

ST. FRANCIS SCHOOL DISTRICT
Milwaukee County, Wisconsin

FINANCIAL STATEMENTS

June 30, 2007

ST. FRANCIS SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2007

Independent Auditors' Report	1 – 2
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets – Fiduciary Funds	8
Statement of Changes in Net Assets – Fiduciary Funds	9
Index to Notes to Financial Statements	10
Notes to Financial Statements	11 – 31
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	32
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Special Education Fund	33
Schedule of Funding Progress – Single Employer Defined Benefit Pension Plan	34
Notes to Required Supplementary Information	35
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	37
Schedule of Changes in Assets and Liabilities – Agency Fund	38
Expenditures of Federal and State Awards and Related Auditors' Reports	
Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39 – 40
Independent Auditors' Report on Compliance with Requirements Applicable To each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the <i>State Single Audit Guidelines</i> and the Schedule of Expenditures of Federal and State Awards	41 – 42
Schedule of Expenditures of Federal Awards	43 – 44
Schedule of Expenditures of State Awards	45
Schedule of Findings and Questioned Costs	46 – 47
Summary Schedule of Prior Audit Findings	48 – 51
Notes to the Schedule of Expenditures of Federal and State Awards	52

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, 2007, 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 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, 2007, 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 November 19, 2007, 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 32 through 34 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 financial statements and schedules as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial 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.

Victoria Krause + Company, LLP

Milwaukee, Wisconsin
November 19, 2007

BASIC FINANCIAL STATEMENTS

ST. FRANCIS SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS

Cash and investments	\$ 7,252,532
Accounts receivable	5,515
Due from other governments	718,269
Inventories and other assets	13,235
Capital Assets	
Land	15,000
Other capital assets, net of depreciation	<u>6,740,309</u>
Total Assets	<u>14,744,860</u>

LIABILITIES

Short term notes payable	2,800,000
Accounts payable and accrued liabilities	2,026,559
Unearned revenues	43,538
Noncurrent liabilities	
Due within one year	488,237
Due in more than one year	<u>2,516,888</u>
Total Liabilities	<u>7,875,222</u>

NET ASSETS

Invested in capital assets, net of related debt	5,531,070
Restricted for debt service	275,089
Unrestricted	<u>1,063,479</u>
TOTAL NET ASSETS	<u>\$ 6,869,638</u>

ST. FRANCIS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 5,552,204	\$ 2,073,834	\$ 225,862	\$ (3,252,508)
Vocational	225,058	-	-	(225,058)
Special education	1,936,096	186,584	652,221	(1,097,291)
Other	724,743	36,868	-	(687,875)
Total Instruction	8,438,101	2,297,286	878,083	(5,262,732)
Support Services				
Pupil services	512,698	-	-	(512,698)
Instructional support services	421,270	-	84,341	(336,929)
Administration	1,283,560	5,630	6,231	(1,271,699)
Buildings and grounds	1,807,625	-	-	(1,807,625)
Pupil transportation	163,613	-	-	(163,613)
Other support services	395,803	-	-	(395,803)
Interest and fees	346,490	-	-	(346,490)
Food service	471,938	292,286	141,122	(38,530)
Total Support Services	5,402,997	297,916	231,693	(4,873,388)
Community services	231,369	15,504	-	(215,865)
Total Activities	\$ 14,072,467	\$ 2,610,706	\$ 1,109,776	(10,351,985)
General Revenues				
Taxes				
Property taxes, levied for general purposes				3,674,176
Property taxes, levied for debt service				1,114,278
Property taxes, levied for community service				193,489
Intergovernmental revenues not restricted to specific program				5,870,781
Investment Income				202,667
Miscellaneous				147,161
Total General Revenues				11,202,552
Change in Net Assets				850,567
NET ASSETS - Beginning of Year				6,019,071
NET ASSETS - END OF YEAR				\$ 6,869,638

