

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
School District of Beloit
Beloit, 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 School District of Beloit (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by 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 School District of Beloit, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 4-14 and 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Beloit's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2014 on our consideration of the School District of Beloit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of Beloit's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 17, 2014

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The discussion and analysis of the financial performance of the School District of Beloit (District) provides an overview of financial activities for the fiscal year ended June 30, 2014. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's government-wide financial statements reflect the following:

- Total net position of the District increased to \$31,029,551 or 10.12% at June 30, 2014. This increase is attributable to the related increase in capital assets due to referendum building project improvements.
- Total revenues increased to \$96,509,758 in fiscal year 2014, up from \$92,933,979 in fiscal year 2013, an increase of approximately 3.85%.
- Total expenses increased to \$93,656,981 in fiscal year 2014, up from \$89,890,443 in the year ended June 30, 2013, an increase of 4.19%.

The District's governmental fund financial statements reflect the following:

Total fund balances of the District's governmental funds decreased \$37,627,999 in fiscal year 2014. This increase included a \$2,198,209 decrease in the general fund, a \$36,116,137 decrease in the capital projects fund, a \$203,168 increase in the debt service fund, and a \$483,975 increase the school nutrition service fund

Total governmental fund expenditures were \$138,888,204 including \$51,285,629 for direct instruction.

The decrease in the District's general fund balance is mainly due to investment in the District's facilities and grounds including construction of a ten classroom addition to Gaston Elementary School and land purchases for school campuses.

The decrease in the District's capital projects fund balance is the result of the capital projects completed with referendum bond proceeds.

The fund balance for all governmental funds at June 30, 2014 was \$28,293,702. Of this amount, \$274,536 was nonspendable; \$18,004,175 was restricted for debt service, capital projects, nutrition services and special revenues; and \$10,014,991 remains unassigned. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes.

SCHOOL DISTRICT OF БЕЛОIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL HIGHLIGHTS (continued)

The following events took place during fiscal year 2014:

- Cost increases in the amount of 3.875 million to implement or expand programs:
 - Dual Language Immersion classes were expanded to include both kindergarten and first grade
 - All day four year old kindergarten program was a new option provided to parents
 - A 1:1 iPad initiative program was approved to enhance digital and personalized learning student opportunities
 - Technology upgrades
 - District media project for enhanced marketing of the District
 - Increased transportation services from 2 hours per day to 4 hours
 - Addition of a program director for an enlarged focus on career technical education programs
 - Wellness engagement initiatives for our employees

- The District made budget reductions of 4.657 million for the 2013-2014 year and 22.782 million over the past three years.
 - Budget reductions include cost savings, budget decreases and school consolidations, the decreases were predominantly in the area of staffing primarily through attrition and/or outsourcing.

- The District invested \$1,485,212 on energy efficiency measures including roof restoration and building envelope improvements at Aldrich, McNeel and Beloit Memorial High School through utilization of the revenue limit energy efficiency exemption. The District anticipates estimated annual total savings of approximately \$283,000 in utility, operational and capital cost avoidance savings as a result of the project completed to date.

- The District completed six primary school addition and renovation projects as well as finished construction of the new Beloit Memorial High School pool, fitness center and tennis courts. The completion of the primary schools allows the District to have our four year old kindergarten classrooms back in our buildings in time for the 2014-2015 school year. These projects were supported through a community endorsed referendum approved in the total amount of \$70,000,000 in April of 2012. Thank you to our taxpayers for allowing the District to build and renovate our facilities to meet the future needs of our students.

- The District's aid membership increased by 90 full time equivalency due to increasing student enrollment trends

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL HIGHLIGHTS (continued)

- The District invested into its facilities with the following projects funded through operating dollars;
 - Flooring replacement projects throughout the district
 - Remove carpet and replace with vinyl composition tile in classrooms to improve indoor air quality at Todd, Gaston, McLenegan and BMHS.
 - Floor tile replacement in hallways and entrances district wide
 - HVAC
 - Extensive improvements made to heating systems by replacing steam traps, coils and controls at Aldrich.
 - Painting
 - Gaston, Cunningham and Hackett were repainted completely with several other schools receiving fresh coats of paint in various areas of need.

- Security systems
 - Camera systems are being upgraded at Cunningham
 - The District installed keyless entry systems and a software throughout.
 - The District install panic buttons at all locations

- Curb appeal
 - Routine pressure washing is performed
 - Landscaping projects are performed district wide
 - Sidewalk replacement
 - The District also invested in our facilities using Revenue Limit Energy Exemption

- Tuck pointing
 - Extensive repairs performed at BMHS

- Roof replacement
 - Roof replacement at Aldrich and McNeel

- Special Projects
 - BMHS School Store renovations
 - Completion of career and technical education renovations

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements

SCHOOL DISTRICT OF БЕЛОIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-wide financial statements

District-wide financial statements report information about the School District of Beloit as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all the District's asset deferred inflows/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 or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

Fund financial statements

The *fund financial statements* provide detailed information about the District's significant funds rather than the School District of Beloit as a whole. A fund is an accounting entity with a self balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations and the employee benefit trust fund. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Table 1
Major Features of the District-wide and Fund Financial Statements

	District-wide	Fund Financial Statements	
	<u>Statements</u>	<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, nutrition service and community services.	The district acts as trustee or agent for another; e.g other post employment trusts
Required Financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset deferred inflows/outflows of resources and liability information	All assets deferred inflows/outflows of resources and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-41 of this report

Other Information

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post employment benefits (OPEB) liability.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$31,029,551 of which \$30,458,530 was net investment in capital assets, \$1,244,714 was restricted for debt service, \$14,795,042 was restricted for capital projects, \$1,138,276 was restricted for school nutrition services, \$343,332 was restricted by donor specifications and \$(16,950,343) was unrestricted net position. Unrestricted net position represents the deficiency of discretionary resources that can be used to fund general District operations.

For governmental activities, current assets and other assets decreased due to referendum and capital assets increased due the completion of referendum capital projects during the year. Long-term liabilities decreased as a result of normal debt payments.

Table 2
Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		
	2014	2013	% Change
ASSETS			
Current and other assets	\$ 39,878	\$ 78,317	-49.08%
Capital assets	92,924	53,339	74.21%
Total assets	\$ 132,802	\$ 131,656	0.87%
LIABILITIES			
Long-term liabilities	\$ 85,273	\$ 87,520	-2.57%
Other liabilities	16,500	15,820	4.30%
Total liabilities	\$ 101,773	\$ 103,340	-1.52%
Net Position			
Net investment in capital assets	\$ 30,459	\$ 33,767	-9.80%
Restricted	17,520	53,147	-67.03%
Unrestricted	(16,950)	(58,598)	-71.07%
Total Net Position	\$ 31,029	\$ 28,316	9.58%

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2014 with a increase in net position of \$2,852,776 compared to an increase of \$3,043,536 in fiscal year 2013.

The district received \$92,933,979 in revenue for the fiscal year 2014. The District relies primarily on general aids (62.82% of total governmental revenues), specific use private, state and federal grants (19.67%), and property taxes (14.39%) to fund governmental activities.

Individuals who directly participated or benefited from a program paid 2.04% of the cost. General school and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$80,277,801. Operating grants include Title I, IDEA, Transportation Aid, Equalization Aid, and National School Lunch Programs.

