | 6,478                 | 6,478                 |
| <b>Total Wisconsin Department of Public Instruction</b> |                     |                         | <b>(2,724,932)</b>                                       | <b>168,206,826</b>    | <b>2,746,975</b>  | <b>168,228,869</b>    | <b>168,228,869</b>    |
| <b>TOTAL STATE FINANCIAL ASSISTANCE</b>                 |                     |                         | <b>\$ (2,724,932)</b>                                    | <b>\$ 168,206,826</b> | <b>\$ 2,746,975</b>                                       | <b>\$ 168,228,869</b> | <b>\$ 168,228,869</b> |

See Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
For the Year Ended June 30, 2015

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and schedule of 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 2014-2015 eligible costs under the State Special Education Program as reported by the District are \$40,563,635.

**NOTE C - OVERSIGHT AGENCIES**

The U.S. Department of Health and Human Services is the federal oversight agency and 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 REVENUES 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: |                      |                       |
| Grants recorded in intermediate sources                            | \$ 23,367,457        | \$ 168,228,869        |
| Programs not subject to single audit                               | -                    | (6,478)               |
|  | 63,616               | 370,944               |
| Revenues per basic financial statements                            | <u>\$ 23,431,073</u> | <u>\$ 168,593,335</u> |
| Revenues per basic financial statements:                           |                      |                       |
| Governmental funds   |                      |                       |
| Federal and state sources  | <u>\$ 23,431,073</u> | <u>\$ 168,593,335</u> |
| Revenues per basic financial statements                            | <u>\$ 23,431,073</u> | <u>\$ 168,593,335</u> |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

**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 and State Financial Assistance**

|   |            |
|---|------------|
| Internal control over major programs:   |            |
| • Material weakness(es) identified?   | No         |
| • Significant deficiency(ies) identified?   | Yes        |
| 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(a) of Circular A-133?          | No         |
| Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ? | Yes        |
| Identification of major federal and state programs:   |            |

| CFDA Number | Name of Federal Programs                     |
|-------------|--|
|             | <i>Title I, Part A Cluster</i>               |
| 84.010      | Title I Grants to Local Educational Agencies |
|             | <i>Special Education Cluster (IDEA)</i>      |
| 84.027      | Special Education - Grants to States         |
| 84.173      | Special Education - Preschool Grants         |

| State ID Number | Name of State Programs                   |
|-----------------|--|
| 255.101         | Special Education and School Age Parents |
| 255.107         | Pupil Transportation Aid                 |
| 255.201         | General Equalization Aids                |
| 255.401         | Tuition Payments                         |

|   |           |
|---|-----------|
| Audit threshold used to determine between Type A and Type B federal programs: | \$701,024 |
| Audit threshold used to determine between Type A and Type B state programs:   | \$100,000 |
| Auditee qualified as low-risk auditee   | Yes       |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2015

**Section II - Financial Statement Findings**

There are no findings to be reported.

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

| Finding No.       | <i>State Single Audit Guidelines</i> Finding and Internal Control Deficiency   |
|-------------------|--|
| <b>2015-001</b>   | <b>General Transportation Aid Reporting</b>  |
| State ID #:       | 255.107  |
| Condition:        | At the time we conducted our initial audit fieldwork, it was noted that students were being counted twice if they rode both an AM and PM for certain bus routes.   |
| Criteria:         | The <i>State Single Audit Guidelines</i> (SSAG) requires that the District report pupils on the Pupil Transportation Report (PI-1547) within the proper enrollment categories and within the correct mileage categories.   |
| Cause:            | The District's currently relies on a manual process for tallying the individual student detail by bus route and a clerical error occurred.   |
| Effect:           | The District may receive improper aid amounts for the students that were not correctly reported on the PI-1547 Pupil Transportation Report.  |
| Questioned Costs: | The District has subsequently corrected the reporting of pupil on PI-1547 to the Wisconsin Department of Public Instruction. There are no question costs as general transportation aid is not a cost-reimbursement grant.  |
| Recommendation:   | We recommend that the District automate the data accumulation process for accumulating pupils by enrollment categories and within mileage categories to ensure pupils are not counted twice and the Pupil Transportation Report (PI-1547) can be accurately prepared in a timely manner. |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2015

