

SCHOOL DISTRICT OF NEW BERLIN

FINANCIAL STATEMENTS

June 30, 2011

SCHOOL DISTRICT OF NEW BERLIN

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INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of New Berlin
New Berlin, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of New Berlin, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of New Berlin management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of New Berlin as of June 30, 2011, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the School District of New Berlin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to disclose the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for postemployment benefit plan and pension plan, and the budgetary comparison schedule as listed in the table of contents, 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 Boards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of New Berlin's basic financial statements as a whole. The combining nonmajor fund financial statements and schedule of changes in assets and liabilities for the pupil activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Wisconsin State Single Audit Guidelines, and is also not a required part of the financial statements. The combining nonmajor fund financial statements, schedule of changes in assets and liabilities for the pupil activity funds and the federal and state schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP
January 3, 2012

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

This discussion and analysis of the School District of New Berlin's financial information provides an overall review of financial activities for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

District-wide financial statements

- The District-wide financial statements are the *Statement of Net Assets* and *Statement of Activities*. These statements present an aggregate view of the district's finances in a manner similar to private-sector business.
- The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *Statement of Activities* presents information showing how the District's net assets changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.

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* and the *Statement of Revenues, Expenditures and Changes in Fund Balance* (operating statement). Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balances.
- 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. A reconciliation to facilitate the comparison of the Statement of Net Assets to the Governmental Funds Balance Sheet is presented at the bottom of the governmental funds statement. A separate statement to reconcile the Statement of Activities to the governmental funds operating statement is presented.
- The District has two kinds of funds: *governmental*, and *fiduciary*. *Governmental funds* include the District's four regular funds (general, special education, debt service, and community service) and individual capital project funds as needed. The District has one agency fund for student and parent organizations.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

- Financial information is presented separately on both the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance* for the general fund, special education fund and debt service fund, as these are considered to be major funds. Data for the food service, professional development, Elmwood construction fund, and the capital expansion funds are combined into a single, aggregated column. Data for each of these individual nonmajor funds is provided separately as supplementary information.
- The District serves as a trustee, or *fiduciary*, for student and parent 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 District adopts an annual appropriation budget for its general fund. Budgetary comparison statements have been provided to demonstrate budget compliance.

Notes to the financial statements

The *Notes to the Financial Statements* provide additional information that is essential to the full understanding of the data provided in the District-wide and fund financial statements. The Notes to the Financial Statements follow the basic financial statements.

FINANCIAL ANALYSIS

The District as a Whole

Net Assets. Table I, below, provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

| Table 1 | | | |
|---|------------------------------------|---------------------------|---------------------|
| Condensed Statement of Net Assets | | | |
| <i>(in thousands of dollars)</i> | | | |
| | Governmental Activities | | % Change |
| | 2011 | 2010 | 2010-2011 |
| Current and other assets | \$ 16,615.8 | \$ 27,209.9 | -38.9% |
| Capital assets | 62,333.5 | 61,523.1 | 4.4% |
| Net pension asset | 995.1 | - | 1586.6% |
| Total assets | <u>\$ 79,944.4</u> | <u>\$ 88,733.0</u> | -8.3% |
| Long-term debt outstanding | \$ 54,446.7 | \$ 43,935.8 | 25.7% |
| Other liabilities | 9,207.7 | 21,336.0 | -60.4% |
| Total liabilities | <u>\$ 63,654.4</u> | <u>\$ 65,271.8</u> | -2.5% |
| Net assets | | | |
| Invested in capital assets, net of related debt | \$ 16,348.1 | \$ 14,822.7 | 26.0% |
| Restricted | 2,484.1 | 2,629.3 | -5.5% |
| Unrestricted | (2,542.2) | 6,009.2 | -141.9% |
| Total net assets | <u>\$ 16,290.0</u> | <u>\$ 23,461.2</u> | -24.9% |

Note: totals may not add due to rounding.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

Restricted net assets is comprised of assets held for food service operations, \$702,914, and community services, \$417,773. In addition, \$1,363,395 is required by state statute to be held for debt service payments to be made between the end of the fiscal year and receipt of property taxes, normally January 20th.

Total net assets decreased during the year as a result of several changes in management of short and long-term debt. The district's overall short-term liabilities decreased \$12.9 million due to changes in strategy for cash flow borrowing. During this current period of negative arbitrage, the district no longer issues tax and revenue anticipation notes (TRANS) for the traditional 12 to 13 months but rather, borrows only as needed. This change in strategy is also reflected in the decrease in current assets as there is less cash held for repayment of the TRANS.

During the year, the district paid its prior service obligation with the Wisconsin Retirement System (a non-GAAP recognized debt) through issuance of a \$12 million taxable general obligation bond, recorded as a special item in the Statement of Changes in Net Assets. This transaction resulted in capping the amount of obligations of the district and reduced long-term interest costs, but resulted in a non-GAAP obligation being reported as a GAAP obligation. Further, the district revised its prior service obligations resulting in over \$14 million in savings. The current amortization of that obligation results in a net asset of \$767,828.

Changes in net assets. Table 2 shows the changes in net assets for the fiscal year 2011 compared to 2010.

| Table 2 | | |
|--|------------------------------------|-------------------|
| Change in Net Assets | | |
| <i>(in thousands of dollars)</i> | | |
| | Governmental Activities | |
| | <u>2011</u> | <u>2010</u> |
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 3,646.2 | \$ 3,614.7 |
| Operating grants & contributions | 3,956.8 | 4,637.0 |
| General revenues | | |
| Property taxes | 45,957.8 | 44,240.1 |
| State formula aid | 9,352.1 | 7,549.2 |
| Other | 262.7 | 719.4 |
| Total revenues | <u>63,175.6</u> | <u>60,760.4</u> |
| Expenses: | | |
| Instruction | 27,970.0 | 27,375.7 |
| Pupil & instructional services | 3,172.7 | 3,477.9 |
| Administration and business | 18,982.7 | 15,837.1 |
| Interest on debt | 2,247.6 | 2,819.3 |
| Other | 5,771.2 | 7,506.2 |
| Total expenses | <u>58,144.2</u> | <u>57,016.2</u> |
| Changes in net assets from operations | <u>5,031.4</u> | <u>3,744.2</u> |
| Net special item | <u>(12,202.7)</u> | <u>-</u> |
| Change in net assets | <u>\$ (7,171.3)</u> | <u>\$ 3,744.2</u> |

Note: totals may not add due to rounding.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

Governmental Activities

The District relies primarily on property taxes and general state aid to fund governmental activities. School funding regulations restrict the amount by which these two revenue sources, in combination, may be increased. This restriction, called revenue limit, is intended to help hold down increases in property taxes throughout the state.

General state aid is paid according to a formula which takes into consideration District spending and property values as compared to spending and property values for the state as a whole.