ST. FRANCIS SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Special Revenue Special Education Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 6,568,186	\$ -	\$ 306,790	\$ 377,556	\$ 7,252,532
Accounts receivable	2,754	-	-	-	2,754
Due from other governments	255,004	446,179	-	17,086	718,269
Due from other funds	113,945	-	-	-	113,945
Inventory	-	-	-	3,235	3,235
Other current assets	10,000	-	-	-	10,000
TOTAL ASSETS	\$ 6,949,889	\$ 446,179	\$ 306,790	\$ 397,877	\$ 8,100,735
LIABILITIES AND FUND BALANCES					
Liabilities					
Short term notes payable	\$ 2,800,000	\$ -	\$ -	\$ -	\$ 2,800,000
Accounts payable	25,392	3,614	-	15,444	44,450
Accrued salaries and wages	582,354	144,378	-	-	726,732
Payroll taxes and withholdings	105,137	29,222	-	189	134,548
Due to other governments	1,544	125,380	-	-	126,924
Due to other funds	-	105,114	-	6,070	111,184
Accrued interest payable	65,392	-	-	-	65,392
Deferred revenues	33,748	-	-	9,790	43,538
Other current liabilities	858,173	38,471	-	168	896,812
Total Liabilities	4,471,740	446,179	-	31,661	4,949,580
Fund Balances					
Reserved for debt service	-	-	306,790	-	306,790
Unreserved, reported in:					
General fund undesignated	2,478,149	-	-	-	2,478,149
Special revenue funds - undesignated	-	-	-	366,216	366,216
Total Fund Balances	2,478,149	-	306,790	366,216	3,151,155
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,949,889	\$ 446,179	\$ 306,790	\$ 397,877	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. (See Note IV)	6,755,309
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. (See Note IV)	(3,005,125)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(31,701)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 6,869,638

ST. FRANCIS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	General Fund	Special Revenue Special Education Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local	\$ 3,992,626	\$ -	\$ 1,127,496	\$ 501,279	\$ 5,621,401
Interdistrict	1,961,522	164,283	-	-	2,125,805
Intermediate	25,809	22,301	-	-	48,110
State	5,996,111	484,513	-	5,130	6,485,754
Federal	151,210	206,061	-	135,991	493,262
Other	148,702	-	-	-	148,702
Total Revenues	12,275,980	877,158	1,127,496	642,400	14,923,034
EXPENDITURES					
Instruction					
Regular	5,468,227	-	-	-	5,468,227
Special education	-	1,936,096	-	-	1,936,096
Vocational	225,058	-	-	-	225,058
Other	724,743	-	-	-	724,743
Total instruction	6,418,028	1,936,096	-	-	8,354,124
Support Services					
Pupil services	384,459	128,239	-	-	512,698
Instructional support services	305,603	115,667	-	-	421,270
Administration	1,279,096	-	-	-	1,279,096
Buildings and grounds	1,458,413	-	-	-	1,458,413
Pupil transportation	54,337	109,276	-	-	163,613
Other support services	374,098	-	-	-	374,098
Debt service					
Principal	54,343	-	1,030,427	-	1,084,770
Interest and fees	112,377	-	230,078	-	342,455
Food service	-	-	-	465,642	465,642
Total support services	4,022,726	353,182	1,260,505	465,642	6,102,055
Community service	-	-	-	231,369	231,369
Total Expenditures	10,440,754	2,289,278	1,260,505	697,011	14,687,548
Excess (deficiency) of revenues over expenditures	1,835,226	(1,412,120)	(133,009)	(54,611)	235,486
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,412,120	-	32,235	1,444,355
Transfers out	(1,444,355)	-	-	-	(1,444,355)
Capital leases	78,783	-	-	-	78,783
Payment of debt refunded	-	-	(1,575,000)	-	(1,575,000)
Refunding bonds issued	-	-	1,590,000	-	1,590,000
Total Other Financing Sources (Uses)	(1,365,572)	1,412,120	15,000	32,235	93,783
Net Change in Fund Balance	469,654	-	(118,009)	(22,376)	329,269
FUND BALANCES - Beginning of Year	2,008,495	-	424,799	388,592	2,821,886
FUND BALANCES - END OF YEAR	\$ 2,478,149	\$ -	\$ 306,790	\$ 366,216	\$ 3,151,155

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 the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$ 329,269
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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 net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	107,003
Depreciation is reported in the government-wide statements	(324,086)
Net book value of assets retired	(128,667)

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

Debt issued	(1,590,000)
Capital leases issued	(78,783)
Principal repaid	2,659,770

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.

Compensated absences	10,461
Net pension obligation	(130,371)
Accrued interest on debt	(4,029)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 850,567</u>
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ST. FRANCIS SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency Student Activity</u>
ASSETS		
Cash and investments	\$ 9,965	\$ 99,240
LIABILITIES		
Due to student organizations	-	96,479
Due to other funds	-	2,761
Total Liabilities	-	\$ 99,240
TOTAL NET ASSETS	<u>\$ 9,965</u>	

