

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**SCHOOL DISTRICT OF HOLMEN  
HOLMEN, WISCONSIN**

**JUNE 30, 2014**

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## **Engel & Associates, Ltd.**

Certified Public Accountants and Consultants

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
School District of Holmen  
Holmen, Wisconsin

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Holmen ("District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

## *Opinions*

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison information on pages 6.1 through 6.15, page 42, and pages 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Engelson and Associates, Ltd.*

La Crosse, Wisconsin  
September 8, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**School District of Holmen  
Management's Discussion and Analysis  
Year ended June 30, 2014**

This section of the School District of Holmen's annual Financial Statements and Independent Auditor's Report presents the District Management's discussion and analysis of the District's financial performance during the year ending June 30, 2014. In addition, it includes discussion on how these statements and report are affected by prior financial decisions and future vision of the District's finances.

While the Financial Statements and Independent Auditor's report includes detailed information on all financial activity of the District, the Management Discussion and Analysis will attempt to summarize those facts that have been determined to be most "Noteworthy Facts" (SECTION I) and the "Required Discussion and Analysis" (SECTION II).

<b>SECTION I</b>
------------------

Noteworthiness for this report is determined primarily by: deviation from budget or deviation from past trends and constituency interest. Consequently, this year's Management Discussion and Analysis focus is on two topics:

- A. BUDGET TO ACTUAL VARIANCES**
- B. STRATEGIC INITIATIVES - FINANCES**

**A. BUDGET TO ACTUAL VARIANCES**

In reviewing budget to actual variances, the following criteria have been set to determine variances that will receive further explanation here. Criteria are:

- Line item variance amounts (Final Budget to Actual) that are greater than .5% of the corresponding total budgeted fund revenue or expense amount, OR
- Line item variance amounts (Final Budget to Actual) that are greater than 10% of the corresponding budget for that line item and greater than .1% of total budgeted fund revenue or expense amount.

Based upon these criteria the following variances, variance causes and variance reduction strategies have been identified.

The criteria the District uses to determine which variances will receive further explanation in the Management Discussion and Analysis represent high standards. These high standards are borne from the high expectations for accuracy and financial credibility in



the District. Such high standards are intended to motivate the continuous improvement necessary to achieve excellence. Conversely, it should be understood that adopting criteria that exemplify such high standards, are more likely to point out relatively minor deviations from perfection.

While the budgeting process is not an exact science, every attempt has been made to formulate an original budget from the best information available. Revisions to the original budget are typically made November, March and August. Revisions represent updates to revenue projections by local, state and federal agencies as confirmed throughout the fiscal year. Expenditure revisions are made as the actual costs associated with the following become known: capital improvement projects, enrollment driven staffing, special needs student staffing, leave benefits utilization by staff and benefits elections by staff, utility rates, fuel rates, etc.

**General Fund** (See page 43)

The District finished the fiscal year with actual revenues of \$45,018,253, which is \$467,572 greater than actual expenditures of \$44,550,681. The \$467,572 surplus was added to the General fund balance bringing the total balance to \$9,934,103. The Board approved a budget surplus of \$467,800. The final surplus was \$467,572, a difference of \$428.

In every instance the line item variances between Final Budgeted Amounts Actual Revenues/Expenses were below the "BUDGET TO ACTUAL VARIANCES" reporting limits.

**Special Education Fund** - This fund is no longer required to be reported separately; it is combined in the General Fund analysis (See page 43).

**Debt Service Fund** (See page 45)

The Debt Service Fund experienced an increase in fund balance from \$4,083,022 to \$4,213,234.

Referendum Debt (See page 46)

The Debt Service Fund - Referendum Debt budget called for a \$130,200 increase in Fund Balance. The actual net change in fund balance was a decrease of \$130,212, a budget variance of \$12. The use of fund balance is a planned strategy based on a predetermined long-term debt schedule.

Non-Referendum Debt (No fund activity to report)

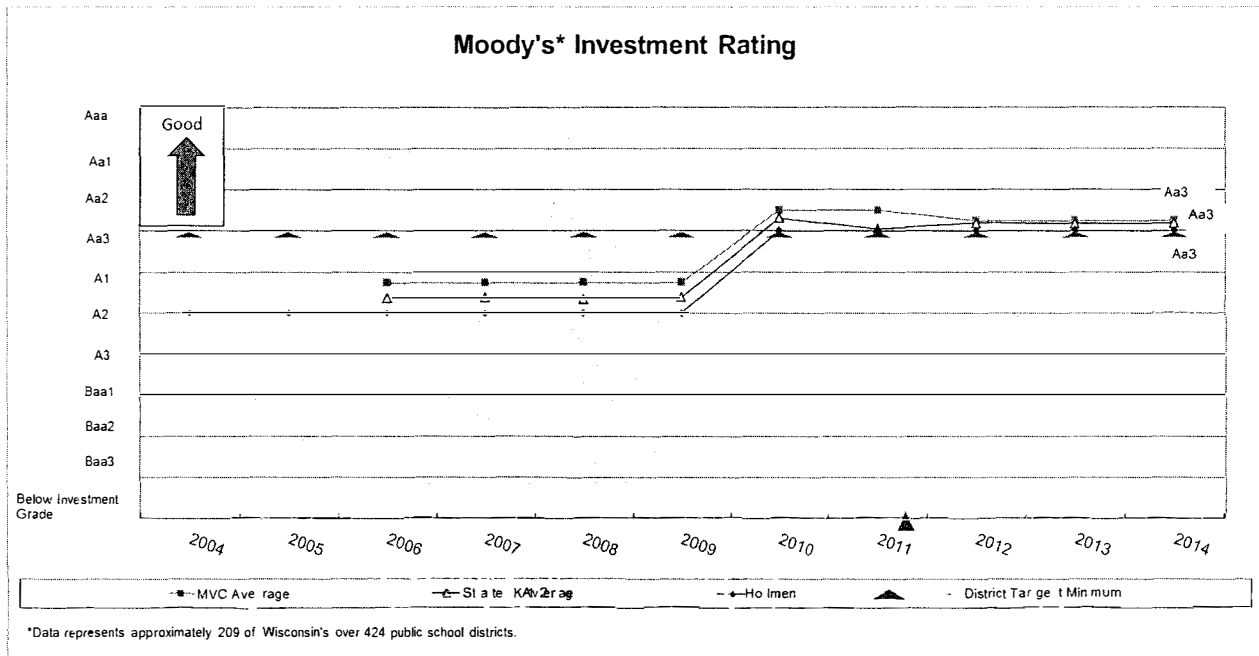
Capital Projects Fund (No fund activity to report)

## B. STRATEGIC INITIATIVES - FINANCE

Since 2005 specific reporting has taken place on District defined Financial Performance Results. In 2011, the school board took action to approve quantifiable performance targets for four of the five Financial Performance Results measures.

As necessary, additional results measures may be added to: create a more complete and balanced financial picture and to improve upon the district's ability to achieve its Vision of being, "Educating every student to achieve global success."

The five Financial Performance Results measures are presented below.



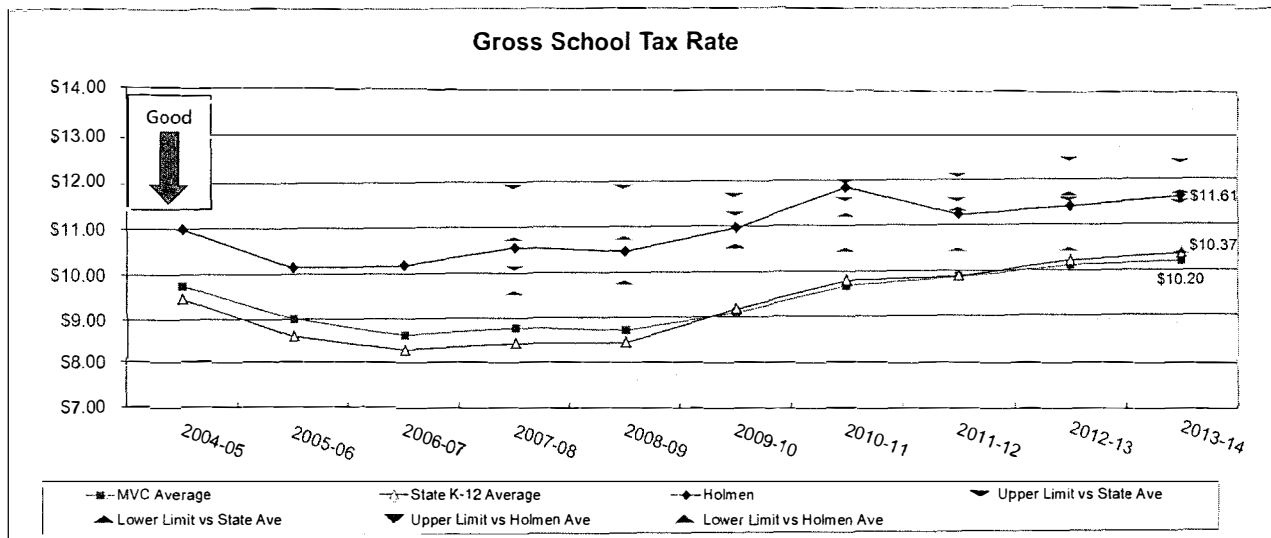
The School District of Holmen is at a moderately high level of financial stability as measured by its Moody's rating of Aa3.

In 2004 the Moody's increased the District's rating. This rating increase came after review of the District's operations. The ratings increase reflects improvements in operational practices and financial standing. In 2010, The District rating increased by two ratings categories. This jump came as Moody's recalibrated the private sector markets and public sector markets to create truer comparability across the two markets.

In April of 2012 Moody's affirmed the District's Aa3 rating and identified, "...moderately sized tax base... sound financial operations

supported by growing enrollment and healthy General Fund reserves and above average debt burden" in making the Aa3 rating determination.

The District is at its minimum target on this financial performance measure.



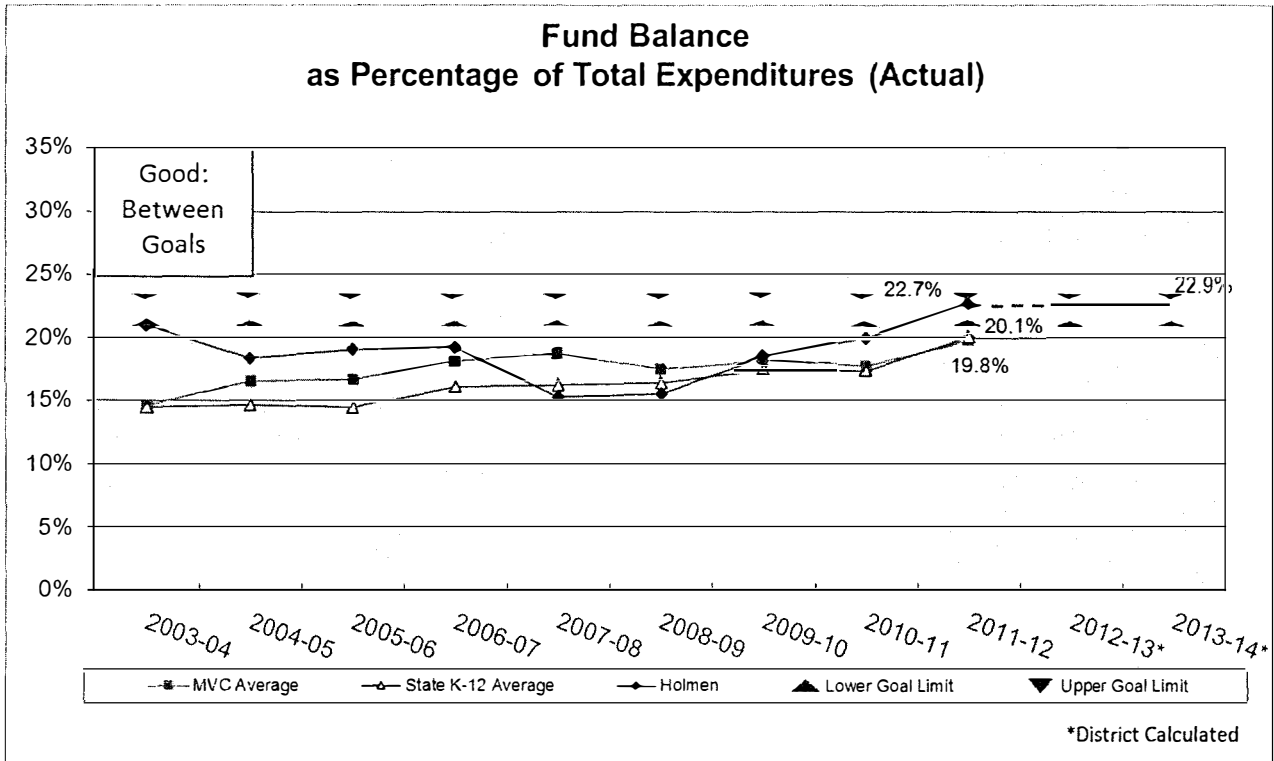
The most recent data available is from 2013-14. At that time, the District had a Gross School Tax Rate of \$11.61.