The following schedule indicates the proportion of revenues which provide funding for governmental activities in the accompanying Statement of Activities.

| <u>Revenue Category</u> | <u>2011 Amount</u> | <u>2011 Percentage</u> | <u>2010 Percentage</u> |
|---|-------------------------------|-----------------------------------|-----------------------------------|
| Charges for services | \$ 3,646,174 | 6% | 6% |
| Operating grants and contributions, program revenues | 3,956,791 | 6% | 8% |
| Property taxes | 45,957,743 | 73% | 73% |
| Other State and Federal aid | 9,352,142 | 15% | 12% |
| Other | <u>262,784</u> | <u>0%</u> | <u>1%</u> |
| | <u>\$63,175,634</u> | <u>100%</u> | <u>100%</u> |

The following schedule shows the portion of the District's expenses allocated to each function in the accompanying statement of activities.

| <u>Expense Category</u> | <u>2011 Amount</u> | <u>2011 Percentage</u> | <u>2010 Percentage</u> |
|----------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
| Instruction | \$27,969,989 | 48% | 48% |
| Pupil and instructional services | 3,172,699 | 5% | 6% |
| Administration and business | 18,982,671 | 33% | 28% |
| Interest on debt | 2,247,586 | 4% | 5% |
| Other | <u>5,771,254</u> | <u>10%</u> | <u>13%</u> |
| | <u>\$58,144,199</u> | <u>100%</u> | <u>100%</u> |

Governmental Funds

The District completed the year with a total fund balance in the general fund of \$9.3 million including \$7.3 million unassigned (see footnote 5).

The debt service fund's fund balance increased by \$140,610 to provide adequate assets for interest payments required before receipt of property taxes in the subsequent year.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

Budgetary highlights. The District generally does not adjust its original budget during the year. In the general fund:

- expenditures were less than budget by \$1,930,937 due primarily to costs less than anticipated in the district's self-funded health benefit program.
- the District improved the fund balance by \$3,132,113.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had invested over \$89.3 million in a broad range of capital assets, including buildings, sites, and equipment. This amount includes acquisitions of \$3,310,041 this year. Total accumulated depreciation on these assets is about \$27.0 million.

- The district recognized depreciation expense of \$2,499,723.

Long-Term Debt

At year-end the District had \$57.9 million in general obligation debt outstanding.

| Table 3 | | | |
|--|---------------------------|---------------------------|---|
| Outstanding Long-Term Obligations | | | |
| <i>(in thousands of dollars)</i> | | | |
| | Total | | Total % Change 2010-2011 |
| | School District | | |
| | <u>2011</u> | <u>2010</u> | |
| General obligation debt | \$ 57,980.3 | \$ 46,700.4 | 24.2% |
| Total | <u>\$ 57,980.3</u> | <u>\$ 46,700.4</u> | 24.2% |

The District received credit ratings from Moody's Investor Services. The District's most recent rating was Aa1.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2011**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Management expects the School Board to approve closing of one elementary school beginning with the 2012-13 school year. This closure along with the elimination of most bargaining privileges for public sector unions will enable the district to better manage the structural deficit that exists under the State of Wisconsin school finance formulas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is prepared to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roger J. Dickson, Chief Finance and Operations Officer at 262-789-6210.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Current Assets

| | |
|-----------------------------|-------------------|
| Cash and investments | \$ 9,446,263 |
| Receivables | |
| Taxes | 5,330,092 |
| Accounts | 19,400 |
| Due from other governments | 1,820,061 |
| Total current assets | 16,615,816 |

Noncurrent Assets

| | |
|--------------------------------|-------------------|
| Land | 1,388,053 |
| Buildings and improvements | 77,794,726 |
| Furniture and equipment | 10,142,121 |
| Less accumulated depreciation | (26,991,443) |
| Total noncurrent assets | 62,333,457 |

Other Assets

| | |
|--------------------------|----------------|
| Deferred financing costs | 227,335 |
| OPEB asset | 767,828 |
| | 995,163 |

Total other assets

| | |
|---------------------|----------------------|
| Total assets | \$ 79,944,436 |
|---------------------|----------------------|

LIABILITIES

Current Liabilities

| | |
|--|------------------|
| Accounts payable | \$ 1,684,175 |
| Short-term notes payable | 2,000,000 |
| Accrued liabilities | |
| Payroll, payroll taxes, insurance | 214,943 |
| Claims incurred but not reported | 855,185 |
| Interest | 862,387 |
| Unearned revenue | 57,399 |
| Current portion, long-term obligations | 3,533,673 |
| Total current liabilities | 9,207,762 |

Noncurrent Liabilities

| | |
|---|-------------------|
| Noncurrent portion, long-term obligations | 54,446,652 |
| Total noncurrent liabilities | 54,446,652 |

| | |
|--------------------------|-------------------|
| Total liabilities | 63,654,414 |
|--------------------------|-------------------|

NET ASSETS

| | |
|---|-------------------|
| Invested in capital assets, net of related debt | 16,348,132 |
| Restricted | 2,484,082 |
| Unrestricted | (2,542,192) |
| Total net assets | 16,290,022 |

| | |
|---|----------------------|
| Total liabilities and net assets | \$ 79,944,436 |
|---|----------------------|

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> |
|---|----------------------|-------------------------|----------------------|----------------------|
| <u>Governmental activities</u> | | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| <u>Instruction</u> | | <u>Services</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Net Assets</u> |
| Regular instruction | \$ 19,722,824 | \$ 1,334,255 | \$ 587,191 | \$ (17,801,378) |
| Vocational instruction | 423,459 | 27,777 | 31,073 | (364,609) |
| Special educational instruction | 5,446,974 | 576,176 | 1,576,124 | (3,294,674) |
| Other instruction | <u>2,376,732</u> | <u>160,355</u> | <u>-</u> | <u>(2,216,377)</u> |
| Total instruction | <u>27,969,989</u> | <u>2,098,563</u> | <u>2,194,388</u> | <u>(23,677,038)</u> |
| Support services | | | | |
| Pupil service | 1,412,606 | - | 466,896 | (945,710) |
| Instructional staff services | 1,760,093 | - | 504,321 | (1,255,772) |
| General administration services | 515,703 | - | - | (515,703) |
| School administration services | 2,686,552 | - | 2,000 | (2,684,552) |
| Business services | 11,294,415 | 1,305,849 | 315,463 | (9,673,103) |
| Central services | 3,958,211 | - | 473,723 | (3,484,488) |
| Insurance | 527,790 | - | - | (527,790) |
| Other support services | 3,736,841 | - | - | (3,736,841) |
| Debt service | 2,247,586 | - | - | (2,247,586) |
| Community service | 84,283 | 241,762 | - | 157,479 |
| Depreciation – unallocated | <u>1,950,130</u> | <u>-</u> | <u>-</u> | <u>(1,950,130)</u> |
| Total support services | <u>30,174,210</u> | <u>1,547,611</u> | <u>1,762,403</u> | <u>(26,864,196)</u> |
| Total governmental activities | <u>\$ 58,144,199</u> | <u>\$ 3,646,174</u> | <u>\$ 3,956,791</u> | <u>(50,541,234)</u> |
| General revenues | | | | |
| Property taxes | | | | |
| General purposes | | | | 40,042,839 |
| Debt services | | | | 5,914,904 |
| Other tax | | | | 5,881 |
| State and federal aids not restricted to specific functions | | | | 9,352,142 |
| Interest and investment earnings | | | | 20,707 |
| Donations | | | | 108,461 |
| Miscellaneous | | | | <u>127,735</u> |
| Total general revenues | | | | <u>55,572,669</u> |
| Special item - repay Wisconsin Retirement System debt obligation | | | | <u>(12,202,675)</u> |
| Change in net assets | | | | <u>(7,171,240)</u> |
| Net assets, beginning of year, as previously reported | | | | 21,687,500 |
| Prior period adjustment | | | | <u>1,773,762</u> |
| Net Assets, beginning of year, as restated | | | | 23,461,262 |
| Net assets, end of year | | | | <u>\$ 16,290,022</u> |