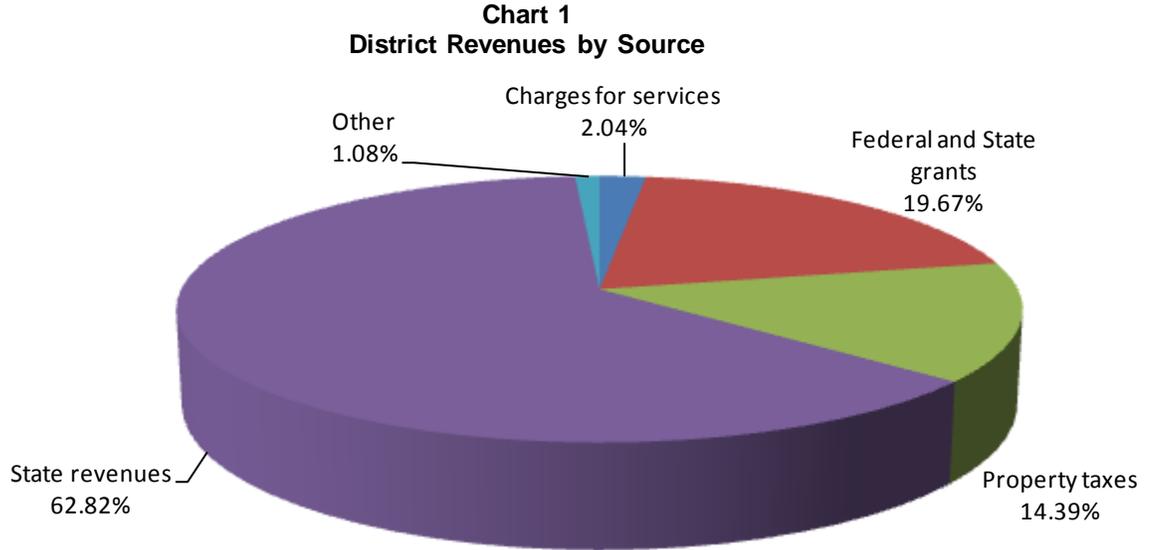
Table 3
Changes in Net Position from Operating Results
(in thousands of dollars)

	Governmental Activities		
	2014	2013	% Change
REVENUES			
Program revenues			
Charges for services	\$ 1,973	\$ 1,586	24.40%
Federal and state grants	18,979	18,876	0.55%
General revenues			
Property taxes	13,890	13,792	0.71%
State revenues	60,629	57,189	6.02%
Other	1,039	1,491	-30.32%
Total revenues	96,510	92,934	3.85%
EXPENSES			
Instruction	51,886	51,646	0.46%
Pupil and instructional services	8,780	8,738	0.48%
Administration and finance	6,833	5,140	32.94%
Maintenance and operations	11,723	10,547	11.15%
Pupil transportation	2,193	1,840	19.18%
Nutrition services	3,273	3,850	-14.99%
Central services	3,230	3,610	-10.53%
Interest on debt	1,932	1,343	43.86%
Other	3,807	3,177	19.83%
Total expenses	93,657	89,891	4.19%
Change in Net Position	\$ 2,853	\$ 3,043	-6.24%

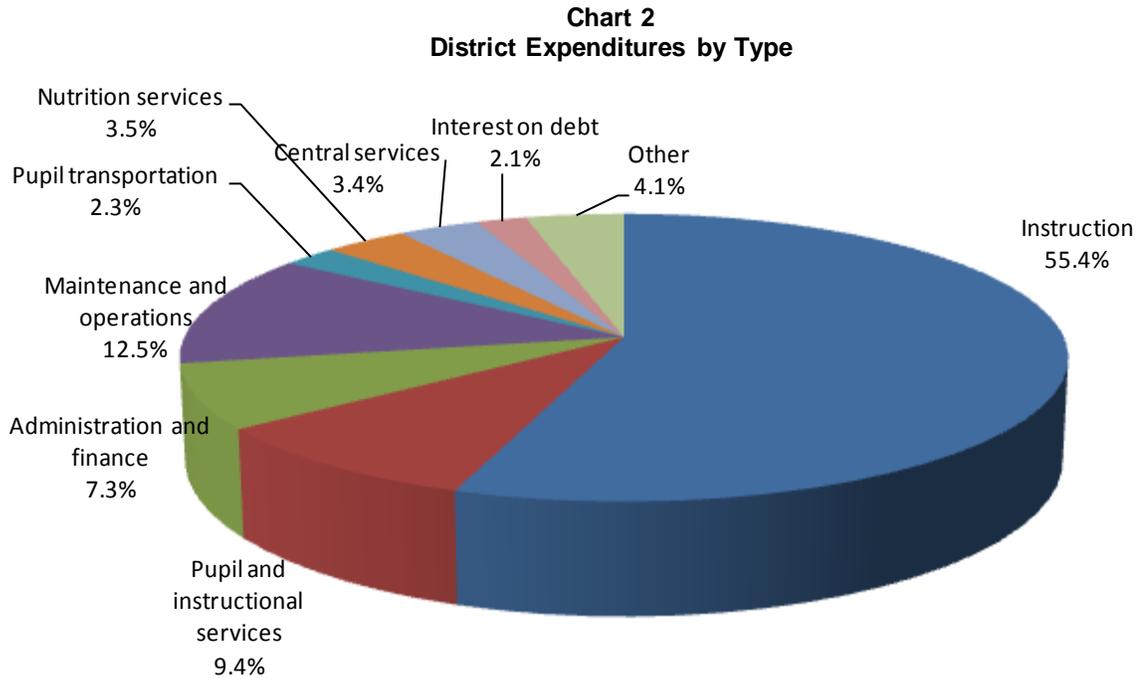
SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

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



The composition of District expenditures by type is illustrated below in chart 2.



SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Table 4 presents the cost of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$93,656,981. Individuals who directly participated or benefited from a program offering paid for \$1,972,562 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$18,978,753. The net cost of governmental activities \$72,705,666 was financed primarily by \$13,890,452 of property taxes and \$60,628,538 of state equalization aid.

Table 4
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 51,886	\$ (35,080)
Pupil and instructional services	8,780	(8,543)
Administration and finance	6,833	(6,833)
Maintenance and operations	11,723	(11,723)
Pupil transportation	2,193	(2,172)
Nutrition services	3,273	531
Central services	3,230	(3,230)
Interest on debt	1,932	(1,932)
Other	3,807	(3,724)
Total expenses	\$ 93,657	\$ (72,706)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$28,293,702 down from last year's ending fund balance of \$65,921,701. The overall decrease in fund balance is the result of \$42,649,164 of capital outlays which were funded with referendum bond proceeds. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes. The District's unassigned fund balance was \$10,014,991

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance decrease of \$2,198,209, compared to a decrease of 2,022,124 in the prior year. The decrease in the District's general fund balance is mainly due to investment in the District's facilities and grounds including construction of a ten classroom addition to Gaston Elementary School and land purchases for school campuses.