The Gross School Tax Rate experienced a gradual drop from 2002-03 to 2005-06. Since 2005-06 the Tax Rate has increased from a low of \$10.14 to \$11.84 in 2010-11, a \$1.70 (17%) increase over a five-year time period. The 2010-11 Tax Rate of \$11.84 returned to a level more similar to prior years.

This trend occurred despite the fact that the District has experienced increasing enrollment and incurred debt associated with major building projects in 2004 (Middle School/District Office) and 2007 (Prairie View Elementary). The enrollment and debt factors have traditionally been offset by growth in the equalized valuation of the community. However, the nearly 10% annual growth rates seen prior to 2007-08 slowed in 2007-08. During the five year period, including 2007-08 to 2011-12, annual equalized valuation growth slowed to an average of 4.1% per year. During this same time period, State Aid growth did not keep pace with the mandated costs of operating the District. This is largely due to the State's inability to generate the needed revenue during the national/global recession. Both the State Budget Repair Bill and 2011-13 Biennial Budget dramatically reduced the mandated increases in cost for the District. These cost reductions did not significantly lower the Gross School Tax Rate, because the cost reductions were mirrored by reductions in state funding to schools.

The District's 2013-14 Gross School Tax Rate of \$11.61 was \$1.42 (13.9%) above the MVC average (\$10.20) and \$1.24 (12.0%) above the State average (\$10.37).

Due to the District's new facilities, construction debt and the relatively low property value, the District's Tax Rate will remain above the MVC and State averages for the next 5 to 10 years.



The most recent data available with comparables is from 2011-12. At that time, the District had a Fund Balance as Percentage of Total Expenditures ("FBPTE") (Actual) of 22.7%.

The District's FBPTE has varied over time, with a high of 22.9% in 2013-14 and a low of 15.4% in 2007-08. The variations represent planned accumulation and expenditures that span more than one fiscal year. These expenditures were in the form of non-recurring capital expenditures.

One example was the accumulation of fund balance to 22.9% during the 2002-03 fiscal year to meet funding needs for the TMT Office building. The board used this strategy again in 2009-10 to fund replacement of the roof at Evergreen Elementary School. In each case, the board made a commitment to reduce operational expenditures in the immediately following fiscal years to restore the fund balance.

The significant reduction in FBPTE in 2007-08 is due to the District's commitment to use fund balance to provide start-up funding for the 4K program. The 4K program required \$489,338 of fund balance resources in 2007-08. The commitment extended to an additional \$145,288 in 2008-09. This draw-down on fund balance is to be offset by an operational surplus the 4K program created.

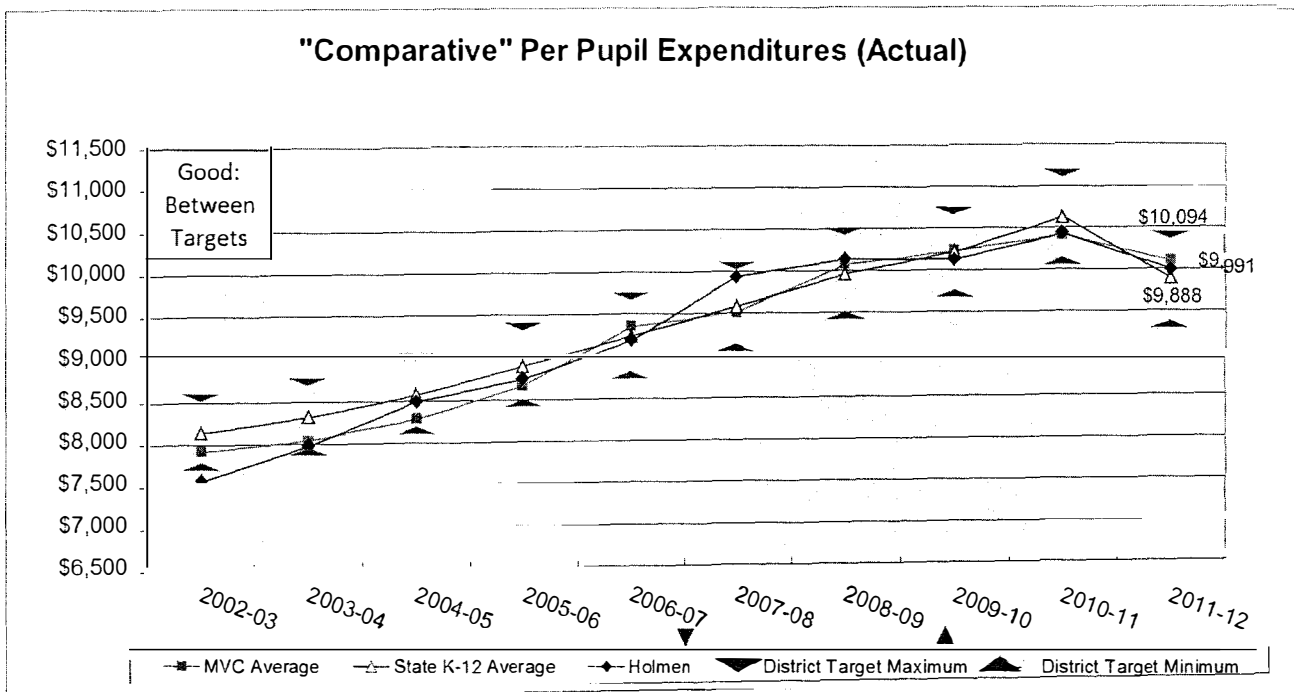
The surplus started in 2009-10 and continued annually thereafter. The surplus is a result of the 4K program creating more in Revenue Limit resource availability than expenses. In 2009-10 the District budgeted a \$233,561 surplus to restore the fund balance resources used to meet start-up costs of the 4K program. This surplus budgeting will continue until 2011-12 when the 4K startup expenses were fully restored to the fund balance.

Over the ten year period 2004-05 to 2013-14 FBPTE averaged 19.4%. In 2013-14 the fund balance exceeded the District's average; the previous three years the fund balance exceeded the District's average.

The recent fund balance increases reflect the District's commitment to restore the operational resources used to initiate the 4K program and reservation of resources for the capital projects approved through referendum.

From 2004-05 through 2006-07, the School District of Holmen maintained a FBPTE above the MVC and State average. During this time period the MVC average remained relatively consistent with the State average.

From 2010-11 to 2013-14, the District has maintained an FBPTE above 20.0% and has exceeded the MVC average and the State average. The District has made significant progress toward its performance target range since 2009-10. At the end of the 2011-12, the District had exceeded the lower limit of its targeted performance range. Sustained achievement of this performance target will be defined by fiscal discipline and cost of delivering quality services to customers.



The most recent data available is from 2011-12. 2012-13 data will not be available through the Wisconsin Taxpayers Alliance until late fall of 2014. This delay allows auditors, DPI and the Wisconsin Taxpayers Alliance the

time they need to verify accuracy of the data and sort the data in ways that allows for valid comparison of District per pupil expenditures across the State.

Over the past ten years the District's "Comparative" Per Pupil Expenditures has increased by 32%. This increase represents the combined effect of: inflation, mandated services to an increasing population of special needs students, student enrollment increases and operational costs associated with new facilities.

The District's 2007-08 8.1% annual increase was greater than the 3.2% annual long-term trend. This larger than typical increase was primarily due to three events:

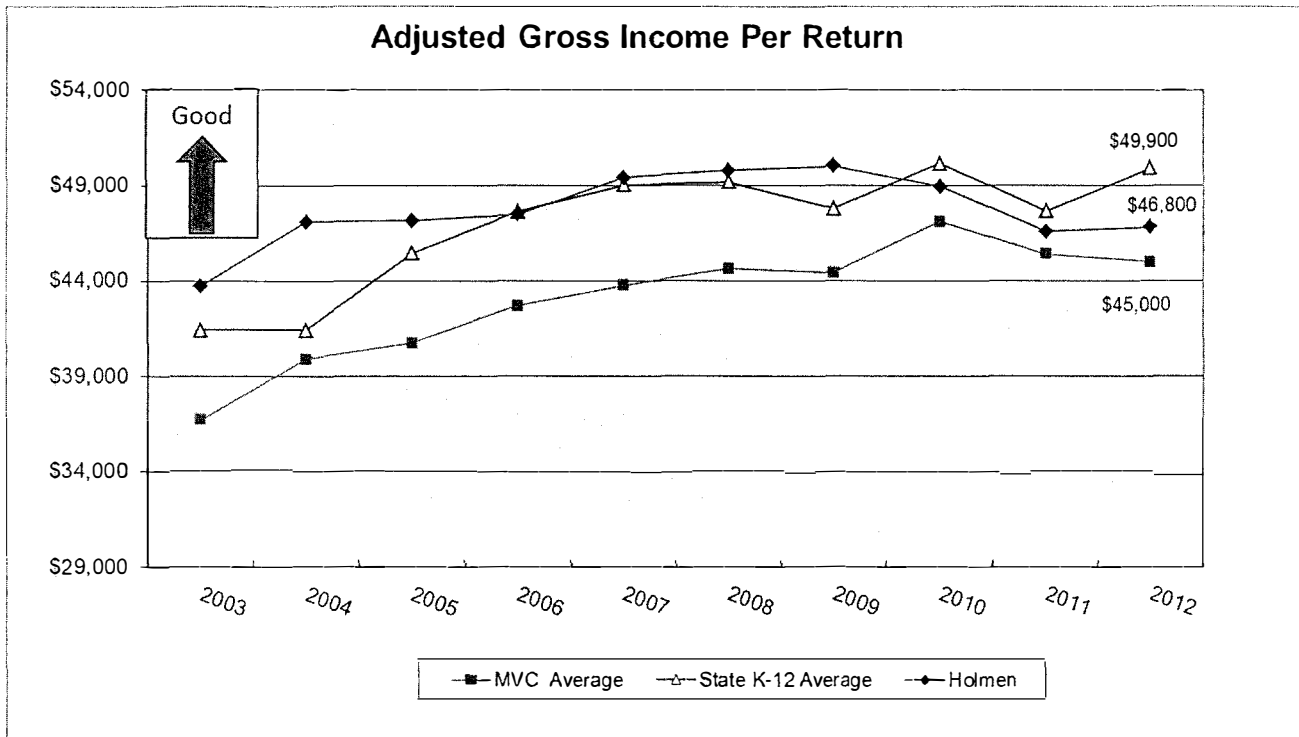
- \$820,000+ growth in 2007-08 spending to fund the first year of 4K program,
- \$550,000 growth in 2007-08 spending to meet the needs of special needs students transferring into the District, and
- a lack of enrollment increase other than that of the 4K program.

The District's "Comparative" Per Pupil Expenditures returned to more traditional levels in 2008-09. Expenditures throughout the state dropped in 2011-12 as a result of Act 10 legislation.

The District's \$9,991 "Comparative" Per Pupil Expenditures at the conclusion of the 2011-12 fiscal period is 1.02% less than the MVC average (\$10,094) and 1.04% less than the State Average (\$9,888).

The District's 32% increase over the past 10 years was more than the 27% increase in the MVC Average and the 21% increase in the State Average. The growth rate in excess of the state is largely due to:

- enrollment driven facilities operational costs (operational referenda approved in 1998, 2004 and 2007),
- the exclusion of non-program costs related to open enrollment,
- expenditure growth at a rate different than enrollment growth, and
- services to special needs students (transfer of service exemptions).



The District currently has an Adjusted Gross Income Per Return ("AGIPR") that is 4.0% greater than the MVC comparable school districts. This is low compared to the long-term difference between Holmen and the other MVC schools. The District currently has an AGIPR that is 6.2% less than the State average. This is a noticeable change from last year's AGIPR which was 2.2% lower than the state average.