ST. FRANCIS SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2007

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

ST. FRANCIS SCHOOL DISTRICT

INDEX TO NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE	Page
I. Summary of Significant Accounting Policies.....	11
A. Reporting Entity.....	11
B. District-Wide and Fund Financial Statements.....	11
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	13
D. Assets, Liabilities, and Net Assets or Equity.....	15
1. Deposits and Investments.....	15
2. Receivables.....	16
3. Inventories.....	17
4. Capital Assets.....	17
5. Other Assets.....	17
6. Compensated Absences.....	17
7. Long-Term Obligations.....	18
8. Claims and Judgments.....	18
9. Equity Classifications.....	19
II. Stewardship, Compliance, and Accountability.....	20
A. Excess Expenditures Appropriations.....	20
B. Limitation of School District Revenues.....	20
III. Detailed Notes on All Funds.....	21
A. Deposits and Investments.....	21
B. Receivables.....	22
C. Capital Assets.....	22
D. Interfund Receivables/Payables and Transfers.....	23
E. Tax and Revenue Anticipation Notes Payable.....	23
F. Long-Term Obligations.....	24
G. Lease Disclosures.....	25
H. Governmental Activities Net Assets/Fund Balances.....	26
IV. Explanation of Certain Differences.....	27
Governmental Fund Balance Sheet and the Statement of Net Assets.....	27
V. Other Information.....	28
A. Employees' Retirement System.....	28
B. Single-Employer Defined Benefit Pension Plan.....	29
C. Risk Management.....	30
D. Commitments and Contingencies.....	30
E. Other Post-Employment Benefits.....	30
F. Self Insurance.....	31

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Francis School District, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

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 of 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, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 of that category or type, 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 Revenue Fund - Special Education Fund – accounts for resources used to provide special education services to District students.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt.

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.

Food Service Fund
Community Service Fund

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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 are 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, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – 2006 tax roll:

Lien date and levy date	December 2006
Tax bills mailed	December 2006
Payment in full, or	January 31, 2007
First installment due	January 31, 2007
Second installment due	March 31, 2007
Final installment due	May 31, 2007
Tax sale 2006 delinquent real estate taxes	October, 2009

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. 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. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All Financial Statements

The preparation of 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, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007, 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, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In the district-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or their estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets associated with specific functions is allocated to those functions in the statement of activities, with accumulated depreciation 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.

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 \$90,521 is recorded in the statement of net assets.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, capital leases 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, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 less any unspent debt proceeds.
- 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. Reserved fund balance includes funds which have been legally segregated for specific purposes or are unavailable to finance current expenditures. 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 on the statement of fiduciary net assets. 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, 2007

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

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.

The following General Fund subfunctions had an excess of actual expenditures over budget for the year ended June 30, 2007.

Function	Excess Expenditures
Regular instruction	\$ 140,200
Other instruction	61,801
Pupil services	85,162
Principal	14,343
Interest and fees	12,377

The following individual fund had an excess of actual expenditures and other uses over appropriations for the year ended June 30, 2007:

Fund	Excess Expenditures
Debt Service Fund	\$ 431,538
Community Service Fund	27,370

B. 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, 2007

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risk
Wisconsin Investment Series Cooperative (WISC)	\$ 7,361,699	\$ 7,701,491	Credit, Interest rate
Petty Cash	38	-	N/A
Total Deposits and Investments	<u>\$ 7,361,737</u>	<u>\$ 7,701,491</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 7,252,532		
Per statement of net assets - Fiduciary Funds			
Private Purpose Trust Fund	9,965		
Agency Funds	99,240		
Total Cash and Investments	<u>\$ 7,361,737</u>		

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2007, the District's investments in WISC were not rated.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2007, the District's investments were as follows:

Specific Investment	Weighted Average Maturity (Days)	Fair Value
WISC	0	<u>\$ 7,701,491</u>

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

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

All receivables as of year end are expected to be collected within one year and no allowance for uncollectible accounts has been recorded.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital Assets Being Depreciated:				
Buildings	11,737,409	29,802	-	11,767,211
Land improvements	1,260,275	-	(128,667)	1,131,608
Furniture and equipment	812,426	77,201	-	889,627
Total Capital Assets Being Depreciated	<u>13,810,110</u>	<u>107,003</u>	<u>(128,667)</u>	<u>13,788,446</u>
Total capital assets	<u>13,825,110</u>	<u>107,003</u>	<u>(128,667)</u>	<u>13,803,446</u>
Less: Accumulated Depreciation for				
Buildings	(5,240,729)	(236,867)	-	(5,477,596)
Land improvements	(1,106,408)	3,837	-	(1,102,571)
Furniture and equipment	(376,914)	(91,056)	-	(467,970)
Total Accumulated Depreciation	<u>(6,724,051)</u>	<u>(324,086)</u>	<u>-</u>	<u>(7,048,137)</u>
Net Capital Assets Being Depreciated	<u>7,086,059</u>	<u>(217,083)</u>	<u>(128,667)</u>	<u>6,740,309</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,101,059</u>	<u>\$ (217,083)</u>	<u>\$ (128,667)</u>	<u>\$ 6,755,309</u>

Depreciation expense was charged to District functions as follows:

Instruction	
Regular	\$ 35,527
Support services	
Instructional	1,983
Building and grounds	268,189
Administration	12,091
Food services	6,296
Total Depreciation Expense	<u>\$ 324,086</u>

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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	\$ 2,761
General Fund	Special Revenue - Special Education Fund	105,114
General Fund	Special Revenue - Food Service Fund	6,070
Total		<u>\$ 113,945</u>

The principal purpose of the above interfunds amounts is to temporarily finance expenditures until all revenue sources are received.