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

| | General Fund | Debt Service Fund | Other Government Fund | Total Governmental Funds |
|--|-------------------------|----------------------------------|--------------------------------------|---|
| Assets | | | | |
| Cash and investments | \$ 6,936,549 | \$ 1,363,395 | \$ 1,146,319 | \$ 9,446,263 |
| Receivables | | | | |
| Taxes | 5,330,092 | - | - | 5,330,092 |
| Accounts | 18,045 | - | 1,352 | 19,397 |
| Due from other governments | 1,781,276 | - | 38,785 | 1,820,061 |
| Total assets | \$ 14,065,962 | \$ 1,363,395 | \$ 1,186,456 | \$ 16,615,813 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Short-term notes payable | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 |
| Accounts payable | 820,090 | - | 1,698 | 821,788 |
| Accrued liabilities | | | | |
| Payroll, payroll taxes, insurance | 1,070,654 | - | 6,672 | 1,077,326 |
| Claims incurred but not reported | 855,185 | - | - | 855,185 |
| Deferred revenue | - | - | 57,399 | 57,399 |
| Total liabilities | 4,745,929 | - | 65,769 | 4,811,698 |
| Fund Balances | | | | |
| Restricted | - | 1,363,395 | 1,120,687 | 2,484,082 |
| Committed | 1,986,750 | - | - | 1,986,750 |
| Unassigned | 7,333,283 | - | - | 7,333,283 |
| Total fund balances | 9,320,033 | 1,363,395 | 1,120,687 | 11,804,115 |
| Total liabilities and fund balances | \$ 14,065,962 | \$ 1,363,395 | \$ 1,186,456 | |

Total net assets reported for governmental activities in the Statement of Net Assets are different from the amount reported above as total governmental fund balance because:

Capital assets and other long-term assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the Statement of Net Assets:

| | | |
|---------------------------------------|---------------|------------|
| Governmental capital assets | \$ 89,324,900 | |
| Governmental accumulated depreciation | (26,991,443) | |
| Deferred finance costs | 227,335 | |
| Net OPEB asset | 767,828 | 63,328,620 |

Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the Statement of Net Assets that are not reported in the funds balance sheet are:

| | | |
|------------------|----------------|--------------|
| Capital leases | \$ (1,945,325) | |
| Bonds payable | (56,035,000) | |
| Accrued interest | (862,388) | (58,842,713) |

Total net assets – governmental activities **\$ 16,290,022**

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Other Government Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------------|--------------------------------------|---|
| Revenues | | | | |
| Local sources | \$ 41,083,973 | \$ 5,444,848 | \$ 2,043,025 | \$ 48,571,846 |
| Interdistrict/Intermediate sources | 1,167,120 | - | - | 1,167,120 |
| State sources | 10,123,061 | - | 17,075 | 10,140,136 |
| Federal sources | 2,812,811 | - | 355,986 | 3,168,797 |
| Other sources | 111,464 | 16,274 | - | 127,738 |
| Total revenues | <u>55,298,429</u> | <u>5,461,122</u> | <u>2,416,086</u> | <u>63,175,637</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Regular instruction | 20,033,948 | - | - | 20,033,948 |
| Vocational instruction | 418,798 | - | - | 418,798 |
| Special instruction | 5,632,320 | - | - | 5,632,320 |
| Other instruction | 2,417,728 | - | - | 2,417,728 |
| Total instruction | <u>28,502,794</u> | <u>-</u> | <u>-</u> | <u>28,502,794</u> |
| Support Services | | | | |
| Pupil services | 1,459,008 | - | - | 1,459,008 |
| Instructional staff services | 1,800,637 | - | - | 1,800,637 |
| General administration services | 636,053 | - | - | 636,053 |
| Building administration services | 2,774,266 | - | - | 2,774,266 |
| Business services | 10,580,408 | - | 3,260,592 | 13,841,000 |
| Central services | 4,344,297 | - | - | 4,344,297 |
| Insurance | 527,790 | - | - | 527,790 |
| Debt service: | | | | |
| Principal | 890,925 | 15,775,000 | - | 16,665,925 |
| Interest and fees | 57,030 | 2,162,837 | 14,300 | 2,234,167 |
| Other debt service | - | 12,202,675 | - | 12,202,675 |
| Community service | - | - | 142,019 | 142,019 |
| Other support services | 3,951,917 | - | - | 3,951,917 |
| Total support services | <u>27,022,331</u> | <u>30,140,512</u> | <u>3,416,911</u> | <u>60,579,754</u> |
| Total expenditures | <u>55,525,125</u> | <u>30,140,512</u> | <u>3,416,911</u> | <u>89,082,548</u> |
| Deficiency of revenues under expenditures | <u>(226,696)</u> | <u>(24,679,390)</u> | <u>(1,000,825)</u> | <u>(25,906,911)</u> |
| Other Financing Sources: | | | | |
| Proceeds from long-term obligations | 2,410,854 | 24,820,000 | 715,000 | 27,945,854 |
| Total other financing sources | <u>2,410,854</u> | <u>24,820,000</u> | <u>715,000</u> | <u>27,945,854</u> |
| Net Change in Fund Balances | 2,184,158 | 140,610 | (285,825) | 2,038,943 |
| Fund Balances, beginning of year | <u>7,135,875</u> | <u>1,222,785</u> | <u>1,406,512</u> | <u>9,765,172</u> |
| Fund Balances, end of year | <u>\$ 9,320,033</u> | <u>\$ 1,363,395</u> | <u>\$ 1,120,687</u> | <u>\$ 11,804,115</u> |

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Net Change in Fund Balances-Total Governmental Funds \$ 2,038,943

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are show in the Statement of Net Assets and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities.

| | | |
|--|--------------------|---------|
| Capital outlay reported in government fund statements | \$ 3,310,041 | |
| Depreciation expense reported in the Statement of Activities | <u>(2,499,722)</u> | 810,319 |

| | | |
|--|--|-----------|
| Payments to early retirees under the District's OPEB and administrative pension plans are recorded on a pay-as-you-go basis in the fund statements. In the Statement of Activities, OPEB and pension expense is reported on the accrual basis based on an actuarial valuation. | | 1,272,845 |
|--|--|-----------|

| | | |
|---|---------------------|--------------|
| Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Assets and does not affect the Statement of Activities. Proceeds from long-term debt is reported as revenue in the governmental funds but as an increase in long-term debt in the Statement of Activities. | | |
| The amount of long-term debt principal payments in the current year is: | 16,665,925 | |
| The amount of long-term debt proceeds in the current year is: | <u>(27,945,854)</u> | (11,279,929) |

| | | |
|--|--|---------|
| Costs of issuance for long-term obligations are an expenditure in the governmental funds but are capitalized and amortized over the life of the debt in the Statement of Activities. | | 227,335 |
|--|--|---------|

| | | |
|--|----------------|------------------|
| In governmental funds interest payments on outstanding long-term debt are reported as an expenditure; when paid in the Statement of Activities interest is reported as incurred. | | |
| The amount of interest accrued during the current period is: | (862,387) | |
| The amount of interest accrued during the prior period is: | <u>621,634</u> | <u>(240,753)</u> |

Change in Net Assets-Governmental Activities \$ (7,171,240)

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

| | <u>Agency Funds</u> |
|---------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 468,624 |
| Total assets | <u>\$ 468,624</u> |
| Liabilities | |
| Accounts payable | \$ 32,997 |
| Due to student groups | <u>435,627</u> |
| Total liabilities | <u>\$ 468,624</u> |

See notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The School District of New Berlin is organized as a common school district governed by an elected seven-member school board. The District operates grades kindergarten through grade 12 and is comprised of one taxing District.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separately elected governing body that is legally and is fiscally independent. All of the accounts of the District comprise the standalone government.