In the short-term, the 2012 AGIPR shows \$220 (0.5%) increase over the prior year, following \$2,347 (4.8%) decrease in 2011. In the long-term, the community demonstrated consistent growth in AGIPR from 2003 through 2009. The growth slowed between 2004 (\$47,100) and 2006 (\$47,503) to less than 1.0% per year. More significant growth occurred in 2007, when the one year increase was 4%. The cumulative growth from 2003 to 2012 was \$3,042 (7%), with annual growth averaging \$304 (0.7%). Economic recovery from the recession has been slow. Prior to 2012 Holmen fared better than its neighbors.

Holmen's AGIPR has traditionally been very near the State average. A 14% difference between Holmen and the State average developed between the years of 2003 and 2004. That gap disappeared between the years of 2006 and 2008. In 2012, the gap between State average and Holmen grew. The AGIPR suggests the community has a greater local ability to meet the cost of educational programming than do other MVC communities.

<b>SECTION II</b> <b>Required Discussion and Analysis</b>
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The Required Discussion and Analysis portion of this document comprises four topic areas. They are:

- A. Overview of the Financial Statement
- B. Financial Analysis of the District as a Whole
- C. Non-current Assets
- D. Long-Term Debt

**A. OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements comprise 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

District-wide Financial Statements

The district-wide financial statements are the *NET POSITION* (See page 7) and *STATEMENT OF ACTIVITIES* (See page 8). These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions/ programs into two operational categories. The first category, *Governmental Activities*, is financially supported mainly by property taxes and inter-governmental revenues. This category is a summary of all the operations of the district except Nutrition Services. The second category, *Business Type Activities*, is intended to cover all or a significant portion of costs through user fees and charges. This category is where Nutrition Services activity is represented.

- The *NET POSITION* presents information on all of the District's assets and liabilities, with the difference between the two reported as NET POSITION. Fiscal year end 2014 Total Assets valued at \$69,370,325 compares unfavorably with a value of \$70,733,878 twelve months earlier. This represents a one-year decrease of 1.93%.
- The *STATEMENT OF ACTIVITIES* presents information showing how the District's NET POSITION changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year. The NET POSITION for the year increased to \$36,657,932 an increase of 2.03% over the \$35,926,839 prior year amount.

Fund Financial Statements

The District also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a District's near-term financing requirements. There are two fund financial statements, the *BALANCE SHEET GOVERNMENTAL FUNDS* (See page 9)



and the *STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES* (See page 11). Generally, balance sheet reports provide a snapshot as of June 30<sup>th</sup> which summarizes assets, liabilities, and the impact on fund balance. The *STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES* provides additional information on inflows and outflows that affected fund balance.

- Because the focus of fund financial statements is narrower than that of the district-wide statements it is useful to make comparison between the information presented. This helps readers better understand the long-term implication of the government's near-term financial decisions.
- The *RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE NET POSITION* (See page 10) reconciles the "Total Fund balances" as shown on the *BALANCE SHEET GOVERNMENTAL FUNDS* (See page 9), to the *Governmental Activities "Unrestricted Total NET POSITION"* from the *NET POSITION* (See page 7). This reconciliation adjusts for the balance sheet difference between financial reporting and fund accounting.
- The *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES* provides financial information to adjust for the difference between the revenues/expenditures and how they are presented in financial reporting and fund accounting.
- The District has three types of funds: *governmental, proprietary, and fiduciary*. *Governmental funds* include the District's five regular funds (General, Special Education, Debt Service, Capital Projects and Other Governmental) and individual capital project funds as needed. The District has one *proprietary* fund, the food service fund and two fiduciary funds, a trust fund for student scholarships and a fund for student organizations and clubs.
- Financial information is presented separately on both the *BALANCE SHEET* and the *STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES* for the general fund, debt service fund and capital project fund, as these are considered to be major funds. Data for the Special Revenue Fund are reported in the Other Governmental Funds column as these are considered non-major funds. While not present in this reporting period other non-major funds might include a combination of Package Cooperative Fund, Capital Expansion Funds and others. Data for these individual non-major funds is provided separately as supplementary information (See pages 48 and 49).
- The proprietary fund statements for the District's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the District provides a "STATEMENT OF CASH FLOWS" for the proprietary funds (See pages 13, 14, 15 and 16).
- The District serves as a trustee, or *fiduciary*, for student scholarships and student organizations. The assets of these organizations do not directly benefit, nor, are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations. The *STATEMENT/CHANGES OF NET POSITION - FIDUCIARY FUNDS* are presented and prepared separately in an abbreviated format (See page 18)

- The District adopts an annual appropriation budget for every fund it administers. Budget comparisons are made only for the major funds and present the original, revised and actual amounts in each major program area (See pages 43, 44, and 45).

Notes to the Financial Statements

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

**B. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1, provides a summary of the District's NET POSITION (See page 7) for the year ended June 30, 2014.

<b>Table 1</b>			
<b>Condensed NET POSITION</b>			
(in thousands of dollars)			
	<b>Total School District</b>	<b>Total School District</b>	
	<b>2013</b>	<b>2014</b>	<b>Change</b>
Current assets	\$16,638.64	\$16,534.75	(\$103.89)
Noncurrent assets	\$54,095.24	\$52,835.58	(\$1,259.66)
<b>Total assets</b>	<b>\$70,733.88</b>	<b>\$69,370.33</b>	<b>(\$1,363.55)</b>
Current liabilities	\$5,004.02	\$4,564.71	(\$439.31)
Noncurrent liabilities	\$29,351.66	\$27,735.56	(\$1,616.10)
<b>Total liabilities</b>	<b>\$34,355.67</b>	<b>\$32,300.28</b>	<b>(\$2,055.39)</b>
Premium on bonded debt refinancing	<b>\$451.37</b>	<b>\$412.12</b>	<b>(\$39.25)</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$27,236.24	\$28,177.58	\$941.34
Restricted	\$4,538.07	\$4,668.04	\$129.97
Unrestricted	\$4,152.53	\$3,812.32	(\$340.21)
<b>Total NET POSITION</b>	<b>\$35,926.84</b>	<b>\$36,657.93</b>	<b>\$731.09</b>

*Note: There may be a slight variance in totals due to rounding.*

Between June 30, 2013 and June 30, 2014 "Total assets" decreased by \$1,363,552 or 1.93% and "Total liabilities" decreased by \$2,055,393 or 5.98%.

- The decrease in "Total assets" was 1.93% compared to prior year. Within "Total assets", current assets decreased by \$103,892 (-0.62%) while noncurrent assets decreased by \$1,616,104 (-5.51%). The change in current assets is mainly attributed to the decrease in "due from other governments" of \$550,037 netted with an increase in "cash and investments" of \$352,445. The decrease in non-current assets was primarily due to accumulated depreciation growing by \$1,862,260 offset by an increase in furniture and equipment of \$602,593.
- The change in "Total liabilities" came from a decrease in "Current Liabilities" of \$439,303 (-8.78%) and a decrease in "Noncurrent portion of long-term obligations" of \$2,055,397 (-7.00%). Within "Current Liabilities" accounts payable decreased by \$56,322, accrued salaries and related items decreased by \$661,758 and the current portion of long-term debt increased by \$290,754. With significant payments made on the principal of the debt obligations the "Noncurrent portion of Liabilities" decreased by \$1,616,104.
- "Total NET POSITION" increased by a total of \$731,093. There was an increase in "Net Investment in Capital Assets" of \$941,333 and "Restricted Debt Services" of \$130,212. There was a decrease in "Restricted Food Service" of \$240 and "Unrestricted" assets of \$340,212.

Table 2 provides summarized operating results and their impact on the change in NET POSITION (See page 8). Both the governmental and business-type activities contributed to the District's financial position in relation to NET POSITION. The largest increase in revenue was in the state equalized aid allocated to schools and in the local tax levy. In expenditures, the "Central Services" area increased due to approved technology purchases. In addition, "Other Support Services" decreased due to reduced retirement and separation pay.

**Table 2**  
**Statement of Activities – Summary/Comparison**  
(in thousands of dollars)

	<b>Total School District 2013</b>	<b>Total School District 2014</b>	<b>Change</b>
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$1,721.92	\$1,830.56	\$108.64
Operating Grants & Contributions	\$5,521.79	\$5,797.81	\$276.02
Capital Grants & Contributions	\$0.00	\$0.00	\$0.00
General Revenues			
Property Taxes	\$15,061.14	\$15,676.42	\$615.28
State Formula Aid	\$26,556.79	\$27,180.51	\$623.72
Other	\$1,046.42	\$1,086.47	\$40.05
<b>Total Revenues</b>	<b>\$49,908.05</b>	<b>\$51,571.77</b>	<b>\$1,663.72</b>
<b>EXPENSES</b>			
Instruction	\$27,999.29	\$28,271.78	\$272.49
Pupil & Instructional Services	\$4,852.46	\$4,955.69	\$103.23
General and Building Administration	\$2,767.10	\$2,813.70	\$46.60
Business Administration	\$5,830.51	\$6,122.07	\$291.56
Central	\$1,085.77	\$2,229.84	\$1,144.08
Interest and Fiscal Agent Fees	\$1,029.08	\$956.49	(\$72.59)
Insurance	\$321.44	\$312.46	(\$8.98)
Other Support Services	\$656.64	\$322.42	(\$334.22)
Non-program	\$1,983.98	\$2,431.48	\$447.50
Business type activity – Food Service	\$2,264.30	\$2,424.74	\$160.44
<b>Total Expenses</b>	<b>\$48,790.57</b>	<b>\$50,840.68</b>	<b>\$2,050.11</b>
<b>Increase (decrease) in NET POSITION</b>	<b>\$1,117.49</b>	<b>\$731.09</b>	<b>(\$386.40)</b>

*Note: There may be a slight variance in totals due to rounding.*

**C. NON-CURRENT ASSETS** (See page 7)

At the end of fiscal year 2014, the District had \$52,835,575 in non-current assets, including land, buildings, sites, library books, and equipment (See Table 3 below). Total accumulated depreciation on non-current assets was \$31,370,050. Detailed information about capital assets and depreciation of these assets can be found in Note 5 (pages 31) of the financial statements. Within this note, additions and deletions during fiscal year 2014 are itemized.

**Table 3**  
**Non-current Assets**  
(in thousands of dollars)

	Total School District	Total School District	Change
	2013	2014	
Land & Site Improvements	\$4,343.76	\$4,478.28	\$134.52
Buildings & building improvements	\$74,080.57	\$74,194.81	\$114.24
Equipment & furniture	\$5,178.71	\$5,532.53	\$353.82
Accumulated depreciation	(\$29,507.79)	(\$31,370.05)	(\$1,862.26)
<b>Total</b>	<b>\$54,095.24</b>	<b>\$52,835.57</b>	<b>(\$777.56)</b>

*Note: There may be a slight variance in totals due to rounding.*

**D. LONG-TERM DEBT**

At the year-end the District had \$30,549,514 in general obligation bonds and other long-term obligation (see Table 4 below and Note 6, starting on page 32) --a decrease of 4.16% from July 1, 2013. This decrease of \$1,325,341 is the net effect of long-term obligations reductions of \$2,619,155 and additions of \$1,293,815. "Sick and incentive leave days" decreased by \$63,790 and increased by \$152,387 respectively. "Post retirement pension benefit" and "Other post retirement health benefit" saw a decrease of \$354,365 and an increase of \$1,141,428 respectively. The district, board, and association members have chosen a "pay-as-you-go" method to cover current liabilities instead of making additional contributions to fund anticipated future liabilities.

	<b>Total School District 2013</b>	<b>Total School District 2014</b>	<b>Change</b>
General obligation debt	\$26,859.00	\$24,658.00	(\$2,201.00)
Other	\$5,015.85	\$5,891.51	\$875.66
<b>Total</b>	<b>\$31,874.85</b>	<b>\$30,549.51</b>	<b>(\$1,325.34)</b>

*Note: There may be a slight variance in totals due to rounding.*

**Contacting the School District of Holmen's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Jay Clark, Associate District Administrator, (608) 526-1304 or Ben Miller, the Administrator of Business Services, (608) 526-1303, School District of Holmen, 1019 McHugh Road, Holmen, WI 54636.

**BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 10,816,605	\$ 444,026	\$ 11,260,631
Taxes receivable	4,392,539	-	4,392,539
Accounts receivable	8,462	32,244	40,706
Due from other school districts	40,025	-	40,025
Due from other governments	737,628	18,075	755,703
Prepaid expenses	20,815	1,380	22,195
Inventory	-	22,951	22,951
<b>Total current assets</b>	<u>16,016,074</u>	<u>518,676</u>	<u>16,534,750</u>
Noncurrent assets			
Capital assets	84,083,960	121,665	84,205,625
Less: Accumulated depreciation	<u>31,318,390</u>	<u>51,660</u>	<u>31,370,050</u>
<b>Total capital assets, net</b>	<u>52,765,570</u>	<u>70,005</u>	<u>52,835,575</u>
<b>Total Assets</b>	<u>68,781,644</u>	<u>588,681</u>	<u>69,370,325</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	410,890	8,820	419,710
Accrued salaries and related items	1,028,240	6,786	1,035,026
Accrued interest	247,760	-	247,760
Current portion of long-term obligations	<u>2,813,951</u>	<u>-</u>	<u>2,813,951</u>
<b>Total current liabilities</b>	<u>4,500,841</u>	<u>15,606</u>	<u>4,516,447</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	<u>27,735,563</u>	<u>-</u>	<u>27,735,563</u>
<b>Total noncurrent liabilities</b>	<u>27,735,563</u>	<u>-</u>	<u>27,735,563</u>
<b>Total Liabilities</b>	<u>32,236,404</u>	<u>15,606</u>	<u>32,252,010</u>
Deferred inflows of resources			
Unearned revenue	-	48,267	48,267
Premium on bonded debt refunding	<u>412,116</u>	<u>-</u>	<u>412,116</u>
<b>Total deferred inflows of resources</b>	<u>412,116</u>	<u>48,267</u>	<u>460,383</u>
<b>Net Position</b>			
Net investment in capital assets	28,107,570	70,005	28,177,575
Restricted for:			
Debt service	4,213,234	-	4,213,234
Food service	-	454,803	454,803
Unrestricted	<u>3,812,320</u>	<u>-</u>	<u>3,812,320</u>
<b>Total Net Position</b>	<u>\$ 36,133,124</u>	<u>\$ 524,808</u>	<u>\$ 36,657,932</u>

The accompanying notes are an integral part of these financial statements.



SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities</b>							
Instruction							
Undifferentiated instruction	\$ 7,385,227	\$ 12,060	\$ 725	\$ -	\$ (7,372,442)	\$ -	\$ (7,372,442)
Regular instruction	10,039,237	20,430	411,842	-	(9,606,965)	-	(9,606,965)
Vocational instruction	1,175,426	30,906	26,102	-	(1,118,418)	-	(1,118,418)
Special education instruction	6,873,764	-	3,337,234	-	(3,536,530)	-	(3,536,530)
Other instruction	2,798,122	85,612	789,750	-	(1,922,760)	-	(1,922,760)
Total Instruction	<u>28,271,776</u>	<u>149,008</u>	<u>4,565,653</u>	<u>-</u>	<u>(23,557,115)</u>	<u>-</u>	<u>(23,557,115)</u>
Support services							
Pupil services	2,465,494	397	-	-	(2,465,097)	-	(2,465,097)
Instructional staff services	2,490,198	29,145	222,027	-	(2,239,026)	-	(2,239,026)
General administration services	689,163	-	-	-	(689,163)	-	(689,163)
Building administration services	2,124,540	-	-	-	(2,124,540)	-	(2,124,540)
Business administration services	6,122,074	142,811	102,910	-	(5,876,353)	-	(5,876,353)
Central services	2,229,843	-	-	-	(2,229,843)	-	(2,229,843)
Insurance	312,456	-	-	-	(312,456)	-	(312,456)
Other support services	322,422	-	-	-	(322,422)	-	(322,422)
Interest and fiscal charges	956,493	-	-	-	(956,493)	-	(956,493)
Total Support Services	<u>17,712,682</u>	<u>172,353</u>	<u>324,937</u>	<u>-</u>	<u>(17,215,392)</u>	<u>-</u>	<u>(17,215,392)</u>
Non-Program	<u>2,431,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,431,475)</u>	<u>-</u>	<u>(2,431,475)</u>
Total governmental activities	<u>48,415,933</u>	<u>321,361</u>	<u>4,890,590</u>	<u>-</u>	<u>(43,203,982)</u>	<u>-</u>	<u>(43,203,982)</u>
<b>Business-type activities</b>							
School food service program	<u>2,424,744</u>	<u>1,509,193</u>	<u>907,220</u>	<u>-</u>	<u>-</u>	<u>(8,331)</u>	<u>(8,331)</u>
Total school district	<u>\$ 50,840,677</u>	<u>\$ 1,830,554</u>	<u>\$ 5,797,810</u>	<u>\$ -</u>	<u>(43,203,982)</u>	<u>(8,331)</u>	<u>(43,212,313)</u>
<b>General Revenues</b>							
Property taxes							
General purposes					12,352,181	-	12,352,181
Debt services					3,324,240	-	3,324,240
Federal and State aid not restricted to specific purposes					27,181,007	-	27,181,007
Interest and investment earnings					54,644	-	54,644
Miscellaneous local and intermediate revenue					1,031,827	-	1,031,827
Total General Revenues					<u>43,943,899</u>	<u>-</u>	<u>43,943,899</u>
<b>Change in Net Position</b>					739,917	(8,331)	731,586
Net Position - Beginning					<u>35,393,700</u>	<u>533,139</u>	<u>35,926,839</u>
<b>Net Position - Ending</b>					<u>\$ 36,133,617</u>	<u>\$ 524,808</u>	<u>\$ 36,658,425</u>

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 6,659,218	\$ 3,715,080	\$ 442,307	\$ 10,816,605
Taxes receivable	4,392,539	-	-	4,392,539
Accounts receivable	8,462	-	-	8,462
Due from other school districts	40,025	-	-	40,025
Due from other governments	737,113	-	515	737,628
Due from other funds	-	498,154	-	498,154
Prepaid expense	8,804	-	12,011	20,815
<b>TOTAL ASSETS</b>	<u>11,846,161</u>	<u>4,213,234</u>	<u>454,833</u>	<u>16,514,228</u>
<b>LIABILITIES</b>				
Accounts payable	385,664	-	25,226	410,890
Accrued salaries and related items	1,028,240	-	-	1,028,240
Due to other funds	498,154	-	-	498,154
<b>TOTAL LIABILITIES</b>	<u>1,912,058</u>	<u>-</u>	<u>25,226</u>	<u>1,937,284</u>
<b>FUND BALANCE</b>				
Fund balance:				
Non-spendable				
Prepaid expenses	8,804	-	12,011	20,815
Restricted	2,064	4,213,234	417,596	4,632,894
Unrestricted				
Committed	262,951	-	-	262,951
Unassigned	9,660,284	-	-	9,660,284
<b>TOTAL FUND BALANCE</b>	<u>9,934,103</u>	<u>4,213,234</u>	<u>429,607</u>	<u>14,576,944</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 11,846,161</u>	<u>\$ 4,213,234</u>	<u>\$ 454,833</u>	<u>\$ 16,514,228</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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

Total fund balance governmental funds	\$	14,576,944
Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds balance sheet.		
Cost of capital assets	\$	84,083,960
Accumulated depreciation		<u>(31,318,390)</u>
		52,765,570
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
Bonds payable		(24,658,000)
Sick and incentive leave days		(748,765)
Post retirement pension benefits		(431,473)
Other post retirement - health benefits		(4,711,276)
Accrued interest		<u>(247,760)</u>
		(30,797,274)
Deferred inflows of resources are acquisitions of net assets that are applicable to future reporting periods and therefore are not reported in the funds.		
Deferred inflows of resources consist of:		
Premium on bonded debt refunding		<u>(412,116)</u>
Total net position - governmental activities	\$	<u>36,133,124</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
 COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES,  
 EXPENDITURES AND OTHER FINANCING USES, AND CHANGES  
 IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes	\$ 12,352,181	\$ 3,324,240	\$ -	\$ 15,676,421
Local	368,414	16,954	795,910	1,181,278
Interdistrict	888,888	-	-	888,888
Intermediate	11,578	-	-	11,578
State	29,517,292	-	-	29,517,292
Federal	1,751,030	-	-	1,751,030
Other	128,870	-	-	128,870
TOTAL REVENUES	<u>45,018,253</u>	<u>3,341,194</u>	<u>795,910</u>	<u>49,155,357</u>
<b>EXPENDITURES</b>				
Instruction				
Undifferentiated instruction	6,836,101	-	89,214	6,925,315
Regular instruction	9,384,584	-	29,464	9,414,048
Vocational instruction	1,077,254	-	24,973	1,102,227
Special education instruction	6,445,703	-	-	6,445,703
Other instruction	2,028,589	-	595,281	2,623,870
Total instruction	25,772,231	-	738,932	26,511,163
Support services				
Pupil services	2,311,956	-	-	2,311,956
Instructional staff services	2,310,359	-	24,763	2,335,122
General administration services	646,246	-	-	646,246
Building administration services	1,992,235	-	-	1,992,235
Business administration services	5,739,045	-	1,779	5,740,824
Central services	2,090,980	-	-	2,090,980
Insurance	312,456	-	-	312,456
Principal and interest	-	3,210,982	-	3,210,982
Other support services	322,422	-	-	322,422
Total support services	15,725,699	3,210,982	26,542	18,963,223
Non-program	2,426,672	-	4,803	2,431,475
Capital outlay	626,079	-	11,246	637,325
TOTAL EXPENDITURES	<u>44,550,681</u>	<u>3,210,982</u>	<u>781,523</u>	<u>48,543,186</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	467,572	130,212	14,387	612,171
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	-	-	-	-
Other financing sources	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	467,572	130,212	14,387	612,171
FUND BALANCE, JULY 1	<u>9,466,531</u>	<u>4,083,022</u>	<u>415,220</u>	<u>13,964,773</u>
FUND BALANCE, JUNE 30	<u>\$ 9,934,103</u>	<u>\$ 4,213,234</u>	<u>\$ 429,607</u>	<u>\$ 14,576,944</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Governmental Funds	\$ 612,171
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	637,325
Depreciation expense	(1,888,901)
<p>Some expenses reported in the statement of activities, such as accrued vested employee benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	(875,660)
<p>Premiums on current year debt issues are reported as revenue in the governmental funds, but are amortized over the life of the bond on the statement of activities and the remaining premium is recorded as a deferred inflow of resources on the statement of net position.</p>	
Current year amortization of bond premium	39,249
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt.</p>	
	2,201,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.</p>	
	<u>14,240</u>
Change in Net Position of Governmental Activities	<u>\$ 739,424</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - FOOD SERVICE FUND  
JUNE 30, 2014**

<b>Assets</b>	
Current assets	
Cash and investments	\$ 444,026
Accounts receivable	32,244
Due from other governments	18,075
Prepaid expenses	1,380
Inventory	<u>22,951</u>
Total current assets	<u>518,676</u>
Noncurrent assets	
Capital assets	121,665
Less: Accumulated depreciation	<u>51,660</u>
Total capital assets, net	<u>70,005</u>
<b>Total Assets</b>	<u>588,681</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	8,820
Accrued salaries and related items	6,786
Total current liabilities	<u>15,606</u>
<b>Deferred Inflows of Resources</b>	
Unearned revenue - student lunch accounts	<u>48,267</u>
<b>Net Position</b>	
Net investment in capital assets	70,005
Restricted for food service	<u>454,803</u>
<b>Total Net Position</b>	<u>\$ 524,808</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND - FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Revenues</b>	
Food sales	\$ 1,509,193
State sources	40,809
Federal sources	723,542
Federal commodities	142,869
Total revenues	<u>2,416,413</u>
<b>Operating expenses</b>	
Salaries and wages	687,236
Employer paid benefits	243,225
Purchased services	33,071
Supplies, food and materials	1,443,175
Other	4,295
Depreciation	13,742
Total operating expenses	<u>2,424,744</u>
<b>Change in Net Position</b>	(8,331)
Net Position, July 1	<u>533,139</u>
<b>Net Position, June 30</b>	<u>\$ 524,808</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,499,507
Cash received from government payments	762,838
Cash received from donors	-
Cash payments to employees for services	(929,046)
Cash payments for utilities and other purchased services	(33,071)
Cash payments to suppliers for goods and services	(1,319,597)
Cash payments for other operating activities	<u>(4,295)</u>
Net cash provided by (used in) operating activities	<u>(23,664)</u>
 <b>Cash flows from investing activities</b>	
Interest income received	<u>-</u>
Net cash provided by (used in) investing activities	<u>-</u>
 <b>Cash flows from capital and related financing activities</b>	
Capital asset additions	<u>(5,651)</u>
Net cash provided by (used in) capital and related financing activities	<u>(5,651)</u>
 <b>Net increase in cash and cash equivalents</b>	 (29,315)
Cash and cash equivalents, July 1	<u>473,341</u>
Cash and cash equivalents, June 30	<u>\$ 444,026</u>

**Non-cash Investing, Capital, and Financing Activities**

During the year the District received commodities from the U.S. Department of Agriculture in the amount of \$142,869.