SCHOOL DISTRICT OF БЕЛОIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's original adopted budget for the general fund anticipated that revenues and other financing sources would equal expenditures and other financing uses, the actual results for the year ended June 30, 2014 had expenditures and other financing uses in excess of revenues and other financing sources by \$2,198,209. The most significant budget changes included adjusting the budget for land purchases and a ten classroom addition to Gaston Elementary, modifications in state and federal grants to account for new or revised grant awards and adjusting the budget for an increased number of students utilizing the open enrollment option to attend other Districts whereby the District must transfer tuition.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$122,659,050 in capital assets, including land, buildings, furniture and equipment. The district had \$1,588,040 in construction in progress. Total accumulated depreciation on these assets was \$35,517,679. Asset acquisitions for governmental activities totaled \$41,009,456. The District recognized depreciation expense of \$2,870,310. Detailed information about capital assets can be found in Note 5 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	2014	2013
Land and construction in progress	\$ 8,240	\$ 23,998
Buildings and improvements	106,025	52,615
Furniture and equipment	14,177	9,424
Accumulated depreciation	(35,518)	(32,698)
Net capital assets	\$ 92,924	\$ 53,339

Long-term Debt

At June 30, 2014, the District had \$72,812,802 in general obligation debt outstanding. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 6 to the financial statements.

Table 6
Outstanding Long-term Obligations
(in thousands of dollars)

	2014	2013
General obligation debt	\$ 72,813	\$ 75,518
Capital leases	2,999	-
Other postemployment benefits	12,597	13,577
Compensated absences	86	69
Net long-term obligations	\$ 88,495	\$ 89,164

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has increased its margin of debt substantially due to its April 2012 approved referendum in the amount of \$70,000,000.
- The District has decreased its Other Post Employment Benefit (OPEB) liability substantially due to its redesign of future employee benefit offerings with a defined contribution plan.
- Estimated preliminary budget shortfalls are projected into the foreseeable future based on funding trends as compared to expenditure trends.
- The District continues to implement energy efficiency measures and renewable energy products.
- The District continues to proactively budget for preventive building maintenance and capital projects for safe, secure and efficient buildings.
- The District entered into a five year lease for the purchase of digital scoreboards, the District is collecting digital advertising revenue to offset principal and interest payments.
- The District must transfer to other school districts, tuition under the open enrollment option, historical trends depict a pattern of an increasing number of students utilizing the open enrollment option.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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:

Janelle Marotz, CPA, SFO, Executive Director of Business Services at (608) 361-4015 or jmarotz@sdb.k12.wi.us.

Additional information about the District and its services can also be found on the District's website at <http://www.sdb.k12.wi.us>.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 32,564,435
Taxes receivable	3,159,035
Accounts receivable	552,198
Due from other governments	3,319,465
Due from other funds	8,230
Inventories	42,337
Prepaid expenses	232,199
Total current assets	39,877,899
NONCURRENT ASSETS	
Capital assets not being depreciated	8,239,742
Capital assets being depreciated, net	84,684,467
Total noncurrent assets	92,924,209
Total assets	\$ 132,802,108
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and other current liabilities	\$ 1,799,164
Withholdings and related fringes payable	800,184
Accrued interest	525,148
Accrued salaries and related items	4,636,546
Self insurance premiums	1,835,779
Unearned revenues	58,625
Self insurance claims payable	2,453,899
Current portion of long-term debt	4,389,832
Total current liabilities	16,499,177
NONCURRENT LIABILITIES	
Long-term debt, net of current portion	71,422,542
Other postemployment benefits	12,596,652
Accrued compensated absences	86,130
Unamortized debt premium	1,168,056
Total noncurrent liabilities	85,273,380
Total liabilities	101,772,557
NET POSITION	
Net investment in capital assets	30,458,530
Restricted for	
Debt Service	1,244,714
Capital projects	14,795,042
Nutrition Service	1,138,276
Donor restricted	343,332
Unrestricted (deficit)	(16,950,343)
Total Net Position	31,029,551
Total liabilities and Net Position	\$ 132,802,108

SCHOOL DISTRICT OF BELOIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Instruction				
Regular instruction	\$ 34,758,105	\$ 1,428,665	\$ 9,165,571	\$ (24,163,869)
Vocational instruction	1,577,449	-	87,090	(1,490,359)
Physical instruction	2,003,291	-	33,936	(1,969,355)
Special education instruction	9,637,456	71,708	5,883,547	(3,682,201)
Other instruction	3,909,798	27,156	108,160	(3,774,482)
Total instruction	51,886,099	1,527,529	15,278,304	(35,080,266)
Support services				
Pupil services	4,941,365	-	-	(4,941,365)
Instructional staff services	3,838,236	-	236,524	(3,601,712)
Administrative services	6,833,183	-	-	(6,833,183)
Operation and maintenance of plant	11,722,664	-	-	(11,722,664)
Pupil transportation	2,192,562	-	20,224	(2,172,338)
Nutrition services	3,273,408	360,760	3,443,701	531,053
Central services	3,229,662	-	-	(3,229,662)
Insurance and judgments	539,344	-	-	(539,344)
Other support services	3,268,738	84,273	-	(3,184,465)
Interest on debt	1,931,720	-	-	(1,931,720)
Total support services	41,770,882	445,033	3,700,449	(37,625,400)
Total school district	\$ 93,656,981	\$ 1,972,562	\$ 18,978,753	(72,705,666)
GENERAL REVENUES:				
TAXES:				
Property taxes, levied for general purposes			8,529,469	
Property taxes, levied for debt service			5,360,983	
Other taxes			65,632	
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)			60,628,538	
Other			670,510	
Interest and investment earnings			115,640	
Loss on disposal of capital assets			(190,296)	
Miscellaneous			377,967	
Change in Net Position				2,852,777
Net Position—beginning of year				28,176,774
Prior period adjustment				(139,050)
Net Position—beginning of year, as restated				28,037,724
Net Position—end of year				\$ 31,029,551

SCHOOL DISTRICT OF БЕЛОIT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$14,052,753	\$ 15,546,631	\$ 2,965,051	\$ 32,564,435
Accounts receivable	3,682,804	-	28,429	3,711,233
Due from other governments	2,767,737	-	551,728	3,319,465
Due from other funds	291,115	261	-	291,376
Inventory	-	-	42,337	42,337
Prepaid expenses	232,199	-	-	232,199
Total assets	\$21,026,608	\$ 15,546,892	\$ 3,587,545	\$ 40,161,045
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,008,238	\$ 751,850	\$ 39,076	\$ 1,799,164
Accrued salaries and wages	4,636,546	-	-	4,636,546
Payroll taxes and withholdings	799,817	-	367	800,184
Due to other funds	-	-	283,146	283,146
Self insurance claims payable	2,453,899	-	-	2,453,899
Self insurance premiums	1,835,779	-	-	1,835,779
Unearned revenues	45,139	-	13,486	58,625
Total liabilities	10,779,418	751,850	336,075	11,867,343
FUND BALANCES				
Nonspendable	232,199	-	42,337	274,536
Restricted	-	14,795,042	3,209,133	18,004,175
Unassigned	10,014,991	-	-	10,014,991
Total fund balances	10,247,190	14,795,042	3,251,470	28,293,702
Total liabilities and fund balances	\$21,026,608	\$ 15,546,892	\$ 3,587,545	\$ 40,161,045

SCHOOL DISTRICT OF BELOIT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances - governmental funds		\$ 28,293,702
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	\$128,441,888	
Accumulated depreciation	<u>(35,517,679)</u>	
Net capital assets		92,924,209
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of;		
Bonds and notes payable	(75,812,374)	
Accrued interest payable	(525,148)	
Compensated absences	(86,130)	
Other postemployment benefits	(12,596,652)	
Unamortized debt premium	<u>(1,168,056)</u>	
Total long-term debt liabilities		<u>(90,188,360)</u>
Total net position - governmental activities		<u>\$ 31,029,551</u>