BASIS OF PRESENTATION

District-Wide Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The District does not report any business-type activities.

The 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 (a) charges paid by the recipients for goods or services offered by the programs (b) 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 taxes, are presented as general revenues.

Fund Financial Statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All nonmajor governmental funds are aggregated and reported as other governmental funds.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial activity not required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The District reports the following nonmajor funds:

Food Service Fund - Food Service Funds accounts for the school lunch program.

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

Community Service Fund - This fund accounts for programs and services available to the community.

The District accounts for assets held as an agent for various student and parent organizations in an agency fund.

Measurement Focus and Basis of Accounting

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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 general 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 leases are reported as other financial sources.

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 assets 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.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Budgetary Control

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in measurement focus and basis of accounting. Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the object level in the General Fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution. Appropriations lapse at year end unless specifically carried over.

Cash and Investments

The District's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

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.

All investments are stated at fair value. Determination of fair value for investments is based on quoted market prices.

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. The county treasurer, who then makes settlement with the city, town, village and school districts before retaining any for county purposes, collects second installment real estate taxes and delinquent taxes.

The District's property taxes are levied on or before October 31st on the equalized property valuation certified by the Department of Revenue. 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 the following July 31st. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Property Tax Levy (continued)

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2010 tax levy is used to finance operations of the District's fiscal year ended June 30, 2011. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Accounts Receivable

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 such allowance would not be material.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30th.

A reserve for these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Due to/Due from other funds

Amounts reported on the governmental funds Balance Sheet for due to and due from other funds represent amounts due between different funds. Eliminations have been made for amounts due to and due from within the same fund type in preparing the Statement of Net Assets.

Capital Assets

Capital assets are reported at actual costs or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. The District uses a minimum capitalization limit of \$2,500. Donated assets are reported at estimated fair market value at the time received.

Other Assets

In governmental funds, debt issuance costs are recognized in the current period. For the district-wide financial statements, the district has elected to prospectively amortize debt issue costs over the life of the debt issue. At June 30, 2011 the District reported \$227,335 of unamortized debt issue costs.

COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFITS

Vacation

The District's policy allows employees to earn varying amounts of vacation pay for each year depending on the total number of years employed. Employees must use their entire vacation during the fiscal year thus, vacation pay is not cumulative.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Sick Pay

The District's policy does not allow accumulated sick pay benefits to vest. Unused accumulated employee sick pay benefits are forfeited upon retirement or termination of employment. Benefits are recorded as expenditure in the year used.

Postemployment Benefits

Teachers and certain administrative, clerical, and support personnel are entitled to early retirement benefits for those employees who have provided specified minimum years of service to the District. Under the early retirement options, the District is liable at June 30, 2011 for varying amounts of health and life insurance benefits. See Note 3.

Retirement Plan

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

EQUITY CLASSIFICATIONS

District-Wide Statements

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

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

It is the practice of the District to spend restricted amounts first followed by unrestricted amounts when expenditures are incurred for purposes for which amounts in any of the net asset classifications could be used.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Statements

Governmental fund equity is classified as fund balance. For the year ended June 30, 2011, the District implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 requires the fund balance amounts to be reported in the following categories:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board (the District's highest level of decision-making authority).
- d. Assigned - Amounts that are intended to be used for a particular purpose expressed by the School Board of other authorized committee or individual.
- e. Unassigned - All amounts not included in other spendable classifications.

It is the practice of the District to spend restricted amounts before unrestricted, and committed amounts first followed by assigned then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the fund balance classifications could be used.

The District's policy is to strive to maintain a minimum fund balance of at least 10% of the subsequent year budget.

Equity presentation of the District's 2009-2010 financial statements have been restated to conform with GASB 54. Implementation of GASB 54 also resulted in eliminating presentation of special education activity as a separate fund. Special education is now reported in the general fund.

Note 2 – Detailed Disclosures Regarding Assets and Revenues

Cash and Investments

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

For investments, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to greater risk.

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

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Note 2 – Detailed Disclosures Regarding Assets and Revenues (continued)

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and noninterest bearing accounts are fully insured through December 31, 2012. Bank accounts are also insured by the state Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has not been considered. At June 30, 2011, the District's deposits are insured.

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

At June 30, 2011 the District had the following investments:

| Investment | Fair Value | Risk Potential |
|--------------------------|-------------------|-----------------------|
| U.S. Treasury Securities | \$700,234 | Credit, Interest rate |

Fluctuating cash flows during the year due to tax collection, receipt of state aid and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 2 – Detailed Disclosures Regarding Assets and Revenues (continued)

Capital Assets

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Sites (land) | \$ 1,388,053 | \$ - | \$ - | \$ 1,388,053 |
| Total capital assets not being depreciated | <u>1,388,053</u> | <u>-</u> | <u>-</u> | <u>1,388,053</u> |
| Depreciable capital assets | | | | |
| Buildings and improvements | 75,432,751 | 2,361,975 | - | 77,794,726 |
| Vehicles | 351,051 | 140,424 | - | 491,475 |
| Furniture and equipment | 8,843,005 | 807,641 | - | 9,650,646 |
| Total depreciable capital assets | <u>84,626,807</u> | <u>3,310,040</u> | <u>-</u> | <u>87,936,847</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (18,826,036) | (1,854,105) | - | (20,680,141) |
| Furniture, equipment and vehicles | (5,665,684) | (645,618) | - | (6,311,302) |
| Total accumulated depreciation | <u>(24,491,720)</u> | <u>(2,499,723)</u> | <u>-</u> | <u>(26,991,443)</u> |
| Total depreciable capital assets net of accumulated depreciation | <u>60,135,087</u> | <u>810,317</u> | <u>-</u> | <u>60,945,404</u> |
| Governmental activities, net of accumulated depreciation | <u>\$61,523,140</u> | <u>\$810,317</u> | <u>\$ -</u> | <u>\$62,333,457</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| Regular instruction | \$ 355,980 |
| Vocational instruction | 16,364 |
| Special education instruction | 13,911 |
| Other instruction | 32,870 |
| General administration services | 2,757 |
| Building administration services | 1,207 |
| Business administration | 95,079 |
| Central services | 31,424 |
| Depreciation not charged to a specific function | <u>1,950,131</u> |
| Total depreciation for governmental activities | <u>\$2,499,723</u> |

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Short-term Borrowing

The District issues tax anticipation notes in advance of property tax collections. The notes are necessary because payments for the year begins in July whereas the tax collections are received from the municipalities beginning in January. The District also issued note anticipation notes in 2010-2011 in anticipation of permanent long-term financing (see long-term obligations below).

Short-term debt activity for the year ended June 30, 2011 was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|---------------|-----------------|---------------------------|
| Tax anticipation notes | \$14,900,000 | \$4,000,000 | \$16,900,000 | \$2,000,000 |

Interest incurred on short-term debt for the year ended June 30, 2011 was \$51,637.