The accompanying notes are an integral part of these financial statements



**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities

Income (loss) from operations	\$	(8,331)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		13,742
(Increase) decrease in current assets		
Accounts receivable		(11,949)
Due from other governments		(1,513)
Prepaid expenses		(30)
Inventory		(2,360)
Increase (decrease) in current liabilities		
Accounts payable		(16,901)
Accrued payroll and related items		1,415
Unearned revenue		<u>2,263</u>
Net cash provided by (used in) operating activities	\$	<u>(23,664)</u>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Scholarships Trust Fund</b>	<b>Student Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 198,991	\$ 35,490	\$ 234,481
Restricted cash and investments			
Beneficial interest in perpetual trust	552,331	-	552,331
<b>TOTAL ASSETS</b>	<b>751,322</b>	<b>35,490</b>	<b>786,812</b>
<b>LIABILITIES</b>			
Due to student organizations	-	35,490	35,490
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>35,490</b>	<b>35,490</b>
<b>NET POSITION</b>			
Restricted for scholarships - spendable	751,322	-	751,322
<b>TOTAL NET POSITION</b>	<b>\$ 751,322</b>	<b>\$ -</b>	<b>\$ 751,322</b>

The accompanying notes are an integral part of these financial statements

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Scholarships Trust Fund</u>	<u>Student Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Gifts and contributions	\$ 25,936	\$ -	\$ 25,936
Interest income	590	-	590
Change in perpetual trust	61,156	-	61,156
Total Revenues	<u>87,682</u>	<u>-</u>	<u>87,682</u>
<b>EXPENSES</b>			
Scholarships	<u>18,044</u>	<u>-</u>	<u>18,044</u>
<b>Change in Net Position</b>	69,638	-	69,638
Net Position, July 1	<u>681,684</u>	<u>-</u>	<u>681,684</u>
<b>Net Position, June 30</b>	<u>\$ 751,322</u>	<u>\$ -</u>	<u>\$ 751,322</u>

The accompanying notes are an integral part of these financial statements

**NOTES TO FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The School District of Holmen (the "District") is organized as a common school district. The District, governed by a seven-member elected school board, operates grades K through 12 and is comprised of all or parts of six taxing districts.

The financial statements of the School District of Holmen have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

B. Component Units

U.S. generally accepted accounting principles require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

*Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental and business-type activities. The statements report information on all of the District's non-fiduciary activities with eliminations made to minimize the double counting of internal transactions. Governmental activities include programs supported primarily by taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the District.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds.

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenue or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- In addition, any other governmental or enterprise 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* - The General Fund is the primary operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. Special education revenues and expenses are included in the general fund.

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

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

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The District reports the following non-major governmental funds:

*Non-major 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.

Special Revenue Trust Fund

The District reports the following fiduciary funds:

*Private-Purpose Trust Funds* – used to account for resources legally held in trust for student scholarships.

Scholarships Trust Fund

*Agency Funds* –used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units

Student Activities Fund

**D. Measurement Focus and Basis of Accounting**

The accounts of the District are organized on the basis of funds in conformance with the accounting system prescribed for elementary and secondary school districts by the Wisconsin Department of Public Instruction.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

**SCHOOL DISTRICT OF HOLMEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources (whether current or non-current) associated with the operations of these funds are included on the balance sheet. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Proprietary and fiduciary fund statements are reported using the same focus and basis of accounting.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

State general and categorical aids and other entitlements are recognized as revenue at the time of receipt or earlier if the "measurable and available" criteria are met. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

Interest earnings on temporary investments are recognized in the fiscal period earned

E. Cash and Investments

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

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.



**SCHOOL DISTRICT OF HOLMEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

All investments approximate fair value. Determination of fair value for investments in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

F. Receivables and Payables

The aggregate District tax levy is apportioned and certified by November 6th of the current fiscal year for collection to comprising municipalities based on the immediate past October 1st full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31st and a final payment no later than following July 31st. On or before January 15th, and the 20th of the subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20th, the county treasurer makes full settlement to the District for any remaining balance.

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

Any amounts reported on the statement of net position for due to/from other funds represents amounts due between fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to/from within the same fund type.

G. Inventory

The District's food service inventory is valued at the lower of cost or market on a first-in, first-out basis.

H. Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are reported at actual cost where possible, otherwise at estimated historical costs based upon an appraisal conducted by an independent third party professional appraisal firm. The District defines capital assets as those with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction of capital assets is included as a part of the capitalized value of the assets constructed. During the year, no interest was capitalized as part of the cost of assets under construction.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Depreciation is calculated using the straight-line method over the useful lives of the assets. The estimated lives are as follows:

Buildings and improvements	15 - 50 years
Site improvements	20 years
Furniture and Equipment	5 - 20 years

I. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. Governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

A deferred premium on refunding arises from an advance refunding of debt. The difference between the reacquisition price and the net carrying amount of the old debt should be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or life of the new debt, whichever is shorter.

K. Retirement Plans

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

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**L. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

The District's policy does not allow vacation benefits to vest. Sick pay and early retirement benefits that require payment in future fiscal years are recorded as expenditures in the period or periods in which they are paid or are normally payable, rather than the period in which they are incurred for fund accounting purposes. For the government-wide statements, benefits are recorded when earned. See Note 8 and 9 for additional information regarding other employee benefits and the related liabilities. Accumulated sick pay eligibility and pay out terms are as follows:

	Non-bus drivers	Bus drivers	Administrators	Supervisors	Teachers
<b>Accumulated sick leave</b>					
Eligibility - Age	55	55	55	55	55
Eligibility - Service	15 - 25 years	6 - 14 years	10 years	15 years	15 years
Benefit Duration	1 - 2 years	1 - 2 years	Upon termination	Upon termination	Upon termination
Sick leave pay out	If service: 15 yrs: \$5 per hour accumulated. 20 yrs: \$7.50 per hour accumulated. 25 yrs: \$10 per hour accumulated.	If service: 6 yrs: \$5 per hour accumulated. 10 yrs: \$7.50 per hour accumulated. 14 yrs: \$10 per hour accumulated.	Accumulated days: 0-60 days, 25% of daily per diem. 61-100 days, 50% of daily per diem. 101-140 days, 75% of daily per diem. 141-days, 100% of daily per diem.	Benefit equal to 0.15% of last working contract rate for each day of accumulated sick leave.	Benefit equal to 0.15% of last working contract rate for each day of accumulated sick leave.
Survivor Benefit	Yes	Yes	Yes	Yes	Yes

**M. Fund Equity**

*Government-wide Financial Statements*

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

- a. Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Also included here are deferred outflows of resources and deferred inflows of resources which are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted component of net position – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints are placed on the use of restricted assets 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.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

- c. Unrestricted component of net position – consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

*Fund Balance Classifications*

Government fund equity is classified as fund balance. The District has elected to implement GASB Statement 54 employing new terminology and classification for fund balance items according to the following classifications:

- a. Non-spendable fund balances include current assets that are not expected to be converted to cash (prepaids and inventory) and long term assets.
- b. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use).
- c. Unrestricted, committed fund balances include amounts that can be spent only for specific purposes approved by the Board.
- d. Unrestricted, assigned fund balances include amounts that can be spent only for specific purposes stipulated by representatives designated by the Board.
- e. Unrestricted, unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Fund balance classifications for restricted and all categories of unrestricted amounts are considered to have been spent when an expenditure is incurred.

N. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results could differ from these estimates.

O. Financial Instruments

The carrying values of cash, receivables, payables and accrued liabilities approximate fair value due to the short maturities of those instruments. The carrying value of long term debt approximates fair value because the rates approximate the District's incremental borrowing rates.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

P. Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the district-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and requires supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities falls into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements versus capitalizing the purchase in the statement of net position and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the government-wide statements, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 - CASH AND INVESTMENTS**

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

The Debt Service Fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Scholarships Trust and Student Activities Funds use separate and distinct accounts. All other funds share in common bank and investment accounts. At June 30, 2014, cash and investments were comprised of the following:

	Carrying Amount	Bank Balance	Associated Risks
Demand deposits	\$ 11,365,251	\$ 11,831,172	Custodial credit
Certificates of deposit	1,000	1,000	Custodial credit, interest
Local government investment pool	122,734	122,734	Credit, interest
	11,488,985	11,954,906	
Petty cash	6,127	-	
Total cash and investments	\$ 11,495,112	\$ 11,954,906	
Reconciliation to financial statements			
Per statement of net position			
Governmental activities	\$ 10,816,605		
Business-type activities	444,026		
Subtotal	11,260,631		
Fiduciary funds	234,481		
Total cash and investments	\$ 11,495,112		

**SCHOOL DISTRICT OF HOLMEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 3 - CASH AND INVESTMENTS, continued**

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposits (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual government organizations. This coverage has been considered in computing custodial credit risk. The District maintains a collateral agreement with one of its banks. At June 30, 2014, the bank had pledged various government securities in the amount of \$14.7 million to secure the District's deposits.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the District would not be able to recover its deposits.

The District does not have any deposits with financial institutions in excess of federal depository insurance limits that were not covered by the Wisconsin State Deposit Guarantee Fund or pledged securities at June 30, 2014, but this limit may have been exceeded at times during the year. At June 30, 2014 the District had deposits in excess of FDIC coverage of \$11.3 million.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have an investment policy for custodial credit risk. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Local Government Investment Pool (LGIP) does not have a credit quality rating. It is part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board (SWIB). The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Funds invested in the LGIP are due to the District on demand. The District has relied on data provided by the LGIP for the valuation of pooled investments.

SWIB may invest in obligations of the U.S. Treasury and its agencies, commercial paper, bank time deposits/certificates of deposit, bankers' acceptances, asset backed securities and repurchase agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 - CASH AND INVESTMENTS, continued**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's policy limits this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity. The District also invests primarily in shorter-term securities, money market mutual funds, or similar investment pools, thereby limiting the average maturity of the portfolio.

The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

	Fair Value	Remaining Maturity (in Years)			
		0-1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -
LGIP	122,734	122,734	-	-	-
Total	\$ 123,734	\$ 123,734	\$ -	\$ -	\$ -

Concentration of Credit Risk

The District's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

**NOTE 4 - DUE FROM/DUE TO OTHER FUNDS**

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated. The District transfers to these funds to cover costs not covered by direct revenues.