SCHOOL DISTRICT OF БЕЛОIT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local	\$ 9,119,555	\$ 87,087	\$ 6,023,489	\$ 15,230,131
Interdistrict payments	1,096,258	-	20,966	1,117,224
Intermediate sources	13,829	-	1,609	15,438
State	68,910,822	-	85,483	68,996,305
Federal	7,610,507	-	3,352,896	10,963,403
Other sources	372,671	-	64,968	437,639
Total revenues	87,123,642	87,087	9,549,411	96,760,140
EXPENDITURES				
Instruction				
Regular instruction	34,179,172	-	6,981	34,186,153
Vocational instruction	1,549,541	-	-	1,549,541
Physical instruction	1,999,918	-	3,293	2,003,211
Special education instruction	9,637,456	-	-	9,637,456
Other instruction	3,653,494	-	255,774	3,909,268
Total instruction	51,019,581	-	266,048	51,285,629
Support services				
Pupil services	4,941,365	-	-	4,941,365
Instructional staff services	3,838,196	-	40	3,838,236
General administrative services	1,021,491	-	-	1,021,491
Building administrative services	4,485,566	-	-	4,485,566
Business administrative services	13,133,201	-	3,300,301	16,433,502
Central services	3,041,080	-	-	3,041,080
Insurance and judgments	539,344	-	-	539,344
Other support services	4,232,138	-	-	4,232,138
Total support services	35,232,381	-	3,300,341	38,532,722
Capital outlay	6,061,540	36,500,548	87,076	42,649,164
Debt service				
Principal	1,200,000	-	3,002,223	4,202,223
Interest and fees	-	-	2,218,466	2,218,466
Total expenditures	93,513,502	36,500,548	8,874,154	138,888,204
Excess (deficiency) of revenues over (under) expenditures	(6,389,860)	(36,413,461)	675,257	(42,128,064)
Other financing sources (uses)				
Long term debt issued	4,199,572	297,324	-	4,496,896
Insurance recoveries	3,169	-	-	3,169
Transfers in (out)	(11,090)	-	11,090	-
Total other financing sources	4,191,651	297,324	11,090	4,500,065
Net change in fund balances	(2,198,209)	(36,116,137)	686,347	(37,627,999)
Fund balances—beginning of year	12,445,399	50,911,179	2,565,123	65,921,701
Fund balances—end of year	\$ 10,247,190	\$ 14,795,042	\$ 3,251,470	\$ 28,293,702

SCHOOL DISTRICT OF BELOIT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances—total governmental funds		\$ (37,627,999)
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 the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 42,649,164	
Depreciation expense reported in the statement of activities	(2,870,310)	
Net book value of assets disposed of	<u>(193,465)</u>	
		39,585,389
 Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long term liabilities and does not affect the statement of activities.		 (4,496,896)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		 4,202,223
Bonds and notes	3,002,223	
Capital leases	<u>1,200,000</u>	
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	19,931	
Amortization of premium	206,729	
Net decrease in other postemployment benefits	980,310	
Net increase in compensated absences	<u>(16,910)</u>	
		<u>1,190,060</u>
 Change in net position of governmental activities		 <u><u>\$ 2,852,777</u></u>

SCHOOL DISTRICT OF BELOIT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	Private Purpose Trust	Employee Benefit Trust	Student Activity Agency
ASSETS			
Cash and investments	\$ -	\$ 1,776,269	\$ 87,224
Accounts receivable	-	25,018	-
Total assets	\$ -	\$ 1,801,287	\$ 87,224
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 4,527
Due to student organizations	-	-	82,697
Due to other funds	-	8,230	-
Total liabilities	-	8,230	87,224
NET POSITION			
Restricted	-	1,793,057	-
Total liabilities and Net Position	\$ -	\$ 1,801,287	\$ 87,224

SCHOOL DISTRICT OF BELOIT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Gifts	\$ 1,500	\$ -
Contributions to employee benefit trust	-	2,087,486
Investment earnings	-	147,662
	<hr/>	<hr/>
Total additions	1,500	2,235,148
DEDUCTIONS		
Scholarships	1,500	-
Other postemployment benefits	-	2,690,121
	<hr/>	<hr/>
Total deductions	1,500	2,690,121
Change in net position	-	(454,973)
Net Position—beginning of year	<hr/>	<hr/>
	-	2,248,030
Net Position—end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ 1,793,057

SCHOOL DISTRICT OF БЕLOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Beloit (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Reporting Entity

The School District of Beloit operates as a unified school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for pre-kindergarten through grade 12.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

Basis of Presentation

District-wide Financial Statements

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses. Program revenues include 1) recipients who use, or directly benefit from goods and services, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

General Fund

The general fund includes the general operating fund and the special education fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund

Capital projects fund is used to account for financial resources of the District to be used for capital expenditures related to buildings and sites.

The District reports the following nonmajor governmental funds:

Debt Service Fund

Debt service fund is used to account for financial resources to be used for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Special Revenue Funds

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund and the Co-operative Program Fund as special revenue funds.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

Employee Benefit Trust Fund

Employee benefit trust fund is used to account for resources legally held in trust for the District's postemployment health insurance benefits.

Agency Fund

The District used the agency fund to account cash belonging to student activity/organizations.

Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement resources to such programs, followed by general revenues.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Investments

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

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

Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, Rock County purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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

Inventory and Prepaid Items

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 65
Furniture and equipment	5 - 30

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no qualifying deferred outflows as of June 30, 2014.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 has no qualifying deferred inflows as of June 30, 2014.

Compensated Absences

Employees may accumulate a total of 120 days of paid leave. Retiring employees will receive a cash payout for up to 60 days of paid leave earned in excess 60 accrued days at the time of his/her retirement at a value to be determined by the district. The current value will be \$100.00 per day.

Compensated absences are reported on the government-wide financial statements. The District accrued the vacation which it deems probable of payout. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

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.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were not significant claims or judgments at year end.

Net Position

In the district-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

Restricted Net Position—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—Resources that can only be used for specific purposes as the result of a formal action of the District's highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

Assigned—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District's adopted policy, the Finance Committee may assign amounts for specific purposes at the recommendation of the Director of Business Services.

Unassigned—Resources that are available for any purpose. Unassigned fund balance is for working capital for cash flow purposes and to reduce the need for short term borrowing. Unassigned amounts are only reported in the general fund.

Minimum Fund Balance Policy

It is the District's policy to maintain a minimum year-end balance of unassigned resources of at least 18% of the anticipated General Fund expenditure budget for the subsequent fiscal year, to be available as working capital for cash-flow purposes and to reduce the need for short term borrowing.

Any amount under 14% of the fund balance, as of year-end shall provoke a consideration by the Board to consider use of surplus funds to replenish the reserve.

Use of Restricted Resources

The District considers restricted amounts to be spent first when both restricted and unrestricted net position are available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

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 reported amounts and disclosures.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2014, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Cash on hand	\$ 3,939	\$ 3,939	
Deposits with financial institutions	34,345,887	33,257,682	Custodial
Investments	1,166,307	1,166,307	Credit and interest rate
	<u>\$ 35,516,133</u>	<u>\$ 34,427,928</u>	

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

Statement of net position	
Governmental activities	\$ 32,564,435
Statement of fiduciary net position	
Employee benefit trust	1,776,269
Agency fund	<u>87,224</u>
	<u>\$ 34,427,928</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2—CASH AND INVESTMENTS (continued)

5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

A school district may invest funds that are held in trust solely to provide any of the following benefits in the same manner as is authorized for investments under section 881.01.