Long-term Obligations

Long-term liabilities balances and activity for the year ended June 30, 2011 are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|--|
| Governmental Activities | | | | | |
| General obligation debt | | | | | |
| Bonds | \$44,375,000 | \$13,285,000 | \$ 2,615,000 | \$55,045,000 | \$2,800,000 |
| Notes | 1,900,000 | 12,250,000 | 13,160,000 | 990,000 | 65,000 |
| Capital leases | 425,396 | 2,410,854 | 890,925 | 1,945,325 | 668,673 |
| Total governmental activity long-term liabilities | <u>\$46,700,396</u> | <u>\$27,945,854</u> | <u>\$16,665,925</u> | <u>\$57,980,325</u> | <u>\$3,533,673</u> |

Payments on bonds and notes are made by the debt service fund. Interest incurred on long-term obligations was \$2,247,586.

The full faith, credit, and taxing powers of the District secure all general obligation debt, including business-type activities, if any. Bonds payable is comprised of the following individual issues:

| Government Activities | | | | | |
|------------------------------|----------------------------|------------------------|---------------------------|-----------------------------|----------------------------|
| | <u>Original Amount</u> | <u>Issued Date</u> | <u>Interest Rates</u> | <u>Date of Maturity</u> | <u>Balance 6/30/11</u> |
| Bonds payable | \$ 8,550,000 | 05/01/2001 | 5.0-6.0% | 03/01/2021 | \$ 435,000 |
| Bonds payable | \$14,770,000 | 10/12/2003 | 2.25-5.0% | 03/01/2023 | 9,225,000 |
| Bonds payable | \$10,000,000 | 04/04/2005 | 3.0-5.0% | 03/01/2025 | 7,960,000 |
| Bonds payable | \$22,530,000 | 06/01/2006 | 3.75-5.0% | 03/01/2025 | 18,810,000 |
| Bonds payable | \$5,330,000 | 03/22/2011 | 2.0-3.3% | 03/01/2021 | 5,330,000 |
| Notes payable | \$335,000 | 04/22/2011 | 1.25-3.25% | 03/01/2015 | 275,000 |
| Notes payable | \$715,000 | 08/16/2010 | 4.1-4.3% | 03/01/2020 | 715,000 |
| Bonds payable | \$1,290,000 | 02/28/2011 | 4.0-4.4% | 09/01/2025 | 1,290,000 |
| Bonds payable | \$11,995,000 | 02/16/2011 | 3.5-5.5% | 09/01/2029 | <u>11,995,000</u> |
| | | | | | <u>\$56,035,000</u> |

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

The legal debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03(1)(b), Wisconsin Statutes. The margin of indebtedness at June 30, 2011 is:

| | |
|---|------------------------------|
| Equalized value certified by Wisconsin Department of Revenue for 2010: | <u>\$4,387,266,137</u> |
| Margin of indebtedness at 10% | 438,726,614 |
| Deduct long-term debt application to debt margin net of debt service funds available for debt retirement | <u>56,035,000</u> |
| Margin of indebtedness | <u>\$ 382,691,614</u> |

Aggregate cash flow requirements for retirement of long-term principal and interest on bonds as of June 30, 2011 is as follows:

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------------|---------------------|
| 2012 | \$ 2,865,000 | \$ 2,559,633 | \$ 5,424,633 |
| 2013 | 2,985,000 | 2,417,244 | 5,402,244 |
| 2014 | 3,065,000 | 2,301,489 | 5,366,489 |
| 2015 | 3,150,000 | 2,175,436 | 5,325,436 |
| 2016 | 3,185,000 | 2,038,763 | 5,223,763 |
| 2017-2021 | 17,935,000 | 8,109,313 | 26,044,313 |
| 2022-2026 | 15,110,000 | 4,324,492 | 19,434,492 |
| 2027-2031 | <u>7,740,000</u> | <u>842,601</u> | <u>8,582,601</u> |
| | <u>\$56,035,000</u> | <u>\$24,768,971</u> | <u>\$80,803,971</u> |

Capital Leases

The District acquired computer equipment and copiers through lease/purchase agreements. The gross cost of the equipment under the capital leases was \$3,184,367 which is included in capital assets.

The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2011, are as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|-----------------------------------|--------------------|
| 2012 | \$ 763,047 |
| 2013 | 739,924 |
| 2014 | 343,510 |
| 2015 | <u>294,582</u> |
| | 2,141,063 |
| Less amount representing interest | <u>195,738</u> |
| | <u>\$1,945,325</u> |

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

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 permanent employees expected to work at least 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the WRS for the year ended June 30, 2011 was \$24,477,085; the employer's total payroll was \$26,279,521. The total required contribution paid entirely by the employer for the year ended June 30, 2011 was \$2,904,261. Total contributions for the years ended June 30, 2010 and 2009 were \$2,996,857 and \$2,932,229, respectively, equal to the required contributions for each year.

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

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

The System 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.

Other Postemployment Benefits

The District follows GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension which allows the District to report its liability for other postemployment benefits consistent with 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.

Plan Description. The District operates a single-employer retiree benefit plan that provides postemployment medical insurance benefits to eligible employees and their spouses. There are 595 active and 283 retired members in the plan as of June 30, 2011. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

The District has \$0 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions on a pay-as-you-go basis. The District paid \$2,496,974 of benefits for the year ended June 30, 2011.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

| | Government Activities |
|---------------------------------------|----------------------------------|
| Annual required contribution | \$ 1,221,915 |
| Interest on net OPEB | 25,251 |
| ARC Adjustment | (23,040) |
| Annual OPEB cost (expense) | 1,224,126 |
| Contributions made | (2,496,974) |
| Change in net OPEB obligation (asset) | (1,272,848) |
| OPEB obligation at beginning of year | 505,020 |
| OPEB asset at end of year | \$ (767,828) |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011 and the preceding two years was:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed/Paid | Net OPEB Obligation(Asset) |
|----------------------------------|-----------------------------|--|---|
| 6/30/2011 | \$1,224,126 | 204% | \$(767,828) |
| 6/30/2010 | \$2,496,238 | 97% | \$505,020 |
| 6/30/2009 | \$2,496,238 | 83% | \$428,565 |

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$16,391,096. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2010-2011 fiscal year was \$20,019,661 for a ratio of the UAAL to covered payroll of 82%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% for medical and drugs reduced by decrements to an ultimate rate of 5.0%. The trend rate for dental and vision is 5.0%. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2011 was 30 years.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions, workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverages for any risk of loss during the past year.

Self-funded Insurance Program

The District provides self-funded health and dental benefits for its employees. An administrator is responsible for the approval, processing and payment of claims, after which the District is billed for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30.

The Plan is registered with the Wisconsin Office of the Commissioner of Insurance as an employee welfare plan. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction.

As part of the health care coverage of the Plan, the District purchased stop-loss coverage. The stop-loss coverage pays claims in excess of \$100,000 per individual and/or 125% of the annual estimated claims. For the year ended June 30, 2011, UHC projected the aggregate claim limit to equal approximately \$9,816,075 (125% of expected claims). The District has no stop-loss coverage for the Plan's dental or vision care coverage. The District will continue its stop-loss coverage from Sun Life.

At June 30, 2011, the District has reported a liability of \$855,185, which represents estimated unreported claims which were incurred on or before June 30, 2011, but were not paid by the District as of that date.