Interfund receivable and payable balances on June 30, 2014 were:

	<b>Due from</b>
<b>Due to</b>	<u>General Fund</u>
<u>Debt Service Fund</u>	\$ 498,154



**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – CAPITAL ASSETS**

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

	<u>Balance 7/01/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/14</u>
<b>Governmental Activities</b>				
Land (non-depreciable)	\$ 1,342,134	\$ -	\$ -	\$ 1,342,134
Site improvements	3,001,624	134,522	-	3,136,146
Buildings and improvements	74,080,569	114,244	-	74,194,813
Furniture and equipment	5,062,692	388,559	40,384	5,410,867
Total - at cost	<u>83,487,019</u>	<u>637,325</u>	<u>40,384</u>	<u>84,083,960</u>
Less accumulated depreciation				
Site improvements	2,263,702	92,885	-	2,356,587
Buildings and improvements	23,993,925	1,378,577	-	25,372,502
Furniture and equipment	3,212,246	417,439	40,384	3,589,301
Total	<u>29,469,873</u>	<u>1,888,901</u>	<u>40,384</u>	<u>31,318,390</u>
Capital assets, net	<u>\$ 54,017,146</u>	<u>\$ (1,251,576)</u>	<u>\$ -</u>	<u>\$ 52,765,570</u>
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 116,013	\$ 5,651	\$ -	\$ 121,664
Less accumulated depreciation	<u>37,917</u>	<u>13,743</u>	<u>-</u>	<u>51,660</u>
Capital assets, net	<u>\$ 78,096</u>	<u>\$ (8,092)</u>	<u>\$ -</u>	<u>\$ 70,004</u>

Depreciation expense was allocated to governmental activities based on functional expense as they relate to total functional expenses in the following categories:

Depreciation Expense was charged to the governmental functions as follows:

Undifferentiated instruction	\$ 314,237
Regular instruction	427,164
Vocational instruction	50,014
Special education instruction	292,475
Other instruction	119,059
Pupil services	104,905
Instructional staff services	105,957
General administration services	29,324
Building administration services	90,398
Business administration services	260,491
Central services	94,879
	<u>\$ 1,888,901</u>

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of changes during 2013-2014 and balances for long-term liabilities of the District as of June 30, 2014:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>
<b>Governmental Activities</b>				
General obligation bonds	\$ 26,859,000	\$ -	\$ 2,201,000	\$ 24,658,000
Total G.O. bonds	<u>26,859,000</u>	<u>-</u>	<u>2,201,000</u>	<u>24,658,000</u>
Sick and incentive leave days	660,168	152,387	63,790	748,765
Post retirement pension benefits	402,080	224,582	195,189	431,473
Other post retirement - health benefits	3,953,606	916,846	159,176	4,711,276
Total post retirement	<u>4,355,686</u>	<u>1,141,428</u>	<u>354,365</u>	<u>5,142,749</u>
Total long-term debt	<u>\$ 31,874,854</u>	<u>\$ 1,293,815</u>	<u>\$ 2,619,155</u>	<u>\$ 30,549,514</u>

The current portion (due within one year) of the long-term obligations at June 30, 2014 consist of:

General obligation bonds	\$ 2,551,000
Sick and incentive leave days	34,260
Post retirement pension benefits	192,000
Other post retirement health benefits	<u>36,691</u>
 Total current portion of long-term obligations	 <u>\$ 2,813,951</u>

Payments on bonds and notes are made from the Debt Service Fund, Vested employee benefits reported as due within one year have been estimated by the District. The benefits will be paid by several of the governmental funds.

Total interest paid, including \$363 of fiscal agent fees, and accrued for the year ended June 30, 2014 is as follows:

	<u>Expense</u>	<u>Paid</u>
Long-term obligations	\$ 956,493	\$ 1,009,619

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 - LONG-TERM DEBT, continued**

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2014 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Dates of Maturity</u>	<u>Balance 6/30/2014</u>	<u>Current Maturities</u>
G.O Refunding Bonds	7/15/04	3.0 - 5.0%	10/1/16	4,475,000	1,350,000
G.O Refunding Bonds	9/1/04	2.25 - 4.0%	10/1/19	670,000	670,000
G.O Refunding Bonds	10/30/09	0.00%	10/1/19	198,000	36,000
G.O Refunding Bonds	11/24/09	3.0 - 5.0%	4/1/25	15,200,000	400,000
G.O Refunding Bonds	5/15/12	0.45 - 1.5%	10/1/19	4,115,000	95,000
Total general obligation debt				<u>\$ 24,658,000</u>	<u>\$ 2,551,000</u>

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,337,880,033. The legal debt limit and margin of indebtedness as of June 30, 2014 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit	
(10% of \$1,337,880,033)	\$ 133,788,003
Deduct long-term debt applicable to debt margin	<u>24,658,000</u>
Margin of indebtedness	<u>\$ 109,130,003</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on bonds and notes payable as of June 30, 2014 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2,456,000	923,215	3,379,215
2016	2,811,000	832,300	3,643,300
2017	3,171,000	731,583	3,902,583
2018	1,636,000	658,980	2,294,980
2019	2,046,000	621,315	2,667,315
2020-2024	10,988,000	1,959,650	12,947,650
2025-2029	<u>1,550,000</u>	<u>77,500</u>	<u>1,627,500</u>
Total	<u>\$ 24,658,000</u>	<u>\$ 5,804,543</u>	<u>\$ 30,462,543</u>

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 7 - EMPLOYEE RETIREMENT PLANS**

Defined benefit pension plan

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

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

Contribution rates for 2013-2014 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for the District employees covered by the WRS for the year ended June 30, 2014 was \$25,570,529; the District's total payroll was \$27,690,962. The total required contribution for the year ended June 30, 2014 was \$3,504,545 which consisted of \$1,752,386, or 6.8% of payroll from the employer, and \$1,752,159, or 6.8% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012 were \$3,262,728 and \$3,242,026 respectively, equal to the required contributions for the year.

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

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS, continued**

Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

**NOTE 8 – SUPPLEMENTAL PENSION PLAN**

The District provides a defined benefit contribution supplemental pension benefit to eligible administrators and teachers. The table below provides eligibility criteria by group. There were 323 active and 32 retired employees in the plan as of June 30, 2014.

	Teachers/Nurses	Administrators	Supervisors
<b>Section 125/HRA</b>			
Eligibility - Age	55	57	55
Eligibility - Service	10 Years	10 Years	10 Years
Benefit Duration	1-5 years, depending on service		1-5 years, depending on service
HRA	If service*: 10-14: \$4,000 for 2 yrs 15-19: \$5,000 for 1 yr \$4,000 for 2 yrs 20-24: \$5,000 for 2 yrs \$4,000 for 2 yrs 25-29: \$5,000 for 3 yrs \$4,000 for 2 yrs 30+: \$6,000 for 3 yrs \$5,000 for 2 yrs	Hired after 7/1/2005: Annual contribution of \$2,500 to account, payable after 10 years of service, upon retirement	If service*: 10-14: \$4,000 for 2 yrs 15-19: \$5,000 for 1 yr \$4,000 for 2 yrs 20-24: \$5,000 for 2 yrs \$4,000 for 2 yrs 25-29: \$5,000 for 3 yrs \$4,000 for 2 yrs 30+: \$6,000 for 3 yrs \$5,000 for 2 yrs
Survivor Benefit	Yes	Yes	No

*Note: Retired Administrators receive continued medical insurance after retirement in return for 10 days of consulting services per year. We have interpreted this to be current year compensation and not an OPEB and, therefore, is not included in this valuation.*

*\*Includes one year of service credit for every five years of Wisconsin Retirement System service with other school districts.*

**Funding Policy**

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 8 – SUPPLEMENTAL PENSION PLAN, continued**

Annual Pension Cost and Net Pension Obligation

The District’s annual pension cost and net pension obligation for the current year is:

Component	Amount
Annual required contribution (ARC)	\$ 232,436
Interest on net pension obligation	12,062
Adjustment to ARC	(19,916)
Annual pension cost (expense)	224,582
Pension payments made	(195,189)
Change in net pension obligation	29,393
Net pension obligation - beginning of year	402,080
Net pension obligation - end of year	\$ 431,473

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation. These actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and these actuarial determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. This valuation covers the period July 1, 2013 to June 30, 2014 and was determined using the Projected Unit Credit Actuarial Cost Method, amortized using a level dollar amount over 30 years. The actuarial assumptions included assuming that the plan is funded on a pay as you go basis. Mortality, disability and retirement rates are from the retirement rates used in the valuation of the Wisconsin Retirement System.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2014 is 30 years.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 – SUPPLEMENTAL PENSION PLAN, continued**

Funded Status and Funding Progress

The District’s annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation are as follows:

<u>Valuation Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 241,697	31.63%	\$ 278,611
6/30/2012	\$ 261,043	39.44%	\$ 436,684
6/30/2013	\$ 255,745	113.53%	\$ 402,080
6/30/2014	\$ 224,582	86.90%	\$ 431,473

Prior actuarial studies included these benefits in with the Actuarial Accrued Liability for post-employment benefits other than pension benefits. The current year study computes the liability as a pension benefit.

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension for the fiscal year ended June 30, 2009. The District established the “School District of Holmen Employment Trust” and has chosen to implement this standard prospectively, meaning that the liability started at zero on July 1, 2008, but the liability will grow every year that the District does not make contributions equal to the annual OPEB cost. This implementation allows the District to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and are used to determine the Other Post-Employment Benefits (OPEB) liability of the District by using the Projected Unit Credit Method, at a 3% discount rate. The discount rate was chosen assuming that the plan is funded on a pay as you go basis and assuming an initial healthcare trend rate of 10% with a one percent decrease every two years until leveling off in 2024 and later at 5%. The Unfunded Actuarial Accrued Liability (UAAL) is determined using the Projected Unit Credit Actuarial Cost Method being amortized using a level dollar amount over 30 years. The remaining amortization period at June 30, 2014 is 30 years. Demographic assumptions are based on those used to value the pension plan of the Wisconsin Retirement System with some consideration given to differences exhibited by the employees of the District.

These actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and these actuarial determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

A description of the single-employer benefit plan is as follows:

	Teacher/ Nurses	Administrators	Supervisors	Support Staff
<b>Medical Plan</b>				
Eligibility - Age	55	57	57	55
Eligibility - Service	10 Years	10 Years	10 Years	15 Years
Benefit Duration	Medicare Age	Medicare Age	Medicare Age	Medicare Age
<b>Pre 7/1/2005</b>				
% of Premium - Employer Single	0%	100%	0%	0%
% of Premium - Employee Single	100%	0%	100%	100%
% of Premium - Employer Family	0%	80%	0%	0%
% of Premium - Employee Family	100%	20%	100%	100%
<b>Post 7/1/2005</b>				
% of Premium - Employer	0%	0%	0%	0%
% of Premium - Employee	100%	100%	100%	100%
Survivor Benefit	Yes	Yes	Yes	Yes

The District provides an early retirement health insurance benefit to eligible staff. The benefit is determined based on position, longevity and union membership (if applicable). Details of this benefit program are summarized above. Expenditures for these benefits are recognized on a pay-as-you-go basis in the fund statements and on the full accrual basis using the valuation methods required in GASB Statement No. 45 in the Statement of Activities. There were 579 active and 14 retired employees in the plan as of June 30, 2014.

Funding Policy

Payments under the plan were made on a pay-as-you-go basis. At June 30, 2014, there are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all OPEB benefits. The employer makes all contributions.

Annual Pension Cost and Net Pension Obligation

The District's annual pension cost and net pension obligation for the current year is:

Component	Amount
Annual required contribution (ARC)	\$ 994,073
Interest on net OPEB obligation	118,608
Adjustment to ARC	<u>(195,835)</u>
Annual OPEB cost (expense)	916,846
Contributions made	<u>(159,176)</u>
Change in net OPEB obligation	757,670
Net OPEB obligation-beginning of year	<u>3,953,606</u>
Net OPEB obligation-end of year	<u>\$ 4,711,276</u>



**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued**

Funding Status and Funding Progress

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

<u>Valuation Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 1,039,798	12.46%	\$ 1,456,449
6/30/2011	\$ 1,039,191	10.81%	\$ 2,383,260
6/30/2012	\$ 1,056,441	21.72%	\$ 3,210,228
6/30/2013	\$ 1,024,775	27.46%	\$ 3,953,606
6/30/2014	\$ 916,846	17.36%	\$ 4,711,276

**NOTE 10 – NET POSITION AND FUND BALANCE**

At June 30, 2014, food service net position of \$454,803, after subtracting the amount for net investment in capital assets, was restricted for food service programs.

At June 30, 2014, the Governmental Activities net position balance, after subtracting net investment in capital assets and the amount restricted for debt service, was \$3,812,320.

At June 30, 2014, \$12,011 of the special revenue fund residual fund balance was in non-spendable form, and the remaining balance of \$417,596 was restricted for special revenue fund purposes.

At June 30, 2014, \$8,804 of the general fund residual fund balance was in non-spendable form, \$2,064 was restricted for a capital projects sinking fund, and \$262,951 was committed for HRA stipends, retiree medical insurance and sick leave payouts to be paid during the fiscal year ending June 30, 2014.

**NOTE 11 – OPERATING LEASE, AS LESSEE**

The District, as lessee, leases copy machines and other equipment at varying monthly payments. The District also leases building space for its 4k program. The leases expire at various times through May 2018. Lease expenses for the year ended June 30, 2014 were \$65,479. Minimum annual lease payments are as follows:

Year ended June 30, 2015	15,279
2016	4,702
2017	2,741
2018	<u>1,784</u>
Total minimum payments required	<u>\$ 24,506</u>

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 12 – PERPETUAL TRUSTS**

The District is one of the beneficiaries of the Vernon F. Dale Charitable Trust. This perpetual trust, administered by a third party trustee, provides the irrevocable right to receive unrestricted income distributions in perpetuity. The activity of the perpetual trust is accounted for in the Scholarships Trust Fund.

