

**ST. FRANCIS SCHOOL DISTRICT**

Milwaukee County, Wisconsin

FINANCIAL STATEMENTS

June 30, 2005

# ST. FRANCIS SCHOOL DISTRICT

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June 30, 2005

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
St. Francis School District  
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Francis School District ("District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's School Board and management. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's School Board and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 St. Francis School District as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2005, on our consideration of the St. Francis School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules on pages 31 through 33 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
St. Francis School District  
Milwaukee County, Wisconsin

The St. Francis School District has not presented the management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Francis School District's basic financial statements. The combining fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Milwaukee, Wisconsin  
August 25, 2005

## **BASIC FINANCIAL STATEMENTS**

# ST. FRANCIS SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

June 30, 2005

### ASSETS

#### CURRENT ASSETS

Cash and investments	\$ 6,845,876
Accounts receivable	16,080
Due from other governments	466,686
Inventory	3,235
Other current assets	<u>10,000</u>
Total Current Assets	<u>7,341,877</u>

#### NONCURRENT ASSETS

Capital assets	13,771,279
Less: Accumulated depreciation	<u>(6,472,161)</u>
Net Capital Assets	<u>7,299,118</u>

Total Assets 14,640,995

### LIABILITIES

#### CURRENT LIABILITIES

Temporary notes payable	3,150,000
Accounts payable	57,643
Accrued salaries and wages	450,212
Payroll taxes and withholdings	320,526
Due to other governments	232,228
Accrued interest payable	81,963
Unearned revenue	30,888
Current portion of long-term obligations	590,678
Other current liabilities	<u>789,390</u>
Total Current Liabilities	<u>5,703,528</u>

#### NON-CURRENT LIABILITIES

Noncurrent portion of long-term obligations	<u>4,209,975</u>
Total Liabilities	<u>9,913,503</u>

### NET ASSETS

Invested in capital assets, net of related debt	4,158,220
Restricted for debt service	293,927
Unrestricted	<u>275,345</u>
Total Net Assets	<u>\$ 4,727,492</u>

# ST. FRANCIS SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES For Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Instruction</b>				
Regular	\$ 5,082,797	\$ 1,720,215	\$ 106,118	\$ (3,256,464)
Vocational	305,207	-	-	(305,207)
Special education	1,816,850	191,038	530,410	(1,095,402)
Other	726,907	41,374	-	(685,533)
Total Instruction	<u>7,931,761</u>	<u>1,952,627</u>	<u>636,528</u>	<u>(5,342,606)</u>
<b>Support Services</b>				
Pupil services	541,562	-	62,952	(478,610)
Instructional support services	461,325	-	106,887	(354,438)
Administration	1,195,786	2,017	-	(1,193,769)
Buildings and grounds	1,663,981	-	-	(1,663,981)
Pupil transportation	135,959	-	414	(135,545)
Other support services	486,453	-	159,073	(327,380)
Interest and fees	295,561	-	-	(295,561)
Food service	476,530	300,821	136,779	(38,930)
Total Support Services	<u>5,257,157</u>	<u>302,838</u>	<u>466,105</u>	<u>(4,488,214)</u>
Community services	<u>424,217</u>	<u>22,201</u>	<u>-</u>	<u>(402,016)</u>
Total Activities	<u>\$ 13,613,135</u>	<u>\$ 2,277,666</u>	<u>\$ 1,102,633</u>	<u>(10,232,836)</u>
<b>General Revenues</b>				
Property taxes:				
General purposes				3,673,785
Debt services				1,035,000
State and federal aids not restricted to specific functions:				
General				6,265,638
Investment Income				62,605
Miscellaneous revenue				<u>46,490</u>
Total General Revenues				<u>11,083,518</u>
<b>Change in Net Assets</b>				850,682
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>3,876,810</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$ 4,727,492</u>