Changes for the claims liability amount for the years ended June 30, 2011 and 2010 were as follows:

| <u>Year</u> | <u>Balance Beginning of Year</u> | <u>Current Changes</u> | <u>Claim Payments</u> | <u>Balance End of Year</u> |
|-------------|--|----------------------------|---------------------------|------------------------------------|
| 2011 | \$534,374 | \$7,852,860 | \$7,532,049 | \$855,185 |
| 2010 | \$800,754 | \$7,453,203 | \$7,719,583 | \$534,374 |

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Note 4 - Governmental Activities Net Assets

Governmental activities net assets reported on the Government Wide Statement of Net Assets at June 30, 2011 includes the following:

| | |
|---|----------------------------|
| Governmental Activities | |
| Invested in capital assets, net of related debt | |
| Capital assets, net of accumulated depreciation | \$ 62,333,457 |
| Less: related long-term debt outstanding | <u>(45,985,325)</u> |
| Total invested in capital assets | 16,348,132 |
| Restricted | 2,484,082 |
| Unrestricted | <u>(2,542,192)</u> |
| Total governmental activities net assets | <u><u>\$16,290,022</u></u> |

Note 5 - Governmental Fund Balances

Government fund balances reported on the fund financial statements at June 30, 2011 include the following:

| | |
|--------------------------------------|----------------------------|
| Restricted | |
| Debt Service Fund | \$ 1,363,395 |
| Community Service Fund | 417,773 |
| Food Service Fund | <u>702,914</u> |
| Total restricted fund balance | <u><u>2,484,082</u></u> |
| Committed | |
| General Fund - Self-funded insurance | <u>1,986,750</u> |
| Unassigned | |
| General Fund | <u>7,333,283</u> |
| | <u><u>\$11,804,115</u></u> |

Note 6 – Limitation on School District Revenues

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

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

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

A referendum on or after August 12, 1993.

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Note 7 – Operating Leases

The District leases equipment under non-cancelable operating leases under terms expiring through fiscal 2015-16. The future minimum lease payments for these leases are as follows:

| <u>June 30,</u> | <u>Amount</u> |
|-----------------|-----------------|
| 2012 | \$32,474 |
| 2013 | 32,474 |
| 2014 | 14,474 |
| 2015 | 5,544 |
| 2016 | <u>782</u> |
| | <u>\$85,748</u> |

Total lease expense for the year ended June 30, 2011 was \$24,192.

Note 8 – Commitments and Contingent Liabilities

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

Note 9 - 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 government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

- a. Capital assets and other long-term assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

| | |
|---|---------------------|
| Capital assets, net of accumulated depreciation | \$62,333,457 |
| Net pension asset | 767,828 |
| Deferred finance costs | <u>227,335</u> |
| | <u>\$63,328,620</u> |

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 9 - Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements (continued)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

| | |
|-------------------------|------------------------------|
| Capital leases | \$ (1,945,325) |
| Bonds and notes payable | (56,035,000) |
| Accrued interest | <u>(862,388)</u> |
| Combined Adjustment | <u><u>\$(58,842,713)</u></u> |

- b. Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported when the liability is incurred. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

| | |
|-------------------------------------|---------------------------|
| OPEB and pension liabilities/assets | \$1,272,845 |
| Accrued interest | <u>(240,753)</u> |
| | <u><u>\$1,032,092</u></u> |

Capital related difference includes (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, and capitalization and recording depreciation expense on those items as recorded in the statement of activities. This adjustment is a combination of the following items:

| | |
|----------------------|--------------------------|
| Depreciation expense | \$ 3,310,041 |
| Capital expenditures | <u>(2,499,722)</u> |
| | <u><u>\$ 810,319</u></u> |

Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenues and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability and principal payments are recorded as a reduction of liabilities. This adjustment is as follows:

| | |
|--------------------------------------|------------------------------|
| Principal payments on long-term debt | \$ 16,665,925 |
| Proceeds from long-term debt | (27,945,854) |
| Finance costs capitalized | <u>227,335</u> |
| | <u><u>\$(11,052,594)</u></u> |

Note 10 - Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed January 3, 2012.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2011

Note 11 - Recently Issued Accounting Standards

The following Governmental Accounting Standards Board (GASB) statements became effective in the current fiscal year.

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of the related Statement became effective for financial statements for periods beginning after June 15, 2010.

The GASB issued Statement No. 59, *Financial Instruments Omnibus* in June 2010. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2010. There was no effect on the accompanying financial statements.

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* in December 2009. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Provisions related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information on OPEB plan financial statements for periods beginning after June 15, 2011.

The GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* in November 2010. The requirements of the related Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* in November 2010. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2012.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------------|---------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$41,148,050 | \$41,148,050 | \$41,083,973 | \$ (64,077) |
| Intermediate sources | 1,085,177 | 1,085,177 | 1,167,120 | 81,943 |
| State sources | 10,060,816 | 10,060,816 | 10,123,061 | 62,245 |
| Federal sources | 2,560,358 | 2,560,358 | 2,812,811 | 252,453 |
| Other sources | 143,900 | 143,900 | 111,464 | (32,436) |
| Total revenues | 54,998,301 | 54,998,301 | 55,298,429 | 300,128 |
| Expenditures | | | | |
| Instruction | | | | |
| Regular instruction | 21,740,083 | 21,740,083 | 20,033,948 | 1,706,135 |
| Vocational instruction | 611,969 | 611,969 | 418,798 | 193,171 |
| Special education | 5,814,610 | 5,814,610 | 5,632,320 | 182,290 |
| Other instruction | 2,450,480 | 2,450,480 | 2,417,728 | 32,752 |
| Total instruction | 30,617,142 | 30,617,142 | 28,502,794 | 2,114,348 |
| Support Services | | | | |
| Pupil services | 1,426,690 | 1,426,690 | 1,459,008 | (32,318) |
| Instructional staff services | 1,986,889 | 1,986,889 | 1,800,637 | 186,252 |
| General administration services | 587,920 | 587,920 | 636,053 | (48,133) |
| Building administration services | 2,908,681 | 2,908,681 | 2,774,266 | 134,415 |
| Business services | 10,420,683 | 10,420,683 | 10,580,408 | (159,725) |
| Central services | 3,235,445 | 3,235,445 | 4,344,297 | (1,108,852) |
| Insurance | 470,240 | 470,240 | 527,790 | (57,550) |
| Principal and interest | 668,022 | 668,022 | - | 668,022 |
| Other support services | 4,186,395 | 4,186,395 | 3,951,917 | 234,478 |
| Total support services | 25,890,965 | 25,890,965 | 26,074,376 | (183,411) |
| Total expenditures | 56,508,107 | 56,508,107 | 54,577,170 | 1,930,937 |
| Excess (deficiency) of revenues over expenditures | (1,509,806) | (1,509,806) | 721,259 | 2,231,065 |
| Other Financing Sources | | | | |
| Long term debt proceeds | 1,709,806 | 1,709,806 | 2,410,854 | 701,048 |
| Total other financing sources | 1,709,806 | 1,709,806 | 2,410,854 | 701,048 |
| Net Change in Fund Balance | 200,000 | 200,000 | 3,132,113 | 2,932,113 |
| Fund balance, beginning of year | 7,135,875 | 7,135,875 | 7,135,875 | - |
| Fund balance, end of year | \$ 7,335,875 | \$ 7,335,875 | \$ 10,267,988 | \$ 2,932,113 |

**SCHOOL DISTRICT OF NEW BERLIN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR
 POSTEMPLOYMENT BENEFIT PLAN AND PENSION PLAN**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage Of Covered Payroll ((b-a)/c) |
|---|--|--|-----------------------------------|-----------------------------------|------------------------------------|--|
| 07/01/2010 | 0 | \$16,391,096 | \$16,391,096 | 0.0% | \$20,019,661 | 82% |
| 07/01/2008 | 0 | \$29,211,995 | \$29,211,995 | 0.0% | \$25,489,964 | 15% |

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011

Note 1 - Funding Progress Data

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

The District is required to present information for the retiree benefit plan for the three most recent actuarial studies. The studies completed as of July 1, 2008 and July 1, 2010 have been the only studies done by the district to date.