Changes in perpetual trust restricted net position for the year ended June 30, 2014 are as follows:

	Restricted for Scholarships - Spendable
Balance at beginning of year	\$ 491,175
Donations	-
Investment income	-
Net appreciation	61,156
Distributions	-
Balance at end of year	\$ 552,331

**NOTE 13 – PRIOR YEAR DEBT DEFEASANCE**

In May 2012, the District defeased \$3,805,000 (the final five principal payments due on the G.O. Refunding Bonds, Series 2004C) by placing the proceeds of General Obligation Refunding Bonds, Series 2012 and District debt service proceeds of \$4,242,062 into an irrevocable trust to provide for all future debt service payments on the old Series 2004C bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Cash flows required to service the new debt are \$218,001 more than servicing the old debt. The economic gain or present value savings from the debt defeasance is \$193,090. At June 30, 2014, bonds outstanding of \$3,805,000 are considered defeased.

**NOTE 14 - LIMITATION ON SCHOOL DISTRICT REVENUES**

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to the prior year.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

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

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.

Funding for the operating budget of the District comes from many sources, including property taxes, grants and aids from federal and state government sources, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the District. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the District.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 8, 2014, the date this report was available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF FUNDING PROGRESS FOR  
POST-EMPLOYMENT BENEFIT PLANS  
YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets <b>a</b>	Actuarial Accrued Liability (AAL) <b>b</b>	Unfunded AAL <b>(b-a)</b>	Funded Ratio <b>(a/b)</b>	Covered Payroll <b>c</b>	UAAL as a Percentage of Covered Payroll <b>(b-a/c)</b>
<u>Wisconsin Retirement System Pension</u>						
6/30/2014	\$ -	\$ -	\$ -	0.00%	\$ 25,570,529	0.00%
6/30/2013	-	-	-	0.00%	26,145,368	0.00%
6/30/2012	-	341,323	341,323	0.00%	24,740,742	1.38%
6/30/2011	-	461,857	461,857	0.00%	24,236,497	1.91%
6/30/2010	-	656,682	656,682	0.00%	23,746,719	2.77%
<u>Supplemental Pension</u>						
6/30/2014	-	2,311,967	2,311,967	0.00%	20,221,612	11.43%
6/30/2013	-	2,807,344	2,807,344	0.00%	18,875,776	14.87%
6/30/2012	-	2,789,482	2,789,482	0.00%	18,301,078	15.24%
6/30/2011	-	2,503,082	2,503,082	0.00%	18,242,872	13.72%
6/30/2010	-	2,487,025	2,487,025	0.00%	17,792,023	13.98%
<u>Other Post-employment Benefits</u>						
6/30/2014	-	6,893,183	6,893,183	0.00%	25,804,965	26.71%
6/30/2013	-	9,036,783	9,036,783	0.00%	24,158,225	37.41%
6/30/2012	-	8,332,737	8,332,737	0.00%	23,764,662	35.06%
6/30/2011	-	8,569,321	8,569,321	0.00%	23,169,720	36.99%
6/30/2010	-	7,854,665	7,854,665	0.00%	25,909,382	30.32%

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 12,357,743	\$ 12,352,300	\$ 12,352,181	\$ (119)
Local	311,856	369,000	368,414	(586)
Interdistrict	842,801	889,000	888,888	(112)
Intermediate	14,145	11,700	11,578	(122)
State	29,384,235	29,517,200	29,517,292	92
Federal	1,441,037	1,751,300	1,751,030	(270)
Other	194,000	129,600	128,870	(730)
<b>TOTAL REVENUES</b>	<u>44,545,817</u>	<u>45,020,100</u>	<u>45,018,253</u>	<u>(1,847)</u>
<b>EXPENDITURES</b>				
Instruction				
Undifferentiated instruction	6,969,266	6,836,100	6,836,101	(1)
Regular instruction	9,882,730	9,390,500	9,390,434	66
Vocational instruction	1,123,544	1,089,000	1,088,907	93
Special education instruction	6,595,675	6,445,700	6,445,703	(3)
Other instruction	2,003,015	2,030,000	2,029,592	408
Total instruction	<u>26,574,230</u>	<u>25,791,300</u>	<u>25,790,737</u>	<u>563</u>
Support services				
Pupil services	2,519,114	2,312,100	2,311,956	144
Instructional staff services	2,228,420	2,315,900	2,315,832	68
General administration services	739,464	646,300	646,246	54
Building administration services	1,977,460	1,992,300	1,992,235	65
Business administration services	6,089,831	6,102,700	6,102,585	115
Central services	1,906,498	2,329,700	2,329,540	160
Insurance	370,431	312,500	312,456	44
Other support services	413,146	322,500	322,422	78
Total support services	<u>16,244,364</u>	<u>16,334,000</u>	<u>16,333,272</u>	<u>728</u>
Non-program	1,855,118	2,426,800	2,426,672	128
<b>TOTAL EXPENDITURES</b>	<u>44,673,712</u>	<u>44,552,100</u>	<u>44,550,681</u>	<u>1,419</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(127,895)</u>	<u>468,000</u>	<u>467,572</u>	<u>(428)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	-	-	-	-
Other financing sources	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(127,895)</u>	<u>468,000</u>	<u>467,572</u>	<u>(428)</u>
FUND BALANCE, JULY 1	<u>9,466,531</u>	<u>9,466,531</u>	<u>9,466,531</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 9,338,636</u>	<u>\$ 9,934,531</u>	<u>\$ 9,934,103</u>	<u>\$ (428)</u>

The accompanying notes are an integral part of these financial statements.

SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund - Fund 10			Special Education Fund - Fund 27			Combined Fund 10 and 27		
	Budgeted Amounts			Budgeted Amounts			Budgeted Amounts		
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual
<b>REVENUES</b>									
Property taxes	\$ 12,357,743	\$ 12,352,300	\$ 12,352,181	\$ -	\$ -	\$ -	\$ 12,357,743	\$ 12,352,300	\$ 12,352,181
Local	302,656	359,700	359,247	9,200	9,300	9,167	311,856	369,000	368,414
Interdistrict	811,601	857,800	857,706	31,200	31,200	31,182	842,801	889,000	888,888
Intermediate	30	1,200	1,134	14,115	10,500	10,444	14,145	11,700	11,578
State	27,455,032	27,510,700	27,510,798	1,929,203	2,006,500	2,006,494	29,384,235	29,517,200	29,517,292
Federal	435,764	429,600	429,456	1,005,273	1,321,700	1,321,574	1,441,037	1,751,300	1,751,030
Other	194,000	129,600	128,870	-	-	-	194,000	129,600	128,870
<b>TOTAL REVENUES</b>	<b>41,556,826</b>	<b>41,640,900</b>	<b>41,639,392</b>	<b>2,988,991</b>	<b>3,379,200</b>	<b>3,378,861</b>	<b>44,545,817</b>	<b>45,020,100</b>	<b>45,018,253</b>
<b>EXPENDITURES</b>									
Instruction									
Undifferentiated instruction	6,969,266	6,836,100	6,836,101	-	-	-	6,969,266	6,836,100	6,836,101
Regular instruction	9,882,730	9,390,500	9,390,434	-	-	-	9,882,730	9,390,500	9,390,434
Vocational instruction	1,123,544	1,089,000	1,088,907	-	-	-	1,123,544	1,089,000	1,088,907
Special education instruction	-	-	43	6,595,675	6,445,700	6,445,660	6,595,675	6,445,700	6,445,703
Other instruction	1,997,805	2,024,700	2,024,386	5,210	5,300	5,206	2,003,015	2,030,000	2,029,592
Total instruction	19,973,345	19,340,300	19,339,871	6,600,885	6,451,000	6,450,866	26,574,230	25,791,300	25,790,737
Support services									
Pupil services	1,412,485	1,308,800	1,308,735	1,106,629	1,003,300	1,003,221	2,519,114	2,312,100	2,311,956
Instructional staff services	1,922,195	2,034,700	2,034,659	306,225	281,200	281,173	2,228,420	2,315,900	2,315,832
General administration services	739,464	646,300	646,246	-	-	-	739,464	646,300	646,246
Building administration services	1,977,460	1,992,300	1,992,235	-	-	-	1,977,460	1,992,300	1,992,235
Business administration services	5,903,629	5,924,500	5,924,453	186,202	178,200	178,132	6,089,831	6,102,700	6,102,585
Central services	1,881,748	2,313,400	2,313,304	24,750	16,300	16,236	1,906,498	2,329,700	2,329,540
Insurance	370,431	312,500	312,456	-	-	-	370,431	312,500	312,456
Other support services	413,146	322,500	322,422	-	-	-	413,146	322,500	322,422
Total support services	14,620,558	14,855,000	14,854,510	1,623,806	1,479,000	1,478,762	16,244,364	16,334,000	16,333,272
Non-program	1,559,273	1,799,300	1,799,229	295,845	627,500	627,443	1,855,118	2,426,800	2,426,672
<b>TOTAL EXPENDITURES</b>	<b>36,153,176</b>	<b>35,994,600</b>	<b>35,993,610</b>	<b>8,520,536</b>	<b>8,557,500</b>	<b>8,557,071</b>	<b>44,673,712</b>	<b>44,552,100</b>	<b>44,550,681</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,403,650</b>	<b>5,646,300</b>	<b>5,645,782</b>	<b>(5,531,545)</b>	<b>(5,178,300)</b>	<b>(5,178,210)</b>	<b>(127,895)</b>	<b>468,000</b>	<b>467,572</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfer in (out)	(5,714,628)	(5,178,300)	(5,178,210)	5,714,628	5,178,300	5,178,210	-	-	-
Other financing sources	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,714,628)</b>	<b>(5,178,300)</b>	<b>(5,178,210)</b>	<b>5,714,628</b>	<b>5,178,300</b>	<b>5,178,210</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(310,978)</b>	<b>468,000</b>	<b>467,572</b>	<b>183,083</b>	<b>-</b>	<b>-</b>	<b>(127,895)</b>	<b>468,000</b>	<b>467,572</b>
<b>FUND BALANCE, JULY 1</b>	<b>9,466,531</b>	<b>9,466,531</b>	<b>9,466,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,466,531</b>	<b>9,466,531</b>	<b>9,466,531</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 9,155,553</b>	<b>\$ 9,934,531</b>	<b>\$ 9,934,103</b>	<b>\$ 183,083</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,338,636</b>	<b>\$ 9,934,531</b>	<b>\$ 9,934,103</b>

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property taxes	\$ 3,325,593	\$ 3,324,200	\$ 3,324,240	\$ 40
Other local sources	<u>7,000</u>	<u>17,000</u>	<u>16,954</u>	<u>(46)</u>
TOTAL REVENUES	<u>3,332,593</u>	<u>3,341,200</u>	<u>3,341,194</u>	<u>(6)</u>
<b>EXPENDITURES</b>				
Support services				
Principal and interest	<u>3,210,619</u>	<u>3,211,000</u>	<u>3,210,982</u>	<u>18</u>
TOTAL EXPENDITURES	<u>3,210,619</u>	<u>3,211,000</u>	<u>3,210,982</u>	<u>18</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	121,974	130,200	130,212	12
FUND BALANCE, JULY 1	<u>4,083,022</u>	<u>4,083,022</u>	<u>4,083,022</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 4,204,996</u>	<u>\$ 4,213,222</u>	<u>\$ 4,213,234</u>	<u>\$ 12</u>

The accompanying notes are an integral part of these financial statements.