**ST. FRANCIS SCHOOL DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	General Fund	Special Education Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and investments	\$ 6,337,100	\$ 105,047	\$ 330,165	\$ 73,564	\$ 6,845,876
Accounts receivable	14,395	-	-	-	14,395
Due from other governments	161,046	290,491	-	15,149	466,686
Due from other funds	1,685	-	-	-	1,685
Inventory	-	-	-	3,235	3,235
Other current assets	10,000	-	-	-	10,000
<b>TOTAL ASSETS</b>	<b>\$ 6,524,226</b>	<b>\$ 395,538</b>	<b>\$ 330,165</b>	<b>\$ 91,948</b>	<b>\$ 7,341,877</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Temporary notes payable	\$ 3,150,000	\$ -	\$ -	\$ -	\$ 3,150,000
Accounts payable	46,614	10,586	-	443	57,643
Accrued salaries and wages	361,279	88,933	-	-	450,212
Payroll taxes and withholdings	258,566	61,960	-	-	320,526
Due to other governments	-	232,228	-	-	232,228
Accrued interest payable	45,725	-	-	-	45,725
Deferred revenues	26,798	-	-	4,090	30,888
Other current liabilities	787,559	1,831	-	-	789,390
<b>Total Liabilities</b>	<b>4,676,541</b>	<b>395,538</b>	<b>-</b>	<b>4,533</b>	<b>5,076,612</b>
Fund Balances					
Reserved	96,734	-	330,165	-	426,899
Unreserved, reported in					
General fund	1,750,951	-	-	-	1,750,951
Special revenue funds	-	-	-	87,415	87,415
<b>Total Fund Balances</b>	<b>1,847,685</b>	<b>-</b>	<b>330,165</b>	<b>87,415</b>	<b>2,265,265</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,524,226</b>	<b>\$ 395,538</b>	<b>\$ 330,165</b>	<b>\$ 91,948</b>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					7,299,118
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.					(4,800,653)
Accrued Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.					(36,238)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>					<b>\$ 4,727,492</b>

## ST. FRANCIS SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For Year Ended June 30, 2005

	General Fund	Special Education Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>					
Local	\$ 3,411,372	\$ -	\$ 1,039,619	\$ 783,022	\$ 5,234,013
Interdistrict	1,624,005	109,443	-	-	1,733,448
Intermediate	51,591	30,004	-	-	81,595
State	6,298,027	444,809	-	5,155	6,747,991
Federal	265,191	223,465	-	131,624	620,280
Other	46,490	-	-	-	46,490
Total Revenues	<u>11,696,676</u>	<u>807,721</u>	<u>1,039,619</u>	<u>919,801</u>	<u>14,463,817</u>
<b>EXPENDITURES</b>					
Instruction					
Regular	5,050,146	-	-	19,571	5,069,717
Special education	3,112	1,813,738	-	-	1,816,850
Vocational	305,207	-	-	-	305,207
Other	726,907	-	-	-	726,907
Total instruction	<u>6,085,372</u>	<u>1,813,738</u>	<u>-</u>	<u>19,571</u>	<u>7,918,681</u>
Support Services					
Pupil services	286,682	252,656	-	-	539,338
Instructional support services	322,296	135,522	-	-	457,818
Administration	1,195,786	-	-	-	1,195,786
Buildings and grounds	1,636,444	-	-	47,375	1,683,819
Pupil transportation	43,333	92,626	-	-	135,959
Other support services	486,453	-	-	-	486,453
Debt service					
Principal	28,575	-	900,421	-	928,996
Interest and fees	81,606	-	225,193	-	306,799
Food service	-	-	-	468,082	468,082
Total support services	<u>4,081,175</u>	<u>480,804</u>	<u>1,125,614</u>	<u>515,457</u>	<u>6,203,050</u>
Community services					
	-	-	-	424,217	424,217
Total Expenditures	<u>10,166,547</u>	<u>2,294,542</u>	<u>1,125,614</u>	<u>959,245</u>	<u>14,545,948</u>
Excess (deficiency) of revenues over expenditures	1,530,129	(1,486,821)	(85,995)	(39,444)	(82,131)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	1,486,821	50,000	30,482	1,567,303
Transfers out	(1,567,303)	-	-	-	(1,567,303)
<b>Net Change in Fund Balances</b>	<b>(37,174)</b>	<b>-</b>	<b>(35,995)</b>	<b>(8,962)</b>	<b>(82,131)</b>
FUND BALANCES - BEGINNING OF YEAR	<u>1,884,859</u>	<u>-</u>	<u>366,160</u>	<u>96,377</u>	<u>2,347,396</u>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,847,685</b>	<b>\$ -</b>	<b>\$ 330,165</b>	<b>\$ 87,415</b>	<b>\$ 2,265,265</b>

## ST. FRANCIS SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For Year Ended June 30, 2005

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Net Change in Fund Balances - Total Governmental Funds \$ (82,131)

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

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

Capital outlay reported in governmental fund statements	310,914
Depreciation expense reported in the statement of activities	(306,241)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repaid	
Bonds and notes payable	900,421
Capital leases	28,575

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 governmental funds.