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	\$ 1,412,120	To eliminate deficit fund balance
Food Service Fund	General Fund	<u>32,235</u>	To eliminate deficit fund balance
	Total Transfers	<u>\$ 1,444,355</u>	

The above transfers use unrestricted revenues collected in the General fund to finance Special Education program costs and Food Service costs in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

For the Statement of Activities, interfund transfers between governmental activities are netted and eliminated.

E. SHORT TERM 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, 2007, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Note	\$ 3,300,000	\$ 2,800,000	\$ 3,300,000	\$ 2,800,000

The current tax and revenue anticipation note is due on November 1, 2007 and has an interest rate of 3.75%. Total short-term interest expended during the year was \$96,616.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
General obligation debt	\$ 1,905,000	\$ 1,590,000	\$ 895,000	\$ 2,600,000	\$ 320,000
Promissory note	105,000	-	105,000	-	-
Taxable variable rate anticipation note	1,575,000	-	1,575,000	-	-
EPA bonds	136,919	-	30,427	106,492	30,421
Sub-totals	<u>3,721,919</u>	<u>1,590,000</u>	<u>2,605,427</u>	<u>2,706,492</u>	<u>350,421</u>
Other Liabilities					
Capital leases	53,301	78,783	54,343	77,741	47,295
Net Pension Obligation	-	198,872	68,501	130,371	-
Vested compensated absences	100,982	-	10,461	90,521	90,521
Sub-totals	<u>154,283</u>	<u>277,655</u>	<u>133,305</u>	<u>298,633</u>	<u>137,816</u>
Total Long-Term Liabilities	<u>\$ 4,800,653</u>	<u>\$ 1,867,655</u>	<u>\$ 2,738,732</u>	<u>\$ 3,005,125</u>	<u>\$ 488,237</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the District and will be retired by future property tax levies accumulated by the Debt Service Fund.

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, 2007, was \$61,816,750. Total general obligation debt outstanding at year end was \$2,706,492.

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtness</u>	<u>Balance 6/30/07</u>
Refunding bonds	10/1/95	4/1/11	4.00-5.55%	\$ 3,855,000	\$ 185,000
	12/15/02	4/1/15	1.55-4.30	1,555,000	855,000
	8/1/06	4/1/26	5.73-6.05	1,590,000	1,560,000
EPA bonds	6/1/91	5/30/10	n/a	547,572	106,492
Total General Obligation Debt					<u>\$ 2,706,492</u>

On August 1, 2006 the District issued \$1.59 million of taxable refunding bonds to refund \$1.55 million of taxable variable rate anticipation notes that were originally due on August 1, 2007 but called on August 1, 2006. The economic gain or loss from this refunding was not determined.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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 \$346,490. Interest and fiscal charges paid during the year was \$196,495 which 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>
2008	\$ 350,421	\$ 138,279	\$ 488,700
2009	180,421	120,986	301,407
2010	180,421	114,571	294,992
2011	175,229	107,906	283,135
2012	170,000	100,554	270,554
2013-2017	695,000	381,655	1,076,655
2018-2022	465,000	236,555	701,555
2023-2026	490,000	76,533	566,533
Totals	<u>\$ 2,706,492</u>	<u>\$ 1,277,039</u>	<u>\$ 3,983,531</u>

Estimated payments of compensated absences and capital leases are not included in the debt service requirement schedules. The compensated absences and capital leases liabilities are 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 DISCLOSURES

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, 2007:

<u>Year Ending June 30</u>	
2008	\$ 54,929
2009	<u>33,107</u>
Sub-Total	88,036
Less: Amount representing interest	<u>(10,295)</u>
Present Value of Minimum Lease Payments	<u>\$ 77,741</u>

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Net assets reported on the District-wide Statement of Net Assets at June 30, 2007 includes the following:

Invested in capital assets, net of related debt	
Land	\$ 15,000
Capital assets, net of accumulated depreciation	6,740,309
Less: Related long-term debt outstanding (net of unspent proceeds)	<u>(1,224,239)</u>
Total Invested in Capital Assets, Net of Related Debt	5,531,070
Restricted for debt service	275,089
Unrestricted	<u>1,063,479</u>
 Total Governmental Activities Net Assets	 <u>\$ 6,869,638</u>

Governmental fund balances reported on the fund financial statements at June 30, 2007 include the following:

Reserved	
Major Funds	
Debt Service Fund	
Reserved for debt service	\$ <u>306,790</u>
Unreserved	
Major Funds	
General Fund	
Unreserved - undesignated	2,478,149
Nonmajor Funds	
Community Service Fund	
Unreserved - undesignated	<u>366,216</u>
Total Unreserved	<u>2,844,365</u>
 Total Fund Balances	 <u>\$ 3,151,155</u>

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – EXPLANATION OF CERTAIN DIFFERENCES

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
Buildings	11,767,211
Land improvements	1,131,608
Furniture and equipment	889,627
Less: accumulated depreciation	<u>(7,048,137)</u>
 Adjustment for Capital Assets	 <u>\$ 6,755,309</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	\$ 2,706,492
Capital leases	77,741
Net pension obligation	130,371
Compensated absences	<u>90,521</u>
 Combined Adjustment	 <u>\$ 3,005,125</u>

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE V – OTHER INFORMATION

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 and Teacher categories are required by statute to contribute 6.0% 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, 2007 was \$6.4 million; the employer's total payroll was \$6.8 million. The total required contribution for the year ended June 30, 2007 was \$676,560 or 10.5% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending June 30, 2006 and 2005 were \$638,408 or 10.3% of covered payroll and \$628,975 or 10.0% 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, 2007, the District did not have any pension-related debt.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE V – OTHER INFORMATION (continued)

B. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

In accordance with its collective bargaining agreement and certain employment agreements, the District provides pension benefits through a non-contributory single employer defined pension plan covering eligible teachers. Eligible employees attaining the age of 56 and 20 years of full-time equivalent service are entitled to a retirement benefit 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. This amount is contributed directly to the former employee.

Funding Policy

The contribution requirements of plan members and the District are established through the collective bargaining agreement. The District is required to provide annual contributions on a pay-as-you-go basis. Active plan members are not required to contribute.

Annual Pension Cost and Net Pension Obligation

The District's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$ 133,127
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Adjustment to prior year liability	<u>65,745</u>
Annual pension cost	198,872
Contributions made	<u>(68,501)</u>
Increase (decrease) in net pension obligation	130,371
Net pension obligation - beginning of year	-
Net pension obligation - end of year	<u>\$ 130,371</u>

The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 4.75% discount rate and (b) projected salary increases of 3.0% per year. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized over twenty (20) years, using a level dollar amortization method.

Three Year Trend Information

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	Not available	Not available	Not available
6/30/06	\$ 133,127	51%	\$ 65,745
6/30/07	133,127	51%	130,371

ST. FRANCIS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE V – OTHER INFORMATION (continued)

C. 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.

D. 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.

E. 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 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 fifteen.

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 \$316,000 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 \$1.6 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, 2007

NOTE V – OTHER INFORMATION (continued)

F. 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 2007 and 2006 per individual and/or 125% of the annual estimated claims as provided by Allianz. The aggregate annual claim limit was \$1,558,552 for 2007 and \$1,259,121 for 2006. The District has no stop-loss coverage for dental care coverage of the Plan. At June 30, 2007, the District has reported a liability of \$879,220 which represents reported and unreported health and dental claims which were incurred on or before June 30, 2007, 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 2007 and 2006 were:

Year	Balance Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance End of Fiscal Year
2006	\$ 789,390	\$ 1,327,841	\$ 1,320,632	\$ 796,599
2007	796,599	1,558,862	1,476,241	879,220

REQUIRED SUPPLEMENTARY INFORMATION

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 3,873,200	\$ 3,884,407	\$ 3,992,626	\$ 108,219
Interdistrict	1,728,746	1,961,522	1,961,522	-
Intermediate	40,000	40,000	25,809	(14,191)
State	5,900,372	5,913,057	5,996,111	83,054
Federal	210,301	306,820	151,210	(155,610)
Other Revenues	2,000	2,000	148,702	146,702
Total Revenues	11,754,619	12,107,806	12,275,980	168,174
EXPENDITURES				
Instruction				
Regular	5,284,432	5,328,027	5,468,227	(140,200)
Vocational	277,130	277,130	225,058	52,072
Other	662,942	662,942	724,743	(61,801)
Total instruction	6,224,504	6,268,099	6,418,028	(149,929)
Support Services				
Pupil services	290,134	299,297	384,459	(85,162)
Instructional support services	290,948	317,640	305,603	12,037
Administration	1,117,926	1,282,887	1,279,096	3,791
Buildings and grounds	1,437,395	1,477,964	1,458,413	19,551
Pupil transportation	60,000	60,000	54,337	5,663
Other support services	564,935	564,935	374,098	190,837
Debt service				
Principal	40,000	40,000	54,343	(14,343)
Interest and fees	100,000	100,000	112,377	(12,377)
Total support services	3,901,338	4,142,723	4,022,726	119,997
Total Expenditures	10,125,842	10,410,822	10,440,754	(29,932)
Excess of revenues over expenditures	1,628,777	1,696,984	1,835,226	138,242
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,629,277)	(1,697,484)	(1,444,355)	253,129
Sale of fixed assets	500	500	-	(500)
Capital leases	-	-	78,783	78,783
Total Other Financing Sources (Uses)	(1,628,777)	(1,696,984)	(1,365,572)	331,412
Net Change in Fund Balances	\$ -	\$ -	469,654	\$ 391,371
FUND BALANCES - Beginning of Year			2,008,495	
FUND BALANCES - END OF YEAR			\$ 2,478,149	