- a. Postemployment health care benefits provided either separately or through a defined benefit pension plan
- b. Other postemployment benefits provided separately from a defined pension plan.

The District's investment policy minimizes credit risk by limiting investments to the safest type of securities. All investments shall be planned to avoid loss of capital from credit risk

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. As of June 30, 2014, all investments have a maturity of 12 months or less.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would 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 risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District's investment policy requires any amount above the FDIC coverage limit to be collateralized.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. The District investment policy requires collateral for any deposits in excess of the FDIC coverage limit. The District's fair value for demand deposits was \$34,345,887 all of which was fully insured or collateralized.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2—CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

No District investment represents 5% or more of the total investments.

NOTE 3—INTERFUND ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables, including any overdrafts on pooled cash and investment accounts:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor funds	\$ 282,885
General fund	Employee Benefit Trust	8,230
Capital project fund	Nonmajor funds	<u>261</u>
		<u>\$ 291,376</u>

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

The following balances as of June 30, 2014 represent transfer in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Co-operative Program	General Fund	\$ 11,090
Special education fund	General Fund	<u>7,741,888</u>
		<u>\$ 7,752,978</u>

The transfer from the General Fund to the Co-operative Fund was made for general operations.

NOTE 4—UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Summer conference fees	\$ 45,139
Student meal deposits	<u>13,486</u>
	<u>\$ 58,625</u>

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 5,742,563	\$ 857,471	\$ -	\$ 6,600,034
Construction in progress	<u>9,868,648</u>	<u>1,639,708</u>	<u>(9,868,648)</u>	<u>1,639,708</u>
Total capital assets not being depreciated	15,611,211	2,497,179	(9,868,648)	8,239,742
Capital assets being depreciated				
Building and improvements	61,001,722	45,023,656	-	106,025,378
Equipment	<u>9,423,623</u>	<u>4,996,978</u>	<u>(243,833)</u>	<u>14,176,768</u>
Total capital assets being depreciated	70,425,345	50,020,634	(243,833)	120,202,146
Less accumulated depreciation	<u>32,697,737</u>	<u>2,870,310</u>	<u>(50,368)</u>	<u>35,517,679</u>
Total capital assets being depreciated-net	<u>37,727,608</u>	<u>47,150,324</u>	<u>(193,465)</u>	<u>84,684,467</u>
Governmental activity capital assets-net	<u>\$ 53,338,819</u>			<u>\$ 92,924,209</u>

Depreciation expense for governmental activities for the year ended June 30, 2014 was charged to functions as follows:

Regular instruction	\$ 571,952
Vocational instruction	27,908
Physical instruction	80
Other instruction	530
Administrative services	159
Operation and maintenance of plant	2,081,099
Central services	<u>188,582</u>
Total depreciation:	<u>\$ 2,870,310</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6—LONG-TERM OBLIGATIONS

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
G.O. Bonds Qualified Zone	\$71,140,000	\$ -	\$ (2,790,000)	\$ 68,350,000	\$ 2,910,000
Academy Bonds Qualified Zone	1,856,568	-	(178,875)	1,677,693	190,429
Academy Lease Qualified Energy	306,133	-	(33,348)	272,785	33,348
Conservation Bond	2,215,000	-	-	2,215,000	-
G.O. Note	-	297,324	-	297,324	56,055
Total general obligation debt	75,517,701	297,324	(3,002,223)	72,812,802	3,189,832
Capital lease	-	4,199,572	(1,200,000)	2,999,572	1,200,000
Compensated absences	69,220	16,910	-	86,130	-
Total long-term liabilities	\$75,586,921	\$ 4,513,806	\$ (4,202,223)	\$ 75,898,504	\$ 4,389,832

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2014 was \$2,216,653 and \$2,196,722, respectively.

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

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,205,475,718. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2014 was as follows:

Debt limit (10% of \$1,205,475,718)	\$ 120,547,572
Less: long-term debt applicable to debt margin:	<u>72,812,802</u>
Margin of indebtedness:	<u><u>\$ 47,734,770</u></u>

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6—LONG-TERM OBLIGATIONS (continued)

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

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2014
G.O. refunding bonds	3/8/2010	2.65 - 5.90%	10/1/2028	\$ 6,270,000	\$ 6,270,000
G.O. refunding bonds	9/17/2012	2.00 - 3.00%	4/1/2029	10,000,000	9,315,000
G.O. school improvement bond	1/7/2013	2.00 - 3.00%	4/1/2032	57,785,000	52,765,000
Qualified Zone Academy Bond	12/28/2009	0.00%	9/15/2024	1,785,000	1,309,000
Qualified Zone Academy Bond	8/23/2004	0.00%	8/23/2018	1,000,000	368,693
Qualified Zone Academy Lease	12/28/2005	0.00%	12/28/2020	574,000	272,785
Qualified Energy Conservation Bond	9/16/2012	4.75%	4/1/2032	2,215,000	2,215,000
G.O. Note	6/24/2014	2.97%	12/24/2018	297,324	297,324
					<u>\$ 72,812,802</u>

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

Year Ended June 30	Principal	Interest	Total
2015	\$ 3,189,832	\$ 2,131,425	\$ 5,321,257
2016	3,442,055	2,049,351	5,491,407
2017	3,533,644	1,958,371	5,492,015
2018	3,645,312	1,863,295	5,508,607
2019	3,775,360	1,763,816	5,539,176
2020-2024	19,877,599	7,088,019	26,965,618
2025-2029	22,324,000	4,197,383	26,521,383
2030-2032	13,025,000	972,188	13,997,188
	<u>\$ 72,812,802</u>	<u>\$ 22,023,848</u>	<u>\$ 94,836,651</u>

The District has a \$1,000,000 Qualified Zone Academy Bond and a \$574,000 Qualified Zone Academy Lease with principal payments made annually into escrow accounts. The District is required to make principal payments of \$838,250 and \$500,214, respectively, over the term of the bond and lease into escrow accounts. The escrow accounts earn interest on the payments and pay the full \$1,000,000 and \$574,000 of the bond and lease, respectively. The District amortizes the earnings on the escrow accounts on a straight-line over the life of the bond and lease and records interest income and debt payments on these amounts.

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7—EMPLOYEE RETIREMENT PLAN

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

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2014 are:

	Employee	Employer
General (including teachers)	7.00%	7.00%
Executives and elected officials	7.75%	7.75%
Protective with Social Security	7.00%	7.00%
Protective without Social Security	7.00%	13.70%

The payroll for District employees covered by the WRS for the year ended June 30, 2014 was \$36,795,894; the employer's total payroll was \$42,102,077. The total required contribution for the year ended June 30, 2014 was \$5,045,751, which consisted of \$2,522,875, or 7 % of payroll from the employer and \$2,522,875, or 7 % of payroll from employees. Total contributions for the years ended June 30, 2013 and 2012 were \$5,045,751 and \$4,989,452, respectively, equal to the required contributions for each year.

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

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7—EMPLOYEE RETIREMENT PLAN (continued)

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

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

NOTE 8—SELF-FUNDED INSURANCE PROGRAM

On December 1, 1983, the District established a self-funded health and dental benefit plan for its employees. The plan administrators are 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, 2014.