Compensated Absences	(12,094)
Accrued interest on debt	11,238
	<hr/>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 850,682

**ST. FRANCIS SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2005

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	Private- Purpose Trust	Agency
	<u>Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and investments	\$ 9,965	\$ 84,950
<b>LIABILITIES</b>		
Due to student organizations	-	83,265
Due to other funds	-	1,685
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 84,950</u>
<b>NET ASSETS - Held in trust</b>	<u>\$ 9,965</u>	

**ST. FRANCIS SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For Year Ended June 30, 2005**

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	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>	\$ -
<b>DEDUCTIONS</b>	<u>-</u>
<b>Change in Net Assets</b>	-
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>9,965</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,965</u>

# ST. FRANCIS SCHOOL DISTRICT

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# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the St. Francis School District, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

#### **A. REPORTING ENTITY**

This report includes all of the funds of the St. Francis School 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. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit for the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

#### **B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***District-Wide Financial Statements***

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the District except for fiduciary funds. All of the District's activities are reported as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 to functions in the statement of activities. Program revenues include 1) charges to students or others who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, equalized aid and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental statement. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all funds combined.
- c. In addition, any other fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major governmental funds:

General Fund – accounts for the District's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Education Special Revenue Fund – accounts for resources used to provide special education services to District students.

Debt Service Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The District reports the following nonmajor governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

TEACH Grant Fund  
Community Service Fund

Food Service Fund

Capital Projects Fund – used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### ***B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS*** (continued)

##### ***Fund Financial Statements*** (continued)

In addition, the District reports the following fund types:

Private-purpose trust funds – used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Scholarship Fund

Agency funds – used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Student Activity Fund

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***District-Wide Financial Statements***

The District-wide Statement of Net Assets and Statement of Activities are reported 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 when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. As a general rule, the effect of interfund activity has been eliminated from the District-wide financial statements.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (continued)

##### **Fund Financial Statements** (continued)

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing Districts for collection. Property taxes attach as an enforceable lien as of January 1.

Property tax calendar – 2004 tax roll:

Lien date and levy date	December, 2004
Tax bills mailed	December, 2004
Payment in full, or	January 31, 2005
First installment due	January 31, 2005
Second installment due	March 31, 2005
Final installment due	May 31, 2005
Tax sale 2004 delinquent real estate taxes	October, 2007

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year even though taxpayers have an option to pay their taxes in installments up to July 31. The full amount of the tax levy is paid the District by the county prior to August 20 regardless of whether or not the taxpayers have made the required installment payments.

Property taxes are collected by the local town, village, or city until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are recorded as deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, investment income, and public charges for services that meet the availability criteria described above. All other general revenues such as student fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING,  
AND FINANCIAL STATEMENT PRESENTATION (continued)**

**All Financial Statements**

The preparation of all financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**1. Deposits and Investments**

Investment of District funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

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

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (continued)

##### **1. Deposits and Investments** (continued)

PMA Financial Network, Inc. is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network, Inc. The WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2005, the District's share of the WISC's assets was substantially equal to the amount reported.

The District has adopted an investment policy but that policy does not address certain investment risks. The policy contains the following guidelines.

The fiscal affairs manager with the advice of superintendent and school district treasurer shall act for the school board and its officers in managing investments of district monies, may execute investment documents in the district's name, and may confer when necessary with consultants regarding investment decisions. District monies shall be deposited as investments in any institution or security specified in Wisconsin Statutes 66.04(2), except that no more than \$500,000 shall be invested in any one bank, credit union, or savings institution. District monies without limit may be deposited as investments in the Local Government Investment Pool and/or Wisconsin School District Liquid Asset Fund operated by the State Treasurer of Wisconsin as a service to local municipalities. Twice each year, and upon demand by any school board member, the fiscal affairs manager shall report on monies earned through investing.

The general fund and debt service fund checking accounts shall be placed at a board-designated depository.

Once each year in the months of September or October a short-term loan to meet current fiscal year expenditures of the district shall be effected in anticipation of property taxes and state aids to be received by the district. The total amount borrowed shall not exceed one-half the estimated receipts for the operation and maintenance of the school district for the fiscal year in which the borrowing occurs. The interest rate for such loan shall be formally bid among banks and financial institutions in Wisconsin and other states.

See Note III.A. for further information.