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - SPECIAL EDUCATION FUND For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interdistrict	\$ 80,000	\$ 80,000	\$ 164,283	\$ 84,283
Intermediate	30,000	30,000	22,301	(7,699)
State	453,800	453,800	484,513	30,713
Federal	288,769	330,710	206,061	(124,649)
Total Revenues	<u>852,569</u>	<u>894,510</u>	<u>877,158</u>	<u>(17,352)</u>
EXPENDITURES				
Instruction				
Regular	4,256	4,256	-	4,256
Special education	1,975,943	2,021,884	1,936,096	85,788
Total instruction	<u>1,980,199</u>	<u>2,026,140</u>	<u>1,936,096</u>	<u>90,044</u>
Support Services				
Pupil services	221,891	217,891	128,239	89,652
Instructional support services	179,896	179,896	115,667	64,229
Pupil transportation	125,000	125,000	109,276	15,724
Total support services	<u>526,787</u>	<u>522,787</u>	<u>353,182</u>	<u>169,605</u>
Total Expenditures	<u>2,506,986</u>	<u>2,544,671</u>	<u>2,289,278</u>	<u>255,393</u>
Excess (deficiency) of revenues over expenditures	(1,654,417)	(1,650,161)	(1,412,120)	238,041
OTHER FINANCING SOURCES				
Transfer in	1,654,417	1,654,417	1,412,120	(242,297)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - Beginning of Year			-	
FUND BALANCES - END OF YEAR			<u>\$ -</u>	

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/05	\$ -	\$ 841,596	\$ 841,596	0%	\$ 5,040,494	17%

The District is required to present the above information for the three most recent actuarial studies. The study completed as of July 1, 2005 was the first and only study performed for the District.

ST. FRANCIS SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

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 BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
ASSETS			
Cash and investments	\$ -	\$ 377,556	\$ 377,556
Due from other governments	17,086	-	17,086
Inventory	3,235	-	3,235
TOTAL ASSETS	<u>\$ 20,321</u>	<u>\$ 377,556</u>	<u>\$ 397,877</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14,205	\$ 1,239	\$ 15,444
Payroll taxes and withholdings	-	189	189
Deferred revenue	-	9,790	9,790
Due to other funds	6,070	-	6,070
Other current liabilities	46	122	168
TOTAL LIABILITIES	<u>20,321</u>	<u>11,340</u>	<u>31,661</u>
Fund Balances			
Unreserved			
Undesignated	-	366,216	366,216
Total Fund Balances	-	366,216	366,216
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,321</u>	<u>\$ 377,556</u>	<u>\$ 397,877</u>

ST. FRANCIS SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2007

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
REVENUES			
Local	\$ 292,286	\$ 208,993	\$ 501,279
State	5,130	-	5,130
Federal	135,991	-	135,991
Total Revenues	433,407	208,993	642,400
EXPENDITURES			
Support Services			
Food service	465,642	-	465,642
Community services	-	231,369	231,369
Total Expenditures	465,642	231,369	697,011
Excess (deficiency) of revenues over expenditures	(32,235)	(22,376)	(54,611)
OTHER FINANCING SOURCES			
Transfer in	32,235	-	32,235
Net Change in Fund Balances	-	(22,376)	(22,376)
FUND BALANCES - Beginning of Year	-	388,592	388,592
FUND BALANCES - END OF YEAR	\$ -	\$ 366,216	\$ 366,216

ST. FRANCIS SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2007**

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2007</u>
ASSETS				
Cash and investments	<u>\$ 82,488</u>	<u>\$ 329,528</u>	<u>\$ 312,776</u>	<u>\$ 99,240</u>
LIABILITIES				
Due to student organizations	\$ 82,377	\$ 326,878	\$ 312,776	\$ 96,479
Due to other funds	<u>111</u>	<u>2,650</u>	<u>-</u>	<u>2,761</u>
Total Liabilities	<u>\$ 82,488</u>	<u>\$ 329,528</u>	<u>\$ 312,776</u>	<u>\$ 99,240</u>

**EXPENDITURES OF FEDERAL AND STATE AWARDS
AND RELATED AUDITORS' REPORTS**



Virchow Krause & company

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

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

We have audited the 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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant that are also considered to be material weaknesses. However, we consider the significant deficiency identified above as Finding 2007-01 to be a material weakness.