As part of the health care coverage of the plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims as provided by Prairie States and Restat. The District has no stop-loss coverage for dental care coverage of the plan.

At June 30, 2014, the District has reported a liability of \$2,453,899, which represents reported and unreported claims which were incurred on or before June 30, 2014, but are not paid by the District as of that date. This amount consists of claims reported to the District by the plan administrator, claims reported to the plan administrator but not the District and claims which were not yet reported to either the plan administrator or the District. The unpaid claim liability was computed on a best estimate basis, and was determined by an actuary.

	Beginning Balance	Claims IBNR	Claim Payments	Ending Balance
Estimated claims outstanding	\$ 2,416,451	\$ 2,453,899	\$ 2,416,451	\$ 2,453,899

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are approximately 669 active and 104 retired members in the plan as of July 1, 2013, the date of the latest actuarial valuation. Benefits and eligibility are established and amended by the Board of Education.

Funding Policy. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and for the year ended June 30, 2014 the District contributed \$2,087,487 to the School District of Beloit Post-Employment Benefits Trust.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 1,413,609
Interest on net OPEB obligation	543,078
Adjustment to annual required contribution	<u>(849,511)</u>
Annual OPEB cost (expense)	1,107,176
OPEB payments made	<u>(2,087,487)</u>
Increase in net OPEB obligation	(980,311)
Net OPEB obligation - beginning of year	<u>13,576,962</u>
Net OPEB obligation - end of year	<u><u>\$ 12,596,651</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 1,107,176	188.54%	\$ 12,596,651
6/30/2013	1,872,932	182.14%	13,576,962
6/30/2012	5,520,668	48.29%	15,115,379

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$18,529,694 and the actuarial value of assets was \$1,962,546 resulting in an unfunded actuarial accrued liability (UAAL) of \$16,567,148. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-14 fiscal year was \$54,279,461 for a ratio of the UAAL to covered payroll of 30.52%.

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 healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

The schedule of employer contributions presented as required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and healthcare cost trend rates ranging from 5.50 percent to 8.50 percent. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 1, 2013 was 30 years.

NOTE 10—LEASE AGREEMENTS, AS LESSOR

The District leased a facility for Head Start under a non-cancelable operating lease. Total costs related to the lease was \$4,548 for the year ended June 30, 2014. The District leases copiers under non-cancelable leases. Total costs related to these leases was \$129,632 for the year ended June 30, 2014.

The future minimum lease payments expected for these leases are as follows:

Year Ending June 30,	Facilities	Copiers	Total
2015	379	22,672	23,051
2016	-	4,102	4,102
	<u>\$ 379</u>	<u>\$ 26,774</u>	<u>\$ 27,153</u>

NOTE 11—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2014 consist of the following:

Net investment in capital assets	\$ 30,458,530
Restricted	
Debt Service	1,244,714
Capital Projects	14,795,042
Food Service	1,138,276
Donor restricted	<u>343,332</u>
Total Restricted	17,521,364
Unrestricted	<u>(16,950,343)</u>
Total Governmental Activities Net Position	<u><u>\$ 31,029,551</u></u>

NOTE 13—GOVERNMENTAL FUND BALANCE

Governmental fund balances reported on the financial statements at June 30, 2014 include the following:

Nonspendable	
Prepaid expenses	
General Fund	\$ 232,199
Inventory	
Nutrition Services	<u>42,337</u>
Total Nonspendable Fund Balance	<u>274,536</u>
Restricted	
Debt Service	1,769,862
Capital Projects	14,795,042
Donor restricted	343,332
Nutrition Services	<u>1,095,939</u>
Total Restricted	<u>18,004,175</u>
Unassigned	<u>10,014,991</u>
Total Governmental Fund Balance	<u><u>\$ 28,293,702</u></u>

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

NOTE 15—COMMITMENTS AND CONTINGENCIES

The District has active construction projects as of June 30, 2014. These projects include the new Fruzen Intermediate School, renovations to the Cunningham intermediate school, Beloit Memorial High School tennis courts, and a student store. At the end of the year the District's commitments with contractors to complete the projects amount to \$16,501,376.

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

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

NOTE 16—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65 debt issuance costs are no longer recorded as an asset and amortized over the life of the related debt issue. Debt issuance costs are now expensed in the current period. As a result, an adjustment of \$139,050 was made to decrease the June 30, 2013 net position of the Government Activities on the statement of activities and to decrease assets by eliminating deferred loan costs.

NOTE 17—EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The statement will require the District to disclose their net pension liability on their statement of net position, effective for the year ending June 30, 2015. GASB Statement No. 68 defines the liability as the difference between the total pension liability and the value of assets set aside to pay benefits. The Wisconsin Retirement System (WRS) will provide net pension liability using a measurement date no earlier than the end of the District's prior fiscal year. The WRS will allocate the net pension liability to all employers based on their proportionate share of the employer contributions. This statement may have a material effect on the District's pension liability compared to what is disclosed under current standards.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 9,526,497	\$ 9,075,910	\$ 9,119,555	\$ 43,645
Interdistrict payments	709,294	1,075,716	1,038,409	(37,307)
Intermediate sources	95,000	-	-	-
State	65,646,821	65,841,321	65,727,278	(114,043)
Federal	4,147,470	5,952,671	4,910,504	(1,042,167)
Other sources	87,000	330,679	349,056	18,377
Total revenues	80,212,082	82,276,297	81,144,802	(1,131,495)
EXPENDITURES				
Instruction				
Regular instruction	32,351,435	38,012,753	37,867,949	144,804
Vocational instruction	1,883,896	1,994,756	2,003,387	(8,631)
Physical instruction	2,030,861	2,015,145	2,004,720	10,425
Other instruction	3,396,721	3,619,992	3,635,961	(15,969)
Total instruction	39,662,913	45,642,646	45,512,017	130,629
Support services				
Pupil services	2,900,276	2,982,005	2,932,753	49,252
Instructional staff services	3,836,956	3,819,622	3,366,765	452,857
General administrative services	1,018,602	1,099,632	1,021,491	78,141
Building administrative services	4,434,516	4,641,172	4,467,995	173,177
Business administrative services	11,768,103	13,831,259	13,824,902	6,357
Central services	3,844,789	3,780,507	3,297,343	483,164
Insurance and judgments	474,786	540,198	539,344	854
Debt Services	1,201,579	1,200,000	1,200,000	-
Other support services	473,500	79,564	63,001	16,563
Total support services	29,953,107	31,973,959	30,713,594	1,260,365
Non-program transactions				
Interfund transfers	7,591,882	7,663,317	7,752,978	(89,661)
Instructional Service Payments	2,680,821	3,256,771	3,276,505	(19,734)
Other non-program transactions	323,359	140,436	290,658	(150,222)
Total non-program transactions	10,596,062	11,060,524	11,320,141	(259,617)
Total expenditures	80,212,082	88,677,129	87,545,752	1,131,377
Excess of revenues over expenditures	-	(6,400,832)	(6,400,950)	(118)
Other financing sources (uses)				
Capital lease proceeds	-	4,199,572	4,199,572	-
Proceeds from sale of capital assets	-	3,169	3,169	-
Total other financing sources (uses)	-	4,202,741	4,202,741	-
Net change in fund balances	-	(2,198,091)	(2,198,209)	(118)
Fund balances—beginning of year	12,445,399	12,445,399	12,445,399	-
Fund balances—end of year	\$ 12,445,399	\$ 10,247,308	\$ 10,247,190	\$ (118)