##### **2. Receivables**

General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**ST. FRANCIS SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*** (continued)

***3. Inventories***

The District has recorded certain Food Service Fund items as inventory. All other governmental fund inventories are charged to expenditure accounts when purchased. Year-end inventory was not significant.

***4. Capital Assets***

***District –Wide Statements***

Capital assets, which include property, plant, and equipment, are reported in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life of one year or more. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets associated with specific functions is allocated to those functions in the statement of activities. Depreciation on capital assets associated with multiple functions is reported as a separate item. Accumulated depreciation is reflected in the Statement of Net Assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Land improvements	20 Years
Furniture and equipment	5 – 20 Years

***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

***5. Other Assets***

Other assets consist of a deposit made with Employee Benefits Corporation for the District's flexible spending program.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*** (continued)

##### ***6. Compensated Absences***

The District's policy allows certain full-time employees, excluding teachers, to earn varying amounts of vacation pay for each year employed, accumulating to a maximum vested amount of 25 days. These employees also earn varying amounts of sick pay accumulating to a maximum amount of 70 days. Accumulated sick pay vests at age 55 for custodial employees with at least 10 years of service and at age 62 for clerical employees with at least 10 years of service. Upon retirement or termination of employment, the employee is entitled to a cash payment for one-half of vested vacation or sick pay. The value of this benefit payable in future fiscal periods amounting to \$84,755 is recorded in the Statement of Net Assets.

##### ***7. Long-Term Obligations***

All long-term obligations to be repaid from District resources are reported as liabilities in the District-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources, and payments of principal and interest are reported as expenditures.

##### ***8. Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the District-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (continued)

#### **9. Equity Classifications**

##### ***District–Wide Statements***

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

##### ***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation.

Fiduciary fund equity is classified as held in trust for scholarships. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is compliance for all significant restrictions.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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#### ***LIMITATION OF SCHOOL DISTRICT REVENUES***

Wisconsin statutes limit the amount of revenues that school Districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that 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.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### **NOTE III – DETAILED NOTES ON ALL FUNDS (continued)**

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#### **A. DEPOSITS AND INVESTMENTS**

##### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of June 30, 2005, all of the District's cash and investments of were held by the Wisconsin Investment Series Cooperative and the deposits held of \$7.6 million were exposed to custodial credit risk as uninsured and uncollateralized deposits.

See Note I D. 1. for further information on deposits and investments.

#### **B. RECEIVABLES**

All receivables as of year end are expected to be collected within one year.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

#### C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>129,234</u>	<u>109,249</u>	<u>(129,234)</u>	<u>109,249</u>
Total Capital Assets Being Not Being Depreciated	<u>144,234</u>	<u>109,249</u>	<u>(129,234)</u>	<u>124,249</u>
Capital Assets Being Depreciated:				
Buildings	11,737,409	323,084	-	12,060,493
Land improvements	1,099,155	-	-	1,099,155
Furniture and equipment	<u>479,567</u>	<u>7,815</u>	<u>-</u>	<u>487,382</u>
Total Capital Assets Being Depreciated	<u>13,316,131</u>	<u>330,899</u>	<u>-</u>	<u>13,647,030</u>
Total capital assets	<u>13,460,365</u>	<u>440,148</u>	<u>(129,234)</u>	<u>13,771,279</u>
Less: Accumulated Depreciation for:				
Buildings	(4,771,232)	(234,748)	-	(5,005,980)
Land improvements	(1,077,551)	(38,479)	-	(1,116,030)
Furniture and equipment	<u>(317,137)</u>	<u>(33,014)</u>	<u>-</u>	<u>(350,151)</u>
Total Accumulated Depreciation	<u>(6,165,920)</u>	<u>(306,241)</u>	<u>-</u>	<u>(6,472,161)</u>
Capital Assets Being Depreciated, Net of Depreciation	<u>\$ 7,150,211</u>	<u>\$ 24,658</u>	<u>\$ -</u>	<u>\$ 7,174,869</u>
Total Capital Assets, Net of Depreciation	<u>\$ 7,294,445</u>	<u>\$ 133,907</u>	<u>\$ (129,234)</u>	<u>\$ 7,299,118</u>

Depreciation expense was charged to District functions as follows:

Instruction	
Regular	\$ 13,816
Support services	
Pupil services	2,224
Building and grounds	278,303
Food services	<u>11,898</u>
Total depreciation expense	<u>\$ 306,241</u>

**ST. FRANCIS SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE III – DETAILED NOTES ON ALL FUNDS (continued)**

***D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts. These amounts are all due within one year.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund- Student Activity Fund	<u>\$ 1,685</u>

The principal purpose of this interfund amount was to finance an overdraft of cash.