Note 2 - Excess Expenditures Over Appropriations

The following functional expenditure categories reported an excess of actual costs over budget in the general fund.

| | |
|------------------------|-------------|
| Pupil Services | \$32,318 |
| General Administration | \$48,133 |
| Business Services | \$159,725 |
| Central Services | \$1,108,852 |
| Insurance | \$57,550 |

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF NEW BERLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

| | <u>Capital Projects Fund</u> | <u>Community Service Fund</u> | <u>Food Service Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--------------------------------------|---------------------------------------|----------------------------------|--|
| Assets | | | | |
| Cash and investments | \$ - | \$ 424,257 | \$ 722,062 | \$ 1,146,319 |
| Due from other governments | - | - | 38,785 | 38,785 |
| Accounts receivable | - | 225 | 1,127 | 1,352 |
| Total assets | <u>\$ -</u> | <u>\$ 424,482</u> | <u>\$ 761,974</u> | <u>\$ 1,186,456</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 37 | \$ 1,661 | \$ 1,698 |
| Accrued liabilities | | | | |
| Payroll, payroll taxes, insurance | - | 6,672 | - | 6,672 |
| Deferred revenue | - | - | 57,399 | 57,399 |
| Total liabilities | <u>-</u> | <u>6,709</u> | <u>59,060</u> | <u>65,769</u> |
| Fund Balances | | | | |
| Restricted | <u>-</u> | <u>417,773</u> | <u>702,914</u> | <u>1,120,687</u> |
| Total fund balances | <u>-</u> | <u>417,773</u> | <u>702,914</u> | <u>1,120,687</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 424,482</u> | <u>\$ 761,974</u> | <u>\$ 1,186,456</u> |

**SCHOOL DISTRICT OF NEW BERLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

| | Capital Projects Fund | Community Service Fund | Food Service Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------------|---------------------------------------|----------------------------------|--|
| Revenues | | | | |
| Local sources | \$ 495,167 | \$ 242,009 | \$ 1,305,849 | \$ 2,043,025 |
| State sources | - | - | 17,075 | 17,075 |
| Federal sources | - | - | 355,986 | 355,986 |
| Total revenues | <u>495,167</u> | <u>242,009</u> | <u>1,678,910</u> | <u>2,416,086</u> |
| Expenditures | | | | |
| Support Services | | | | |
| Business services | 1,767,556 | - | 1,493,036 | 3,260,592 |
| Debt service - interest, and fees | 14,300 | - | - | 14,300 |
| Community service | - | 142,019 | - | 142,019 |
| Total support services | <u>1,781,856</u> | <u>142,019</u> | <u>1,493,036</u> | <u>3,416,911</u> |
| Total expenditures | <u>1,781,856</u> | <u>142,019</u> | <u>1,493,036</u> | <u>3,416,911</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,286,689)</u> | <u>99,990</u> | <u>185,874</u> | <u>(1,000,825)</u> |
| Other Financing Sources: | | | | |
| Proceeds from long-term obligations | <u>715,000</u> | <u>-</u> | <u>-</u> | <u>715,000</u> |
| Total other financing sources | <u>715,000</u> | <u>-</u> | <u>-</u> | <u>715,000</u> |
| Net Change in Fund Balances | (571,689) | 99,990 | 185,874 | (285,825) |
| Fund balance, beginning of year | <u>571,689</u> | <u>317,783</u> | <u>517,040</u> | <u>1,406,512</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ 417,773</u> | <u>\$ 702,914</u> | <u>\$ 1,120,687</u> |

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
PUPIL ACTIVITY FUNDS
For the Year Ended June 30, 2011

| | <u>Balance 07/01/10</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 06/30/11</u> |
|------------------------------|-----------------------------|-------------------|-------------------|-----------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 413,845 | \$ 867,887 | \$ 813,108 | \$ 468,624 |
| Total Assets | <u>\$ 413,845</u> | <u>\$ 867,887</u> | <u>\$ 813,108</u> | <u>\$ 468,624</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 39,512 | \$ 6,515 | \$ 32,997 |
| Due to student organizations | 413,845 | 828,375 | 806,593 | 435,627 |
| Total Liabilities | <u>\$ 413,845</u> | <u>\$ 867,887</u> | <u>\$ 813,108</u> | <u>\$ 468,624</u> |

See accompanying notes to the financial statements.