To the Board of Education
St. Francis School District

Compliance and Other Matters

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

We noted certain matters that were reported to the management of the District in a separate letter dated November 19, 2007.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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.

Vickrey, Krause & Company, LLP

Milwaukee, Wisconsin
November 19, 2007



Virchow Krause & company

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

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

Compliance

We have audited the compliance of 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, 2007. The District'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. 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 District's management. Our responsibility is to express an opinion on the 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*. 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 a major federal or major state programs occurred. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

Qualifications – Federal Programs

As described in the Finding 2007-02 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs that are applicable to the (federal) IDEA Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and 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, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency and material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2007-01 to be a material weakness.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Guidelines and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned cost. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Board, management, and the 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
November 19, 2007

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Program or Award Amount	Accrued Receivable 7/1/06	Expenditures		Revenues		Accrued Receivable 6/30/07
				Grantor	Local	Grantor Reimbursements	Local	
U.S. DEPARTMENT OF EDUCATION								
<u>21st Century Community Learning Centers/ After School Learning Centers</u>	84.287A	\$ 91,390	\$ 91,390	\$ -	\$ -	\$ 91,390	\$ -	\$ -
July 1, 2005 - June 30, 2006								
State of Wisconsin								
<u>Wisconsin Department of Public Instruction</u>								
<u>Title I, Part A Grants to Local Educational Agencies</u>	84.010	94,710	94,710	3,349	-	98,059	-	-
July 1, 2005 - June 30, 2006		107,607	-	92,430	-	32,843	-	59,587
July 1, 2006 - June 30, 2007								
<u>PL 94-142 Flow Thru</u>	84.027	347,648	300,448	(4,218)	-	296,230	-	-
July 1, 2005 - June 30, 2006		285,580	-	191,646	-	-	-	191,646
July 1, 2006 - June 30, 2007								
<u>PL 99-457 Preschool Entitlement</u>	84.173	11,934	5,537	-	-	5,537	-	-
July 1, 2005 - June 30, 2006		14,734	-	8,061	-	-	-	8,061
July 1, 2006 - June 30, 2007								
<u>Title IV - Safe & Drug Free Schools</u>	84.186	7,200	628	(628)	-	-	-	-
July 1, 2004 - June 30, 2005		6,655	645	-	-	645	-	-
July 1, 2005 - June 30, 2006								
<u>Title II, Part A - Teacher/Principal Training</u>	84.367	62,025	51,423	(34,415)	-	17,008	-	-
July 1, 2005 - June 30, 2006		76,588	-	76,588	-	-	-	76,588
July 1, 2006 - June 30, 2007								
<u>Title III, Part A - Higher Education Aid</u>	84.031	17,283	-	13,885	-	-	-	13,885
July 1, 2006 - June 30, 2007								
<u>Title II, Part D - Education Technology</u>	84.318	2,781	1,499	-	-	1,499	-	-
July 1, 2005 - June 30, 2006								
<u>High Cost Special Education Aid</u>	84.027	10,572	-	10,572	-	10,572	-	-
July 1, 2006 - June 30, 2007								

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Program or Award Amount	Accrued Receivable 7/1/06	Expenditures		Revenues		Accrued Receivable 6/30/07
				Grantor	Local	Grantor Reimbursements	Local	
U.S. DEPARTMENT OF AGRICULTURE								
State of Wisconsin								
Wisconsin Department of Public Instruction								
Food Distribution								
July 1, 2006 - June 30, 2007	10.550		\$ -	\$ 24,580	\$ -	\$ 24,580	\$ -	\$ -
National School Lunch Program								
July 1, 2005 - June 30, 2006			15,443	-	-	15,443	-	-
July 1, 2006 - June 30, 2007			-	111,412	329,650	94,326	329,650	17,086
TOTALS			<u>\$ 561,723</u>	<u>\$ 493,262</u>	<u>\$ 329,650</u>	<u>\$ 688,132</u>	<u>\$ 329,650</u>	<u>\$ 366,853</u>