**SCHOOL DISTRICT OF HOLMEN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

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**BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two digit sub-function level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

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

**BASIS OF ACCOUNTING**

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund, but for GAAP the two are combined.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2014:

<u>Individual Fund and Function</u>	<u>Expenditures</u>
General Fund	
Undifferentiated instruction	\$       1
Special Education Fund	
Special education instruction	3

**SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF HOLMEN  
BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

		<u>Special Revenue Fund</u>
		<u>Special Revenue Trust Fund</u>
<b>ASSETS</b>		
Cash and Investments	\$	442,307
Due from other school districts		515
Prepaid Expense		<u>12,011</u>
<b>TOTAL ASSETS</b>		<u><u>454,833</u></u>
 <b>LIABILITIES</b>		
Accounts Payable		<u>25,226</u>
<b>TOTAL LIABILITIES</b>		<u>25,226</u>
 <b>FUND BALANCE</b>		
Non-spendable		
Prepaid expenses		12,011
Unrestricted		
Unassigned		<u>417,596</u>
<b>TOTAL FUND BALANCE</b>		<u>429,607</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 \$	 <u><u>454,833</u></u>

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - ALL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue Fund</u>	<u>Special Revenue Trust Fund</u>
<b>REVENUES</b>		
Other local sources	\$ 795,910	
TOTAL REVENUES	<u>795,910</u>	
<b>EXPENDITURES</b>		
Instruction		
Undifferentiated instruction	89,214	
Regular instruction	29,464	
Vocational instruction	24,973	
Other instruction	<u>605,851</u>	
Total instruction	749,502	
Support services		
Instructional staff services	25,439	
Business administration services	<u>1,779</u>	
Total support services	27,218	
Non-Program	<u>4,803</u>	
TOTAL EXPENDITURES	<u>781,523</u>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	14,387	
<b>FUND BALANCE, July 1</b>	<u>415,220</u>	
<b>FUND BALANCE, June 30</b>	<u>\$ 429,607</u>	

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
PUPIL ACTIVITIES - AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Balance 7/1/2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2014</b>
<b>ASSETS</b>				
Cash and investments	\$ 36,948	\$ 82,691	\$ 84,149	\$ 35,490
Due from scholarship fund	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 37,948</u>	<u>\$ 82,691</u>	<u>\$ 84,149</u>	<u>\$ 35,490</u>
<b>LIABILITIES</b>				
Due to student organizations				
Senior High School	<u>37,948</u>	<u>82,691</u>	<u>85,149</u>	<u>35,490</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 37,948</u>	<u>\$ 82,691</u>	<u>\$ 85,149</u>	<u>\$ 35,490</u>

The accompanying notes are an integral part of these financial statements.

**FEDERAL AND STATE AWARDS SECTION**

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

<b>Administering Agency Pass-Through Agency Award Description</b>	<b>Federal Catalog Number</b>	<b>Program or Award Amount</b>	<b>Accrued Receivable July 1, 2013</b>	<b>Expenditures</b>	<b>Grantor Revenues</b>	<b>Accrued Receivable June 30, 2014</b>
<b>United States Department of Agriculture</b>						
Passed through Wisconsin Department of Public Instruction						
Food Distribution Program July 1, 2013 - June 30, 2014	10.555	N/A	\$ -	\$ 142,869	\$ 142,869	\$ -
National School Milk Program July 1, 2012 - June 30, 2013	10.556	N/A	132	-	132	-
July 1, 2013 - June 30, 2014			-	7,290	7,101	189
National School Breakfast Program July 1, 2012 - June 30, 2013	10.553	N/A	2,905	-	2,905	-
July 1, 2013 - June 30, 2014			-	126,106	123,023	3,083
National School Lunch Program July 1, 2012 - June 30, 2013	10.555	N/A	11,808	-	11,808	-
July 1, 2013 - June 30, 2014			-	570,802	556,286	14,516
Subtotal Child Nutrition Cluster			<u>14,845</u>	<u>847,067</u>	<u>844,124</u>	<u>17,788</u>
Passed through La Crosse County Health Department						
Farm to School Grant Program July 1, 2012 - June 30, 2013	10.575	N/A	1,666	-	1,666	-
July 1, 2013 - June 30, 2014			-	19,344	19,057	287
<b>Total US Department of Agriculture</b>			<u>16,511</u>	<u>866,411</u>	<u>864,847</u>	<u>18,075</u>
<b>United States Department of Education</b>						
Passed through Wisconsin Department of Public Instruction						
PL-94-142 IDEA Flow Thru July 1, 2012 - June 30, 2013	84.027	\$ 606,843	549,130	-	549,130	-
July 1, 2013 - June 30, 2014			-	602,462	490,258	112,204
PL-99-457 Preschool Entitlement July 1, 2012 - June 30, 2013	84.173	\$ 24,202	2,198	-	2,198	-
July 1, 2013 - June 30, 2014			-	16,115	8,829	7,286
High Cost Special Education Aid July 1, 2013 - June 30, 2014	84.027	N/A	-	31,813	31,813	-
Seclusion and Restraint July 1, 2012 - June 30, 2013	84.027	N/A	1,568	-	1,568	-
IDEA State Improvement Grant July 1, 2013 - June 30, 2014	84.323	N/A	-	12,414	1,875	10,539
Subtotal Special Education Cluster (IDEA)			<u>552,896</u>	<u>662,804</u>	<u>1,085,671</u>	<u>130,029</u>

The accompanying notes are an integral part of these financial statements.



**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

<b>Administering Agency Pass-Through Agency Award Description</b>	<b>Federal Catalog Number</b>		<b>Accrued Receivable July 1, 2013</b>	<b>Expenditures</b>	<b>Grantor Revenues</b>	<b>Accrued Receivable June 30, 2014</b>
<b>United States Department of Education, continued</b>						
Passed through Wisconsin Department of Public Instruction						
ESEA Title I Basic Grant	84.010	N/A				
July 1, 2012 - June 30, 2013			151,203	-	151,203	-
July 1, 2013 - June 30, 2014			-	331,869	256,938	74,931
Subtotal Title I, Part A Cluster			<u>151,203</u>	<u>331,869</u>	<u>408,141</u>	<u>74,931</u>
Vocational Education - Carl Perkins	84.048	\$ 26,103				
July 1, 2012 - June 30, 2013			13,877	-	13,877	-
July 1, 2013 - June 30, 2014			-	26,102	12,865	13,237
			<u>13,877</u>	<u>26,102</u>	<u>26,742</u>	<u>13,237</u>
ESEA Title II-A Teacher/Principal Training	84.367	\$ 92,708				
July 1, 2012 - June 30, 2013			48,392	-	48,392	-
July 1, 2013 - June 30, 2014			-	58,085	48,130	9,955
ESEA Title III-A English Language Acquisition Grant	84.365	\$ 24,660				
July 1, 2012 - June 30, 2013			15,125	-	15,125	-
July 1, 2013 - June 30, 2014			-	13,400	12,373	1,027
			<u>63,517</u>	<u>71,485</u>	<u>124,020</u>	<u>10,982</u>
<b>Total United States Department of Education</b>			<u>781,493</u>	<u>1,092,260</u>	<u>1,644,574</u>	<u>229,179</u>
<b>US Department of Health and Human Services</b>						
Passed through Wisconsin Department of Administration						
Let's Get to Work	93.631	N/A				
July 1, 2012 - June 30, 2013			7,200	-	7,200	-
July 1, 2013 - June 30, 2014			-	6,000	-	6,000
			<u>7,200</u>	<u>6,000</u>	<u>7,200</u>	<u>6,000</u>
Passed through State of Wisconsin Health and Human Services						
Medical Assistance Program	93.778	\$ 406,800				
July 1, 2013 - June 30, 2014			-	652,770	652,616	154
<b>Total US Department of Health and Human Services</b>			<u>-</u>	<u>652,770</u>	<u>652,616</u>	<u>154</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 805,204</u>	<u>\$ 2,617,441</u>	<u>\$ 3,169,237</u>	<u>\$ 253,408</u>

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014**

<b>Administering Agency Pass-Through Agency Award Description</b>	<b>State I.D. Number</b>	<b>Revenues State Reimbursements</b>
Wisconsin Department of Public Instruction		
Entitlement Program		
Major State Programs		
Special Education and school age parents	255.101	\$ 2,006,494
Common School Library Fund	255.103	130,712
General Equalization	255.201	26,859,107
Per Pupil Adjustment	255.925	<u>290,475</u>
Total Major Programs		<u>29,286,788</u>
Nonmajor State Programs		
State school lunch	255.102	21,796
Pupil transportation	255.107	99,276
Bilingual/Bicultural Aid	255.106	66,573
Wisconsin morning milk program	255.109	6,690
Peer Review and Mentoring Grant	255.301	5,710
School Breakfast Program	255.344	12,323
Educator Effective Evaluation Systems Grant	255.940	<u>27,520</u>
Total Nonmajor Programs		<u>239,888</u>
Total Wisconsin Department of Public Instruction		<u>29,526,676</u>
Other State Revenue		
Tax exempt computer aid		13,488
State revenue through local governments		17,487
Other state revenue		<u>450</u>
Total other state revenue		<u>31,425</u>
<b>Total State Financial Assistance</b>		<u>\$ 29,558,101</u>

The accompanying notes are an integral part of these financial statements.

**SCHOOL DISTRICT OF HOLMEN  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014**

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**NOTE 1 - BASIS PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Holmen and are presented on the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2 – NONCASH AWARDS**

The amount of commodities reported on the Schedule of Expenditures of Federal Awards of \$142,869 is the value of commodities received by the District in the current year. The commodities are priced as prescribed by the Wisconsin Department of Public Instruction.

**NOTE 3 – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

2013-2014 eligible costs under the State Special Education Program are \$7,542,187.

**NOTE 4 – OVERSIGHT AGENCIES**

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

**OTHER REPORTS**



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## **Engel & Associates, Ltd.**

Certified Public Accountants and Consultants

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

To the Board of Education  
School District of Holmen  
Holmen, Wisconsin

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Holmen ("District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District of Holmen's basic financial statements, and have issued our report thereon dated September 8, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Engelson and Associates, Ltd.*

La Crosse, Wisconsin  
September 8, 2014



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## **Engelson & Associates, Ltd.**

Certified Public Accountants and Consultants  
**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE  
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

To the Board of Education  
School District of Holmen  
Holmen, Wisconsin

### **Report on Compliance for Each Major State Program**

We have audited the School District of Holmen ("District")'s compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's designated state major aid programs for the year ended June 30, 2014. The District's designated state major aid programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Compliance requirements of laws, regulations, contracts, and grants applicable to its designated major state aid programs is the responsibility of the District's management.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements 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 the designated state major aid 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 on compliance for each designated major state program. However, our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major State Program**

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its designated state major aid programs for the year ended June 30, 2014.

3317 Mormon Coulee Road • P.O. Box 785, La Crosse, WI 54602-0785 • (608) 788-2181

## Report on 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 the designated state major aid 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 the designated state major aid programs to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This purpose of this report is intended solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the Wisconsin Department of Public Instruction. Accordingly, this report is not suitable for any other purpose.

*Engelson and Associates, Ltd.*

La Crosse, Wisconsin  
September 8, 2014





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**Engelson & Associates, Ltd.**

Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
School District of Holmen  
Holmen, Wisconsin

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, the School District of Holmen complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Engelson and Associates, Ltd.*

La Crosse, Wisconsin  
September 8, 2014

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No
- Noncompliance material to the financial statements? No

Federal Awards

Type of auditor’s report issued on compliance for major programs Unqualified

Internal control over compliance:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

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

Identification of major federal programs:

CFDA Number                      Name of Federal Program or Cluster

Special Education Program Cluster	
84.027	PL 94-142 IDEA Flow-Through
84.173	PL 99-457 Preschool Entitlement
84.323	IDEA State Improvement Grant
Child Nutrition Program Cluster	
10.553	National School Lunch
10.555	National School Breakfast Program
10.556	National School Milk Program
93.778	Medical Assistance Program
84.010	ESEA Title I Basic Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000  
 Auditee qualified as a low-risk auditee? Yes

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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**Section I – Summary of Auditor’s Results, continued**

State Awards

Type of auditor’s report issued on compliance for major programs	Unqualified
Internal control over compliance:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
• Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines?	No

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program or Cluster</u>
255.101	Handicapped Pupils and School Age Parents
255.103	Common School Library Fund
255.201	General Equalization Aid
255.925	Per Pupil Adjustment

**Section II – Financial Statement Findings**

None reported

**Section III – Federal and State Award Findings and Questioned Costs**

None reported

**Section IV – Status of Prior Period Audit Findings**

2013-1 - Resolved

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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**Section V – Other Issues**

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:  
Wisconsin Department of Public Instruction No

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

Name and signature of partner   
Earl E. Engelson, Shareholder

Date of Report September 8, 2014

**SCHOOL DISTRICT OF HOLMEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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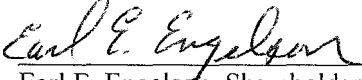
**Section V – Other Issues**

Does the auditor have substantial doubt as to the auditee’s ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:  
Wisconsin Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of partner

  
Earl E. Engelson, Shareholder

Date of Report

September 8, 2014