For the Statement of Net Assets, interfund balances which are owed within the governmental activities are netted and eliminated.

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principl Purpose</u>
Special Education Fund	General Fund	\$ 1,486,821	To eliminate deficit fund balance
Debt Service Fund	General Fund	50,000	To finance debt service expenditures
Food Service Fund	General Fund	<u>30,482</u>	To eliminate deficit fund balance
	Total Transfers	<u>\$ 1,567,303</u>	

Generally, transfers use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

***E. TAX AND REVENUE ANTICIPATION NOTES PAYABLE***

The District issues tax and revenue anticipation notes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January. The District's short-term debt activity for the year ending June 30, 2005, is as follows:

<u>Description</u>	<u>Balance 7/1/2004</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/2005</u>
Tax and Revenue Anticipation Note	<u>\$ 2,950,000</u>	<u>\$ 3,150,000</u>	<u>\$ 2,950,000</u>	<u>\$ 3,150,000</u>

The current tax and revenue anticipation note is due on October 19, 2005 and has an interest rate of 1.9%. Total short-term interest expended during the year was \$55,505.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

#### **F. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2005 was as follows:

	Balance 7/1/2004	Increases	Decreases	Balance 6/30/2005	Amounts Due Within One Year
<b>Bonds and Notes Payable</b>					
General Obligation Bonds Payable	\$ 3,295,000	\$ -	\$ 615,000	\$ 2,680,000	\$ 425,000
Promissory note	315,000	-	105,000	210,000	105,000
<b>Taxable Variable Rate</b>					
Anticipation Note	1,725,000	-	150,000	1,575,000	-
EPA bonds	197,761	-	30,421	167,340	30,421
Subtotal	5,532,761	-	900,421	4,632,340	560,421
<b>Other Liabilities</b>					
Capital Leases	112,133	-	28,575	83,558	30,257
Compensated Absences	72,661	18,488	6,394	84,755	-
Subtotal	184,794	18,488	34,969	168,313	30,257
<b>Total Long-Term Liabilities</b>	<b>\$ 5,717,555</b>	<b>\$ 18,488</b>	<b>\$ 935,390</b>	<b>\$ 4,800,653</b>	<b>\$ 590,678</b>

#### **General Obligation Debt**

All general obligation bonds payable are backed by the full faith and credit and unlimited taxing powers of the District and will be retired by future property tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2005, was \$47,332,670. Total general obligation debt outstanding at year end was \$4,632,340.

Type	Date of Issue	Final Maturity	Interest Rate	Original Indebtness	Balance Outstanding 6/30/05
Refunding bonds	10/1/95	4/1/11	4.00-5.55%	\$ 3,855,000	\$ 1,645,000
	12/15/02	4/1/15	1.55-4.30	1,555,000	1,035,000
EPA bonds	6/1/91	5/30/10	n/a	547,572	167,340
Promissory notes	12/15/02	4/1/07	1.55-3.00	515,000	210,000
Taxable Variable Rate Anticipation note	12/19/02	8/1/07	Variable	1,725,000	1,575,000
<b>Total General Obligation Debt</b>					<b>\$ 4,632,340</b>

**ST. FRANCIS SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE III – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**General Obligation Debt (continued)**

Total interest expense on the District-wide statement of activities is \$295,561. Interest and fiscal charges paid during the year on general obligation long-term debt were \$225,193. This is included in the debt service function in the fund financial statements.

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 560,421	\$ 139,091	\$ 699,512
2007	575,421	110,686	686,107
2008	2,065,421	86,060	2,151,481
2009	520,421	62,840	583,261
2010	330,431	38,230	368,661
2011-2015	<u>580,225</u>	<u>72,830</u>	<u>653,055</u>
Totals	<u>\$ 4,632,340</u>	<u>\$ 509,737</u>	<u>\$ 5,142,077</u>

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability is attributable to governmental activities and will be liquidated primarily by the General Fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

**G. LEASE DISCLOSURE**

**Lessee – Capital Leases**

The District leases office equipment which has been capitalized for financial reporting purposes. The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

<u>Year Ending June 30</u>	
2006	\$ 34,424
2007	34,424
2008	<u>21,821</u>
Sub-Total	90,669
Less: Amount representing interest	<u>(7,111)</u>
Present Value of Minimum Lease Payments	<u>\$ 83,558</u>

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

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#### G. LEASE DISCLOSURE (continued)

##### *Lessee – Operating Leases*

The District has no material operating leases with a remaining noncancellable term exceeding one year.