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

| Finding No.       | <i>State Single Audit Guidelines Finding and Internal Control Deficiency</i>   |
|-------------------|--|
| <b>2015-002</b>   | <b>Special Education Aid Allowable Costs</b>   |
| State ID #:       | 255.101  |
| Condition:        | In our testing sample of 24 employees, we noted two employees initially claimed for special education categorical aids who either had an expired license or were licensed but serving in a position which was not directly related to the special education program.   |
| Criteria:         | The <i>State Single Audit Guidelines</i> (SSAG) require that employees and contractors hired by the District be appropriately licensed for their actual assignment in order to be claimed for special education categorical aid.   |
| Cause:            | The District's human resources, special education and finance departments all monitor special education licenses and position assignments to ensure only eligible teachers are claimed for special education categorical aids; however the size of the District and the integration of three departments create opportunities for reporting errors. In the first case, the District thought a retired employee serving as a substitute teacher had a life license; however, the Wisconsin Department of Public Instruction records indicated the license was invalid. In the second case, an employee with an appropriate license was incorrectly reported to a position code which was considered a special education aidable position. |
| Effect:           | The District may receive special education reimbursement for employees not appropriately licensed or in positions not directly related to the special education program.   |
| Questioned Costs: | Questioned costs of \$80,065 were reported to the Wisconsin Department of Public Instruction. The District adjusted \$76,266 from an 011 aidable coding when filing its annual special education report. The remaining costs of \$3,799 are being evaluated by the Wisconsin Department of Public Instruction.   |
| Recommendation:   | We recommend the District's human resources department develop procedures to ensure only employees with valid licenses and approval of the special education department are coded to special education positions. We also recommend the District consider creating an additional procedure to have a District employee familiar with the program, such as the special education director, review annually all employees coded to special education positions to evaluate their proper assignment.  |

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2015

**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 Health Services

\_\_\_\_\_ Yes        X   No

Department of Public Instruction

  X   Yes      \_\_\_\_\_ 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

October 23, 2015

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended June 30, 2015

**Status of Prior Year Audit Finding**

No findings reported for the year ended June 31, 2014.

**Corrective Action Plan for Audit Findings**

| Finding No. | Corrective Action Plan |
|-------------|------------------------|
|-------------|------------------------|

**2015-001 General Transportation Aid Reporting**

We agree with the auditors' recommendation. The Transportation Department, along with information Services will develop and test an automated data accumulation process for accumulating pupils for the PI-1547 Pupil Transportation Report by April 30, 2016 to be prepared for the next PI-1547 Pupil Transportation Report due in June 2016.

Contact name: Tarik Hamdan, CFO  
[Thamdan@kUSD.edu](mailto:Thamdan@kUSD.edu)  
262-359-7382

Jeffrey Marx, Transportation Supervisor  
[jmarx@kUSD.edu](mailto:jmarx@kUSD.edu)  
262-359-6391

**2015-002 Special Education Aid Allowable Costs**

We agree with the auditors' recommendation. The Human Resources Department will work with the Special Education Department to develop procedures to ensure employees with valid licenses are coded to special education positions. These procedures may include, but are not limited to the following:

- Prior to the Human Resources Department's submission of the PI-1202 Report, a labor distribution report by function and project from the District's ERP System, Business Plus, will be reviewed by the Director of Special Education. The review will verify that employees are charged to the correct function and project based on the employees' licensure compared to the State of Wisconsin Department of Public Instruction's *Valid Reporting and License Codes for Special Education*. This report will be initialed and dated by the Director of Special Education. A copy of the report will be kept in the Special Education Department. Any changes will be resolved through the Position Control (PCN) process. The PCN Change form(s) and a copy of the reviewed Labor Distribution Report will be forwarded to the Human Resources Department for their records in compiling the PI-1202 Report.
- Any discrepancies identified by DPI through the PI-1202 will be reviewed and resolved by Human Resources and Special Education Departments together in a timely manner.

These procedures will be implemented for the 2015-16 PI-1202 Report due in November 2015.