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2007

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Program or Award Amount</u>	<u>Accrued Receivable 7/1/06</u>	<u>Expenditures</u>	<u>Receipts Reimbursements</u>	<u>Accrued Receivable 6/30/07</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
<u>Cost Reimbursement Programs - Nonmajor Programs</u>						
Alternative Education Program July 1, 2006 - June 30, 2007	255.330	91,390	-	91,193	70,529	20,664
Total Cost Reimbursement Programs			-	\$ 91,193	70,529	20,664
<u>Entitlement Programs</u>						
Major Programs						
Handicapped Aid	255.101		-		465,259	-
Equalization Aid	255.201		87,226		4,801,899	79,279
Integration Aid	255.204		-		1,046,422	-
Total Major Programs			87,226		6,313,580	79,279
Nonmajor Programs						
State Lunch	255.102		-		5,130	-
High Cost Special Education	255.210		-		19,254	-
Common School Fund (Library) Aid	255.103		-		34,137	-
Total Nonmajor Programs			-		58,521	-
Total Entitlement Programs			87,226		6,372,101	79,279
TOTALS			\$ 87,226		\$ 6,442,630	\$ 99,943

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2007

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Type of auditor's report issued on compliance for major programs	Qualified	
Internal control over compliance		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	<u> X </u> yes	<u> </u> no

Identification of major federal programs

CFDA NUMBER(S)

84.027/84.173
10.555

Name of Federal Program or Cluster

IDEA Special Education Cluster
National School Lunch

Dollar threshold used to distinguish between Type A and Type B programs	<u> \$300,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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State Awards

Type of auditor's report issued on compliance for major programs	Unqualified	
Internal control over compliance		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no
Any audit findings disclosed that are required in accordance with State Single Audit Guidelines.	<u> X </u> yes	<u> </u> no

Dollar threshold used to distinguish between Type A and Type B programs	<u> \$100,000 </u>
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ST. FRANCIS SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

State Awards (continued)

Auditee qualified as low-risk auditee? _____ yes X no

Identification of major state programs

<u>ID NUMBER(S)</u>	<u>Name of State Program or Cluster</u>
255.101	Handicapped Aid
255.201	Equalization Aid
255.204	Integration Aid

**Section II: Financial Statement Findings
And
Section III: Federal and State Award Findings and Questioned Costs**

Finding 2007-01: Financial Statement Reporting

CFDA Number and Program Name
84.027/84.173 PL 94-142 Flow Thru (IDEA)
10.555 National School Lunch
255.101 Handicapped Aid
255.201 Equalization Aid
255.204 Integration Aid

Criteria

Statement on Auditing Standards No. 112 requires the communication of significant deficiencies and material weaknesses in the year end financial reporting process.

Condition

The District's personnel do not have the necessary technical expertise in governmental accounting and reporting to process certain year-end adjusting journal entries and prepare the financial statements in accordance with generally accepted accounting principles.

Questioned costs

None

Effect

Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Recommendation

Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional costs that would be required to remedy the current conditions.

Management's Response

Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs the benefits to be achieved at this time.

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section III: Federal and State Award Findings and Questioned Costs

Finding 2007-02: Documentation of Employee Time and Effort

CFDA Number and Program Name

84.027/84.173 PL 94-142 Flow Thru (IDEA)

Criteria

OMB Circular A-87 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented. If an employee works solely on one federal program and 100% of their salary or wages are charged to the program, the District must obtain a certification from the employee or their direct supervisor that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months. However, if an employee works on multiple activities, monthly personnel activity reports must be completed and signed by the employee. The personal activity report is required to be an after-the-fact distribution of effort and must account for 100% of the employee's activity.

According to the OMB Circular A-133 Compliance Supplement, dated March 2005:

- a. An employee whose compensation is funded solely from a Single Cost Objective (i.e., consolidated administrative funds or combined schoolwide program) must furnish semi-annual certifications that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B paragraph 11.h.3.
- b. An employee paid in part from a Single Cost Objective, and in part with funds from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B paragraph 11.h.4 documenting the portion of time and effort dedicated to the Single Cost Objective, and each program or other cost objective supported by the other revenue sources.

Condition

The District does not obtain semi-annual effort certifications from employees who work 100% on a program. Total payroll and fringe benefit expenditures charged to IDEA flow-thru were \$87,250 during the year ended June 30, 2007.

Questioned Cost

Salaries and benefits charged to the program were \$87,250.

Effect

Inadequate documentation for payroll expenditures costs may result in federal funds being expended for unallowable purposes.

Recommendation

We recommend that the District obtain effort certifications or personal activity reports for all payroll and fringe benefit expenditures charged to its federal programs.

Management's Response

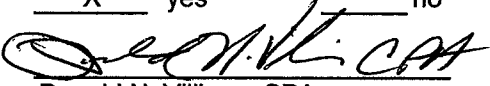
Management agrees with the finding and will develop a system to properly document salaries charged to the IDEA program.

ST. FRANCIS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section IV: Other Issues

1. 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? yes X no
2. 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 X yes no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no
4. Name and signature of partner 
Donald N. Villione, CPA
5. Date of report November 19, 2007