#### H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the District-wide Statement of Net Assets at June 30, 2005 includes the following:

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 7,299,118
Less: Related long-term debt outstanding (net of unspent proceeds)	<u>(3,140,898)</u>
Total invested in capital assets	4,158,220
Restricted for debt service	293,927
Unrestricted	<u>275,345</u>
Total Governmental Activities Net Assets	<u>\$ 4,727,492</u>

Governmental fund balances reported on the fund financial statements at June 30, 2005 include the following:

#### **Reserved**

Major Funds	
General Fund	
Reserved for subsequent year's expenditures	\$ 96,734
Debt Service Fund	
Reserved for debt service	<u>330,165</u>
Total Unreserved	<u>426,899</u>

#### **Unreserved**

Major Funds	
General Fund	
Unreserved - undesignated	1,750,951
Nonmajor Funds	
Community Service Fund	
Unreserved - undesignated	<u>87,415</u>
Total Unreserved	<u>1,838,366</u>

Total Fund Balances	<u>\$ 2,265,265</u>
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# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE IV – EXPLANATION OF CERTAIN DIFFERENCES

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#### *GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS*

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$ 15,000
Construction in progress	109,249
Buildings	12,060,493
Land improvements	1,099,155
Furniture and equipment	487,382
Less: accumulated depreciation	<u>(6,472,161)</u>
Adjustment for Capital Assets	<u>\$ 7,299,118</u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities—both current and long-term—are reported in the Statement of Net Assets.

Long term debt	\$ 4,632,340
Capital leases	83,558
Compensated absences	<u>84,755</u>
Combined Adjustment	<u>\$ 4,800,653</u>

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible District employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.6% of their salary to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the system for the year ended June 30, 2005 was \$6.3 million; the employer's total payroll was \$6.5 million. The total required contribution for the year ended June 30, 2005 was \$628,975 or 10% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending June 30, 2004 and 2003 were \$559,376 or 9.6% of covered payroll and \$627,479 or 9.8% of covered payroll, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. The factors influencing the benefit are: 1) final average earnings, 2) years of creditable service, and 3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of June 30, 2005, the District did not have pension-related debt.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### **NOTE V – OTHER INFORMATION (continued)**

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#### ***B. RISK MANAGEMENT***

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

#### ***C. COMMITMENTS AND CONTINGENCIES***

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

During 2005, the District entered into a contract for the District's reconfiguring project. Work that has been completed but not yet paid for (including any contract retainages) is reflected as accounts payable and expenditures. The balance of the contract amount is \$96,734 at year end and is included in reserved for subsequent year's expenditures in the General Fund.

#### ***D. OTHER POST-EMPLOYMENT BENEFITS***

The District provides post-employment benefits to teachers and certain administrators who served the District with at least 20 full-time equivalent years of service and are at least 56 years of age when they retire. The benefit is equal to \$1,300 times the number of years of service, not to exceed 30 years, plus one-half of accumulated sick leave paid as a cash payment over 4 years or in health insurance benefits. The entire cost is paid by the District; funding comes from the current year budget. The contributions are funded on a pay as you go basis. The number of participants currently eligible to receive benefits is one hundred thirteen.

Benefits that require payments in future fiscal years though related to current received services are recorded as expenditure in the period or periods in which they are paid or normally payable rather than the period in which they are incurred. The cost of these post-employment benefits was approximately \$218,600 and is expense/expenditure in both the District-wide and fund financial statements. The estimated future liability at current costs for those individuals covered by this benefit is approximately \$1.9 million. This liability is considered an other post-employment benefit and in accordance with generally accepted accounting principals has not been reported as a long-term obligation in the District's Statement of Net Assets.