Contact name: Susan Valeri, Director of Special Education  
[svaleri@kUSD.edu](mailto:svaleri@kUSD.edu)  
262-359-7392

Annie Petering, Chief Human Resources Officer  
[apetering@kUSD.edu](mailto:apetering@kUSD.edu)  
262-359-7376



## Elementary schools

### **Bose Elementary School**

1900 15th St., Kenosha, WI 53140  
Phone: 359-4044 Fax: 359-4005  
Web: [bose.kusd.edu](http://bose.kusd.edu)

### **Brass Community School**

6400 15th Ave., Kenosha, WI 53143  
Phone: 359-8000 Fax: 359-8050  
Web: [brass.kusd.edu](http://brass.kusd.edu)

### **Curtis Strange Elementary School**

5414 49th Ave., Kenosha, WI 53144  
Phone: 359-6024 Fax: 359-6247  
Web: [strange.kusd.edu](http://strange.kusd.edu)

### **EBSOLA Creative Arts**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400  
Web: [ebsola.kusd.edu/ca](http://ebsola.kusd.edu/ca)

### **EBSOLA Dual Language**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400  
Web: [ebsola.kusd.edu/dl](http://ebsola.kusd.edu/dl)

### **Forest Park Elementary School**

6810 45th Ave., Kenosha, WI 53142  
Phone: 359-6319 Fax: 359-6170  
Web: [forestpark.kusd.edu](http://forestpark.kusd.edu)

### **Frank Elementary School**

1816 57th St., Kenosha, WI 53140  
Phone: 359-6324 Fax: 359-6393  
Web: [frank.kusd.edu](http://frank.kusd.edu)

### **Grant Elementary School**

1716 35th St., Kenosha, WI 53140  
Phone: 359-6346 Fax: 359-6672  
Web: [grant.kusd.edu](http://grant.kusd.edu)

### **Grewenow Elementary School**

7714 20th Ave., Kenosha, WI 53143  
Phone: 359-6362 Fax: 359-7706  
Web: [grewenow.kusd.edu](http://grewenow.kusd.edu)

### **Harvey Elementary School**

2012 19th Ave., Kenosha, WI 53140  
Phone: 359-4040 Fax: 359-4020  
Web: [harvey.kusd.edu](http://harvey.kusd.edu)

### **Jefferson Elementary School**

1832 43rd St., Kenosha, WI 53140  
Phone: 359-6390 Fax: 359-7578  
Web: [jefferson.kusd.edu](http://jefferson.kusd.edu)

### **Jeffery Elementary School**

4011 87th St., Kenosha, WI 53142  
Phone: 359-2100 Fax: 359-2033  
Web: [jeffery.kusd.edu](http://jeffery.kusd.edu)

### **McKinley Elementary School**

5520 32nd Ave., Kenosha, WI 53144  
Phone: 359-6002 Fax: 359-7641  
Web: [mckinley.kusd.edu](http://mckinley.kusd.edu)

### **Nash Elementary School**

6801 99th Ave., Kenosha, WI 53142  
Phone: 359-3500 Fax: 359-3550  
Web: [nash.kusd.edu](http://nash.kusd.edu)

### **Pleasant Prairie Elementary School**

9208 Wilmot Road, Pleasant Prairie, WI 53158  
Phone: 359-2104 Fax: 359-2157  
Web: [pleasantprairie.kusd.edu](http://pleasantprairie.kusd.edu)

### **Prairie Lane Elementary School**

10717 47th Ave., Pleasant Prairie, WI 53158  
Phone: 359-3600 Fax: 359-3650  
Web: [prairielane.kusd.edu](http://prairielane.kusd.edu)

### **Roosevelt Elementary School**

3322 Roosevelt Road, Kenosha, WI 53142  
Phone: 359-6097 Fax: 359-6107  
Web: [roosevelt.kusd.edu](http://roosevelt.kusd.edu)

### **Somers Elementary School**

1245 72nd Ave., Kenosha, WI 53144  
Phone: 359-3200 Fax: 359-3212  
Web: [somers.kusd.edu](http://somers.kusd.edu)

### **Southport Elementary School**

723 76th St., Kenosha, WI 53143  
Phone: 359-6309 Fax: 359-5952  
Web: [southport.kusd.edu](http://southport.kusd.edu)

### **Stocker Elementary School**

6315 67th St., Kenosha, WI 53142  
Phone: 359-2143 Fax: 359-2012  
Web: [stocker.kusd.edu](http://stocker.kusd.edu)

### **Vernon Elementary School**

8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2113 Fax: 359-2169  
Web: [vernon.kusd.edu](http://vernon.kusd.edu)