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2014

SOURCES/ INFLOWS OF RESOURCES:	<u>General Fund</u>
Actual General Fund Operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 81,144,802
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>5,978,840</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 87,123,642</u>
USES/ OUTFLOWS OF RESOURCES:	
Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 87,545,752
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting Interfund transfers are included in other financing uses in the General Fund, as required for GAAP reporting	<u>13,720,728</u> <u>(7,752,978)</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 93,513,502</u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 1,962,546	\$ 18,529,694	\$ 16,567,148	11.8%	\$ 54,279,461	30.52%
7/1/2012	2,261,664	26,177,339	23,915,675	9.5%	67,102,280	35.64%
7/1/2011	1,226,915	44,627,603	43,400,688	2.8%	71,532,817	60.67%
7/1/2009	2,364,274	48,918,632	46,554,358	5.1%	72,923,651	63.84%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2014

The history of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contributions	Actual Contribution	Percent Contributed
2014	1,413,609	2,087,487	147.67%
2013	2,214,047	3,411,349	154.08%
2012	5,768,539	2,975,120	51.57%
2011	7,056,293	2,329,182	33.01%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

Excess Expenditures Over Appropriations

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

<u>Function</u>	<u>Excess Expenditures</u>
Vocational instruction	8,631
Other instruction	15,969
Interfund transfers	89,661
Instructional Service Payments	19,734
Other non-program transactions	150,222

NOTE 2—FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
 June 30, 2014

	Operating Fund	Education Fund	General Fund
ASSETS			
Cash and investments	\$ 5,686,698	\$ 8,366,055	\$ 14,052,753
Accounts receivable	3,645,231	37,573	3,682,804
Due from other governments	2,290,784	476,953	2,767,737
Due from other funds	7,895,673	-	7,895,673
Prepaid expenses	232,199	-	232,199
Total assets	\$ 19,750,585	\$ 8,880,581	\$ 28,631,166
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 902,296	\$ 105,942	\$ 1,008,238
Accrued salaries and wages	3,691,498	945,048	4,636,546
Payroll taxes and withholdings	574,784	225,033	799,817
Due to other funds	-	7,604,558	7,604,558
Self insurance premiums	2,453,899	-	2,453,899
Self insurance claims payable	1,835,779	-	1,835,779
Unearned revenues	45,139	-	45,139
Total liabilities	9,503,395	8,880,581	18,383,976
FUND BALANCES			
Nonspendable	232,199	-	232,199
Unassigned	10,014,991	-	10,014,991
Total fund balances	10,247,190	-	10,247,190
Total liabilities and fund balances	\$ 19,750,585	\$ 8,880,581	\$ 28,631,166

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Local	\$ 9,119,555	\$ -	\$ 9,119,555
Interdistrict payments	1,038,409	57,849	1,096,258
Intermediate sources	-	13,829	13,829
State	65,727,278	3,183,544	68,910,822
Federal	4,910,504	2,700,003	7,610,507
Other sources	349,056	23,615	372,671
Total revenues	81,144,802	5,978,840	87,123,642
EXPENDITURES			
Instruction			
Regular instruction	34,179,172	-	34,179,172
Vocational instruction	1,549,023	518	1,549,541
Physical instruction	1,999,918	-	1,999,918
Special education instruction	-	9,637,456	9,637,456
Other instruction	3,635,961	17,533	3,653,494
Total instruction	41,364,074	9,655,507	51,019,581
Support services			
Pupil services	2,932,753	2,008,612	4,941,365
Instructional staff services	3,364,538	473,658	3,838,196
General administrative services	1,021,491	-	1,021,491
Building administrative services	4,451,575	33,991	4,485,566
Business administrative services	12,278,386	854,815	13,133,201
Central services	3,016,856	24,224	3,041,080
Insurance and judgments	539,344	-	539,344
Other support services	3,630,164	601,974	4,232,138
Total support services	31,235,107	3,997,274	35,232,381
Capital Outlay	5,993,593	67,947	6,061,540
Debt service			
Principal	1,200,000	-	1,200,000
Total expenditures	79,792,774	13,720,728	93,513,502
Excess (deficiency) of revenues over (under) expenditures	1,352,028	(7,741,888)	(6,389,860)
Other financing sources (uses)			
Long term debt issued	4,199,572	-	4,199,572
Insurance recoveries	3,169	-	3,169
Transfers in (out)	(7,752,978)	7,741,888	(11,090)
Total other financing sources (uses)	(3,550,237)	7,741,888	4,191,651
Net change in fund balances	(2,198,209)	-	(2,198,209)
Fund balances—beginning of year	12,445,399	-	12,445,399
Fund balances—end of year	\$ 10,247,190	\$ -	\$ 10,247,190

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue Funds			Co-operative Program	Total Nonmajor Governmental Funds
	Debt Service	Special Revenue	School Nutrition Services		
ASSETS					
Cash and investments	\$1,769,862	\$ 373,342	\$ 821,847	\$ -	\$2,965,051
Accounts receivable	-	-	9,882	18,547	28,429
Due from other governments	-	-	551,728	-	551,728
Inventory	-	-	42,337	-	42,337
Total assets	\$1,769,862	\$ 373,342	\$1,425,794	\$ 18,547	\$3,587,545
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 26,472	\$ 3,254	\$ 9,350	\$ 39,076
Payroll taxes and withholdings	-	-	367	-	367
Due to other funds	-	3,538	270,411	9,197	283,146
Unearned revenue	-	-	13,486	-	13,486
Total liabilities	-	30,010	287,518	18,547	336,075
FUND BALANCES					
Nonspendable	-	-	42,337	-	42,337
Restricted	1,769,862	343,332	1,095,939	-	3,209,133
Total fund balances	1,769,862	343,332	1,138,276	-	3,251,470
Total liabilities and fund balances	\$1,769,862	\$ 373,342	\$1,425,794	\$ 18,547	\$3,587,545

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Debt Service	Special Revenue funds			Total Nonmajor Governmental Funds
		Special Revenue	School Nutrition Services	Co-operative Program	
REVENUES					
Local	\$5,363,771	\$ 285,509	\$ 369,628	\$ 4,581	\$6,023,489
Interdistrict payments within Wisconsin	-	-	-	20,966	20,966
Intermediate sources	-	-	-	1,609	1,609
State	-	-	85,483	-	85,483
Federal	-	-	3,352,896	-	3,352,896
Other sources	60,086	-	4,882	-	64,968
Total revenues	5,423,857	285,509	3,812,889	27,156	9,549,411
EXPENDITURES					
Current:					
Instruction					
Regular instruction	-	6,981	-	-	6,981
Vocational instruction	-	2,250	-	1,043	3,293
Other instruction	-	221,096	-	34,678	255,774
Total instruction	-	230,327	-	35,721	266,048
Support services					
Instructional staff services	-	40	-	-	40
Business administrative services	-	24,368	3,273,408	2,525	3,300,301
Total support services	-	24,408	3,273,408	2,525	3,300,341
Capital Outlay	-	31,570	55,506	-	87,076
Debt service					
Principal	3,002,223	-	-	-	3,002,223
Interest and fees	2,218,466	-	-	-	2,218,466
Total expenditures	5,220,689	286,305	3,328,914	38,246	8,874,154
Excess (deficiency) of revenues over (under) expenditures	203,168	(796)	483,975	(11,090)	675,257
Other financing sources					
Transfers in	-	-	-	11,090	11,090
Total other financing sources (uses)	-	-	-	11,090	11,090
Net change in fund balances	203,168	(796)	483,975	-	686,347
Fund balances—beginning of year	1,566,694	344,128	654,301	-	2,565,123
Fund balances—end of year	\$1,769,862	\$ 343,332	\$1,138,276	\$ -	\$3,251,470