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE V – OTHER INFORMATION (continued)

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#### *E. SELF INSURANCE*

On January 1, 1990, the District established a self-funded health benefit plan for its employees. The District also established a self-funded dental benefit plan effective July 1, 1993. The Plan Administrators, Beneco and Delta Dental are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is responsible for monthly administrative and stop loss insurance fees. The Plans report on a fiscal year ending December 31. Accounting and budgeting requirements for the Plans are established by the Wisconsin Department of Public Instruction. The Plans are accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage which pays claims in excess of \$50,000 for both 2005 and 2004 per individual and/or 125% of the annual estimated claims as provided by Beneco. The aggregate annual claim limit was \$1,259,121 for 2005 and 2004. The District has no stop-loss coverage for dental care coverage of the Plan. At June 30, 2005, the District has reported a liability of \$789,390 which represents reported and unreported health and dental claims which were incurred on or before June 30, 2005, but were not paid by the District as of that date. This amount is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the claims liability amount in 2005 and 2004 were:

<u>Year</u>	<u>Balance Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance End of Fiscal Year</u>
2004	\$ 637,308	\$ 1,973,812	\$ 1,563,540	\$ 1,047,580
2005	1,047,580	1,363,184	1,621,374	789,390

**REQUIRED SUPPLEMENTARY INFORMATION**

**ST. FRANCIS SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local	\$ 3,362,735	\$ 3,362,735	\$ 3,411,372	\$ 48,637
Interdistrict	1,767,444	1,767,444	1,624,005	(143,439)
Intermediate	35,000	35,000	51,591	16,591
State	6,291,931	6,291,931	6,298,027	6,096
Federal	298,254	298,254	265,191	(33,063)
Other Revenues	-	-	46,490	46,490
<b>Total Revenues</b>	<u>11,755,364</u>	<u>11,755,364</u>	<u>11,696,676</u>	<u>(58,688)</u>
<b>EXPENDITURES</b>				
Instruction				
Regular	5,343,487	5,343,487	5,050,146	293,341
Special education	1,500	1,500	3,112	(1,612)
Vocational	263,300	263,300	305,207	(41,907)
Other	704,971	704,971	726,907	(21,936)
<b>Total instruction</b>	<u>6,313,258</u>	<u>6,313,258</u>	<u>6,085,372</u>	<u>227,886</u>
Support Services				
Pupil services	277,183	277,183	286,682	(9,499)
Instructional support services	323,969	323,969	322,296	1,673
Administration	1,290,866	1,290,866	1,195,786	95,080
Buildings and grounds	1,705,421	1,705,421	1,636,444	68,977
Pupil transportation	35,000	35,000	43,333	(8,333)
Other support services	720,314	720,314	486,453	233,861
Debt service				
Principal	40,000	40,000	28,575	11,425
Interest and fees	60,000	60,000	81,606	(21,606)
<b>Total support services</b>	<u>4,452,753</u>	<u>4,452,753</u>	<u>4,081,175</u>	<u>371,578</u>
<b>Total Expenditures</b>	<u>10,766,011</u>	<u>10,766,011</u>	<u>10,166,547</u>	<u>599,464</u>
Excess of revenues over expenditures	989,353	989,353	1,530,129	540,776
<b>OTHER FINANCING USES</b>				
Transfers out	(1,558,772)	(1,558,772)	(1,567,303)	(8,531)
<b>Net Change in Fund Balances</b>	<u>\$ (569,419)</u>	<u>\$ (569,419)</u>	(37,174)	<u>\$ 532,245</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>			<u>1,884,859</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 1,847,685</u>	

**ST. FRANCIS SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL EDUCATION FUND  
 For Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interdistrict	\$ 60,000	\$ 60,000	\$ 109,443	\$ 49,443
Intermediate	27,500	27,500	30,004	2,504
State	439,537	439,537	444,809	5,272
Federal	289,468	289,468	223,465	(66,003)
<b>Total Revenues</b>	<u>816,505</u>	<u>816,505</u>	<u>807,721</u>	<u>(8,784)</u>
<b>EXPENDITURES</b>				
Instruction				
Special education	<u>1,838,322</u>	<u>1,838,322</u>	<u>1,813,738</u>	<u>24,584</u>
Support Services				
Pupil services	243,530	243,530	252,656	(9,126)
Instructional support services	152,925	152,925	135,522	17,403
Pupil transportation	<u>110,500</u>	<u>110,500</u>	<u>92,626</u>	<u>17,874</u>
<b>Total support services</b>	<u>506,955</u>	<u>506,955</u>	<u>480,804</u>	<u>26,151</u>
<b>Total Expenditures</b>	<u>2,345,277</u>	<u>2,345,277</u>	<u>2,294,542</u>	<u>50,735</u>
Excess (deficiency) of revenues over expenditures	(1,528,772)	(1,528,772)	(1,486,821)	41,951
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>1,528,772</u>	<u>1,528,772</u>	<u>1,486,821</u>	<u>(41,951)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>			<u>-</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ -</u>	

# ST. FRANCIS SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

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### ***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 I.C.