### **Whittier Elementary School**

8542 Cooper Road, Pleasant Prairie, WI 53158  
Phone: 359-2110 Fax: 359-2270  
Web: [whittier.kusd.edu](http://whittier.kusd.edu)

### **Wilson Elementary School**

4520 33rd Ave., Kenosha, WI 53144  
Phone: 359-6094 Fax: 359-5993  
Web: [wilson.kusd.edu](http://wilson.kusd.edu)

## Middle schools

### **Bullen Middle School**

2804 39th Ave., Kenosha, WI 53144  
Phone: 359-4460 Fax: 359-4487  
Web: [bullen.kusd.edu](http://bullen.kusd.edu)

### **Lance Middle School**

4515 80th St., Kenosha, WI 53142  
Phone: 359-2240 Fax: 359-2184  
Web: [lance.kusd.edu](http://lance.kusd.edu)

### **Lincoln Middle School**

6729 18th Ave., Kenosha, WI 53143  
Phone: 359-6296 Fax: 359-5966  
Web: [lincoln.kusd.edu](http://lincoln.kusd.edu)

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

6900 60th St., Kenosha, WI 53144  
Phone: 359-8100 Fax: 359-6851  
Web: [mahone.kusd.edu](http://mahone.kusd.edu)

### **Washington Middle School**

811 Washington Road, Kenosha, WI 53140  
Phone: 359-6291 Fax: 359-6056  
Web: [washington.kusd.edu](http://washington.kusd.edu)

## High schools

### **Bradford High School**

3700 Washington Rd., Kenosha, WI 53144  
Phone: 359-6200 Fax: 359-5948  
Web: [bradford.kusd.edu](http://bradford.kusd.edu)

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

6800 60th St., Kenosha, WI 53144  
Phone: 359-8700 Fax: 359-8756  
Web: [indiantrail.kusd.edu](http://indiantrail.kusd.edu)

### **Tremper High School**

8560 26th Ave., Kenosha, WI 53143  
Phone: 359-2200 Fax: 359-2353  
Web: [tremper.kusd.edu](http://tremper.kusd.edu)

## Choice schools

### **LakeView Technology Academy**

(Grades 9-12)  
9449 88th Ave., Pleasant Prairie, WI 53158  
Phone: 359-8155 Fax: 359-8159  
Web: [lakeview.kusd.edu](http://lakeview.kusd.edu)

### **Reuther Central High School**

(Grades 9-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-6160 Fax: 359-6281  
Web: [reuther.kusd.edu](http://reuther.kusd.edu)

### **Kenosha eSchool**

(Online school, grades K-12)  
1808 41st Place, Kenosha, WI 53140  
Phone: 359-7715 Fax: 359-5933  
Web: [eschool.kusd.edu](http://eschool.kusd.edu)

## Charter schools

### **Harborside Academy**

(Grades 6-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-8400 Fax: 359-8450  
Web: [harborside.kusd.edu](http://harborside.kusd.edu)

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

(Grades PreK-8)  
KTEC East: 6811 18th Ave., Kenosha, WI 53143  
Phone: 359-3800 Fax: 359-3850  
KTEC West: 5710 32nd Ave., Kenosha, WI 53144  
Phone: 359-7100 Fax: 359-7070  
Web: [ktec.kusd.edu](http://ktec.kusd.edu)

### **The Brompton School**

(Grades K-8)  
8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2191 Fax: 359-2194  
Web: [brompton.kusd.edu](http://brompton.kusd.edu)

### **Dimensions of Learning Academy**

(Grades K-8)  
6218 25th Ave., Kenosha, WI 53143  
Phone: 359-6849 Fax: 359-3134  
Web: [dol.kusd.edu](http://dol.kusd.edu)

## Specialty schools

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

(Head Start Center)  
6300 27th Ave., Kenosha, WI 53143  
Phone: 359-6078 Fax: 359-6286  
Web: [headstart.kusd.edu](http://headstart.kusd.edu)

### **Hillcrest School**

(Bridges Center/T.I.M.E. Program, grades 9-12)  
4616 24th St., Kenosha, WI 53144  
Phone: 359-6118 Fax: 359-7870  
Web: [hillcrest.kusd.edu](http://hillcrest.kusd.edu)