SCHOOL DISTRICT OF BELOIT
 AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended June 30, 2014

	Student Activity Fund			Balance 6/30/2014
	Balance 7/1/2013	Additions	Deductions	
ASSETS				
Cash and Investments	\$ 92,187	\$ 112,273	\$ 117,236	\$ 87,224
Accounts receivable	-	-	-	-
Prepaid expenses	115	-	115	-
Total assets	\$ 92,302	\$ 112,273	\$ 117,351	\$ 87,224
LIABILITIES				
Accounts payable	\$ 5,305	\$ 4,527	\$ 5,305	\$ 4,527
Due to student organizations				
Elementary Schools	3,749	3,924	1,747	5,926
Middle School	19,439	28,716	35,365	12,790
High School	63,809	75,106	74,934	63,981
Total liabilities	\$ 92,302	\$ 112,273	\$ 117,351	\$ 87,224

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AND OTHER AUDITORS' REPORTS**

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Accrued or (Deferred) Revenue at 7/1/2013	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2014
Department of Agriculture					
Pass-through programs from Wisconsin Department of Public Instruction					
Fresh Fruit and Vegetable Program	10.582	\$ 51,859	\$ 173,733	\$ 161,159	\$ 39,285
Child Nutrition Cluster					
School Breakfast Program	10.553	137,044	870,450	877,116	143,710
National School Lunch Program	10.555	276,162	1,929,775	1,969,927	316,314
National School Lunch Program - Food Donation	10.555	-	216,071	216,071	-
Summer Food Service Program for Children	10.559	52,076	128,248	128,591	52,419
Total Child Nutrition Cluster		<u>465,282</u>	<u>3,144,544</u>	<u>3,191,705</u>	<u>512,443</u>
Total Department of Agriculture		517,141	3,318,277	3,352,864	551,728
Department of Education					
Fund for the Improvement of Education	84.215	67,567	101,503	33,936	-
Pass-through programs from Wisconsin Department of Public Instruction					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	84.010	754,766	2,996,309	2,992,869	751,326
Special Education Cluster (IDEA)					
Special Education--Grants to States (IDEA, Part B)	84.027	358,904	2,090,281	2,094,422	363,045
Special Education--Preschool Grants (IDEA Preschool)	84.173	18,674	77,748	89,313	30,239
Total Special Education Cluster (IDEA)		<u>377,578</u>	<u>2,168,029</u>	<u>2,183,735</u>	<u>393,284</u>
Career and Technical Education - Basic Grants to States	84.048	82,793	129,895	87,090	39,988
Safe and Drug-Free Schools and Communities					
National Programs	84.184	46,889	126,842	96,644	16,691
Education for Homeless Children and Youth	84.196	23,421	67,518	58,431	14,334
Twenty-First Century Community Learning Centers	84.287	174,526	399,160	282,678	58,044
Transition to Teaching	84.350	28,541	10,000	28,648	47,189
English Language Acquisition State Grants	84.365	27,987	166,569	168,460	29,878
Improving Teacher Quality State Grants	84.367	143,962	346,790	294,966	92,138
Total Department of Education		1,728,030	6,512,615	6,227,457	1,442,872
Department of Health and Human Services					
Pass-through Wisconsin Department of Public Instruction					
Center for Disease Control	93.938		4,300	4,300	-
Teen Parents Dropout Prevention Public Aid (InSPIRE)	93.500		16,262	35,026	18,764
Pass-through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	160,599	1,345,972	1,269,042	83,669
Pass-through Wisconsin Rock County					
Substance Abuse and Prevention	93.959	636	7,679	7,043	-
Total Department of Health and Human Services		161,235	1,374,213	1,315,411	102,433
Total Federal Programs		<u>\$ 2,406,406</u>	<u>\$11,205,105</u>	<u>\$10,895,732</u>	<u>\$ 2,097,033</u>

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2014

State Grantor/ Program Title	State Identifying Number	Accrued or (Deferred) Revenue at 7/1/2013	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2014
Wisconsin Department of Public Instruction					
Special Education and School Age Parents	255.101	\$ -	\$ 3,141,339	\$ 3,141,339	\$ -
State School Lunch Aid	255.102	-	33,090	33,090	-
Common School Fund Library Aid	255.103	-	236,524	236,524	-
Bilingual/Bicultural Aid	255.106	-	108,160	108,160	-
General Transportation Aid for Public School Pupils	255.107	-	20,224	20,224	-
Equalization Aid and Special Adjustment Aid	255.201	1,051,593	60,592,270	60,628,538	1,087,861
High Cost Special Education Aid	255.210	-	42,205	42,205	-
School Breakfast Program	255.344	-	52,393	52,393	-
Mentoring Grants for Initial Educators	255.355	-	-	13,229	13,229
Student Achievement Guarantee in Education	255.504	-	3,602,431	3,602,431	-
High Poverty Aid	255.926	-	427,527	427,527	-
Educator Effectiveness Grant	255940	-	-	49,840	49,840
Per Pupil Adjustment Aid	255.945	-	542,400	542,400	-
Safe Schools/Health Students	PAD000443	-	21,820	40,686	18,866
Total Wisconsin Department of Public Instruction		1,051,593	68,820,383	68,938,586	1,169,796
Wisconsin Department of Revenue					
Exempt Computer Aid		58,124	58,124	53,273	53,273
Total State Programs		\$ 1,109,717	\$ 68,878,507	\$ 68,991,859	\$ 1,223,069

SCHOOL DISTRICT OF BELOIT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2014

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the District under programs of the federal government and state agencies for the year ended June 30, 2014. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Costs Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Wisconsin Department of Public Instruction uses the federal CFDA numbers as the pass-through entity identifying numbers.

NOTE 3—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, there were no commodities in inventory at the District.

NOTE 4—OVERSIGHT AGENCIES

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$10,802,641 for the year ended June 30, 2014.

SCHOOL DISTRICT OF BELOIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

No Prior Audit Findings



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

To the Board of Education
School District of Beloit
Brookfield, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Beloit (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District of Beloit's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of Beloit'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 School District of Beloit's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Beloit's internal control.

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

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 17, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR 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
School District of Beloit
Brookfield, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal and Major State Program

In our opinion, School District of Beloit 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 major state programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of School District of Beloit 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 School District of Beloit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major 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 major 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 School District of Beloit's internal control over compliance.

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

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

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 17, 2014

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section I—Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's 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 OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173 93.778	Special Education Cluster (IDEA) Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

Identification of state major programs:

State Identifying Number	Name of State Program
255.101	Special Education & School Age Parents
255.201	Equalization Aid and Special Adjustment Aid
255.103	Common School Library Fund
255.106	Bilingual/Bicultural Aid
255.504	Student Achievement Guarantee in Education

Section II—Financial Statement Findings

No matters were reported

Section III—Federal and State Award Findings and Questioned Costs

No matters were reported

Section IV—Other Issues

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

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 Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

November 17, 2014