Operating budgets are adopted each fiscal year for all Governmental Funds in accordance with section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the function level in the General Fund and at the fund level for all other funds. Reported budget amounts are as amended by School Board resolution. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

## **SUPPLEMENTARY INFORMATION**



## ST. FRANCIS SCHOOL DISTRICT

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS For Year Ended June 30, 2005

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Funds
	TEACH Fund	Food Service	Community Service		
<b>REVENUES</b>					
Local	\$ -	\$ 300,821	\$ 482,201	\$ -	\$ 783,022
State	-	5,155	-	-	5,155
Federal	-	131,624	-	-	131,624
Total Revenues	-	437,600	482,201	-	919,801
<b>EXPENDITURES</b>					
Instruction					
Regular	19,571	-	-	-	19,571
Total instruction	19,571	-	-	-	19,571
Support Services					
Buildings and grounds	-	-	-	47,375	47,375
Food service	-	468,082	-	-	468,082
Total support services	-	468,082	-	47,375	515,457
Community services	-	-	424,217	-	424,217
Total Expenditures	19,571	468,082	424,217	47,375	959,245
Excess (deficiency) of revenues over expenditures	(19,571)	(30,482)	57,984	(47,375)	(39,444)
<b>OTHER FINANCING SOURCES</b>					
Transfer in	-	30,482	-	-	30,482
<b>Net Change in Fund Balances</b>	(19,571)	-	57,984	(47,375)	(8,962)
FUND BALANCES - BEGINNING OF YEAR	19,571	-	29,431	47,375	96,377
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ 87,415	\$ -	\$ 87,415

# ST. FRANCIS SCHOOL DISTRICT

## AGENCY FUNDS SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES For the Year Ended June 30, 2005

	Balance 7/1/2004	Additions	Deductions	Balance 6/30/2005
<b>ASSETS</b>				
Cash and investments	\$ 75,699	\$ 214,731	\$ 205,480	\$ 84,950
Due from other funds	<u>1,860</u>	<u>-</u>	<u>1,860</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 77,559</u>	<u>\$ 214,731</u>	<u>\$ 207,340</u>	<u>\$ 84,950</u>
 <b>LIABILITIES</b>				
Due to student organizations	\$ 77,559	\$ 212,871	\$ 207,165	\$ 83,265
Due to other funds	<u>-</u>	<u>1,685</u>	<u>-</u>	<u>1,685</u>
<b>Total Liabilities</b>	<u>\$ 77,559</u>	<u>\$ 214,556</u>	<u>\$ 207,165</u>	<u>\$ 84,950</u>

**EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND RELATED AUDITOR'S REPORTS**

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

To the Board of Education  
St. Francis School District  
Milwaukee County, Wisconsin

**Compliance**

We have audited the compliance of the St. Francis School District ("District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and major state programs for the year ended June 30, 2005. The District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, and contracts and grants applicable to each of its major federal and major state programs is the responsibility of the St. Francis School District's management. Our responsibility is to express an opinion on the St. Francis School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and major state programs occurred. An audit includes examining, on a test basis, evidence about the St. Francis School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Francis School District's compliance with those requirements.

In our opinion, the St. Francis School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal and major state program for the year ended June 30, 2005.

To the Board of Education  
St. Francis School District  
Milwaukee County, Wisconsin

### ***Internal Control Over Compliance***

The management of the St. Francis School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal and major state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*.

Our consideration of the internal control over compliance would not necessarily disclose all reportable matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal and major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Milwaukee, Wisconsin  
August 25, 2005

## ST. FRANCIS SCHOOL DISTRICT

### NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS June 30, 2005

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**NOTE 1** - The Schedules of Expenditures of Federal and State Awards include all of the funds of the St. Francis School District. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

State programs reported include only those programs required to be included by the *State Single Audit Guidelines*.

**NOTE 2** - The accounting records for the grant programs are maintained on the modified accrual basis of accounting.

**NOTE 3** - 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 4** - Eligible costs for special education under project 011 were \$1,607,650 for the year ended June 30, 2005.

**NOTE 5** - Status of Prior Year Findings

No prior year audit findings existed for 2004.