SINGLE AUDIT SECTION

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

| | Federal Catalog Number | Program or Award Amount | Accrued Receivable 07/01/10 | Expenditures Grantor | Revenues Grantor Reimbursements | Accrued Receivable 06/30/11 |
|--|------------------------------|-------------------------------|-----------------------------------|-------------------------|---------------------------------------|-----------------------------------|
| U.S. Department of Education | | | | | | |
| State of Wisconsin | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | |
| <u>IASA Title I</u> | | | | | | |
| | 84.010 | | | | | |
| July 1, 2009 to June 30, 2010 | | 170,845 | \$ 38,697 | \$ - | \$ 38,697 | \$ - |
| July 1, 2010 to June 30, 2011 | | 159,547 | - | 149,526 | 41,931 | 107,595 |
| <u>Title III - English Language</u> | | | | | | |
| | 84.365 | | | | | |
| July 1, 2009 to June 30, 2010 | | 22,641 | 15,557 | - | 15,557 | - |
| July 1, 2010 to June 30, 2011 | | 16,928 | - | 4,003 | 2,789 | 1,214 |
| <u>Title III - Immigrant</u> | | | | | | |
| | 84.365 | | | | | |
| July 1, 2009 to June 30, 2010 | | 40,000 | 3,544 | - | 3,544 | - |
| July 1, 2010 to June 30, 2011 | | 40,000 | - | 38,252 | 22,738 | 15,514 |
| <u>Title II Quality Teachers and Principals</u> | | | | | | |
| | 84.367 | | | | | |
| July 1, 2009 to June 30, 2010 | | 98,713 | 27,495 | - | 27,495 | - |
| July 1, 2010 to June 30, 2011 | | 86,202 | - | 77,963 | 46,522 | 31,441 |
| <u>Education Jobs Act</u> | | | | | | |
| | 84.394 | | | | | |
| July 1, 2010 to June 30, 2011 | | 761,743 | - | 761,743 | 731,564 | 30,179 |
| <u>Drug Free Schools and Communities Act</u> | | | | | | |
| | 84.186 | | | | | |
| July 1, 2009 to June 30, 2010 | | 12,671 | 553 | - | 553 | - |
| CESA #1 | | | | | | |
| <u>Carl Perkins Grant</u> | | | | | | |
| | 84.048 | | | | | |
| July 1, 2010 to June 30, 2011 | | 5,505 | - | 5,505 | 5,505 | - |
| Special Education Cluster | | | | | | |
| <u>Individuals with Disabilities Education Act (IDEA) - Flow Through</u> | | | | | | |
| | 84.027 | | | | | |
| July 1, 2009 to June 30, 2010 | | 858,727 | 110,441 | - | 110,441 | - |
| July 1, 2010 to June 30, 2011 | | 1,061,213 | - | 796,511 | 335,989 | 460,522 |
| <u>Individuals with Disabilities Education Act (IDEA) - Flow Through (EIS)</u> | | | | | | |
| | 84.027 | | | | | |
| July 1, 2009 to June 30, 2010 | | 97,143 | 3,114 | - | 3,114 | - |
| July 1, 2010 to June 30, 2011 | | 133,412 | - | 133,412 | 35,203 | 98,209 |
| <u>PL-99-457</u> | | | | | | |
| | 84.173 | | | | | |
| July 1, 2009 to June 30, 2010 | | 41,563 | 8,480 | - | 8,480 | - |
| July 1, 2010 to June 30, 2011 | | 56,606 | - | 21,057 | 12,646 | 8,411 |
| <u>Individuals with Disabilities Education Act (IDEA) - Discretionary</u> | | | | | | |
| | 84.027 | | | | | |
| July 1, 2009 to June 30, 2010 | | 23,995 | 7,342 | - | 7,342 | - |
| July 1, 2010 to June 30, 2011 | | 17,716 | - | 9,011 | 1,762 | 7,249 |
| <u>ARRA - IDEA Flowthrough</u> | | | | | | |
| | 84.391 | | | | | |
| July 1, 2010 to June 30, 2011 | | 840,404 | - | 324,873 | 92,895 | 231,978 |
| <u>ARRA - IDEA EIS</u> | | | | | | |
| | 84.391 | | | | | |
| July 1, 2009 to June 30, 2010 | | 148,195 | 7,694 | - | 7,694 | - |
| July 1, 2010 to June 30, 2011 | | 118,183 | - | 51,445 | 48,049 | 3,396 |
| <u>ARRA - IDEA Preschool Entitlement</u> | | | | | | |
| | 84.392 | | | | | |
| July 1, 2009 to June 30, 2010 | | 46,712 | 2,032 | - | 2,032 | - |
| July 1, 2010 to June 30, 2011 | | 46,342 | - | 370 | 370 | - |
| | | | <u>139,103</u> | <u>1,336,679</u> | <u>666,017</u> | <u>809,765</u> |
| Total Special Education Cluster | | | | | | |
| Title II-D Cluster | | | | | | |
| <u>ARRA - ESEA Title II-D Educ Tech Formula</u> | | | | | | |
| | 84.386 | | | | | |
| July 1, 2010 to June 30, 2011 | | 1,439 | - | 1,439 | 1,439 | - |
| <u>ARRA - ESEA Title II-D Educ Tech Formula</u> | | | | | | |
| | 84.386 | | | | | |
| July 1, 2010 to June 30, 2011 | | 12,430 | - | 12,430 | 9,242 | 3,188 |
| | | | <u>-</u> | <u>13,869</u> | <u>10,681</u> | <u>3,188</u> |
| Total Title II-D Cluster | | | | | | |
| U.S. Department of Agriculture | | | | | | |
| State of Wisconsin | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | |
| School Nutrition Cluster | | | | | | |
| <u>Food Distribution</u> | | | | | | |
| | 10.555 | | | | | |
| July 1, 2010 to June 30, 2011 | | - | - | 101,915 | 101,915 | - |
| <u>National School Lunch Program</u> | | | | | | |
| | 10.555 | | | | | |
| July 1, 2009 to June 30, 2010 | | - | 10,530 | - | 10,530 | - |
| July 1, 2010 to June 30, 2011 | | - | - | 254,071 | 215,286 | 38,785 |
| | | | <u>10,530</u> | <u>355,986</u> | <u>327,731</u> | <u>38,785</u> |
| Total School Nutrition Cluster | | | | | | |
| U.S. Department of Health and Family Services | | | | | | |
| Wisconsin Department of Health Services | | | | | | |
| <u>Medicaid Reimbursement</u> | | | | | | |
| | 93.778 | | | | | |
| July 1, 2008 to June 30, 2009 | | - | - | 133,510 | 122,378 | 11,132 |
| July 1, 2009 to June 30, 2010 | | - | 23,746 | - | 23,746 | - |
| July 1, 2010 to June 30, 2011 | | - | - | 213,459 | 183,298 | 30,161 |
| | | | <u>\$ 259,225</u> | <u>\$ 3,090,495</u> | <u>\$ 2,270,746</u> | <u>\$ 1,078,974</u> |
| Totals | | | | | | |

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2011

| <u>Awarding Agency/Pass-Through Agency/Award Description</u> | <u>State ID Number</u> | <u>Accrued Receivable 07/01/10</u> | <u>Revenue/ Expenditures</u> | <u>State Reimbursements</u> | <u>Accrued Receivable 06/30/11</u> |
|--|------------------------|------------------------------------|------------------------------|-----------------------------|------------------------------------|
| WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | | | | |
| Entitlement Programs | | | | | |
| Major State Programs | | | | | |
| Handicapped Pupils and School Age Parents | 255.101 | \$ - | \$ 1,717,271 | \$ 1,717,271 | \$ - |
| Pupil Transportation Aid | 255.107 | - | 104,163 | 104,163 | - |
| General Equalization | 255.201 | 101,823 | 7,690,464 | 7,669,107 | 123,180 |
| Total Major Programs | | <u>101,823</u> | <u>9,511,898</u> | <u>9,490,541</u> | <u>123,180</u> |
| Nonmajor State Programs | | | | | |
| Common School Library Fund | 255.103 | - | 167,044 | 167,044 | - |
| Focus on Energy | | - | 3,102 | 3,102 | - |
| Project Lead the Way | 255.923 | - | 3,611 | 3,611 | - |
| Integration Aid - Non-resident | 255.204 | - | 354,944 | 354,944 | - |
| Grants for Advanced Placement Courses | 255.351 | - | 17,457 | 17,457 | - |
| State School Lunch Aid | 255.101 | - | 17,075 | 17,075 | - |
| Mentoring for Initial Educators | 255.355 | - | 8,625 | 8,625 | - |
| Total Nonmajor Programs | | <u>-</u> | <u>571,858</u> | <u>571,858</u> | <u>-</u> |
| Total Entitlement Programs | | 101,823 | 10,083,756 | 10,062,399 | 123,180 |
| WISCONSIN DEPARTMENT OF REVENUE | | | | | |
| Exempt Computer Aid | | 423,823 | 448,801 | 423,823 | 448,801 |
| Totals | | <u>\$ 525,646</u> | <u>\$ 10,532,557</u> | <u>\$ 10,486,222</u> | <u>\$ 571,981</u> |

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2011

Note 1 - Reporting Entity

The Schedules of Expenditures of Federal and State Awards include all federal and state funds of the School District of New Berlin. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

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

Note 2 - Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations and the State Single Audit Guidelines*.

Note 3 - Oversight Agencies

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

Note 4 - Eligible Costs for Special Education

Eligible costs for special education under project 011 were \$ 3,204,787 for the year end June 30, 2011.

**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**

Board of Education
School District of New Berlin
New Berlin, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of New Berlin as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP

January 3, 2012

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

Board of Education
School District of New Berlin
New Berlin, Wisconsin

Compliance

We have audited the School District of New Berlin's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. We have also audited the compliance of the District with the types of compliance requirements described in the State Single Audit Guidelines issued by the Wisconsin Department of Administration and 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 its major state programs for the year ended June 30, 2011. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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 each of its major federal and state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal and state awarding agencies, and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by anyone other than these specified parties.

FELD, SCHUMACHER & COMPANY, LLP

A handwritten signature in black ink that reads "Feld, Schumacher & Company, LLP". The signature is written in a cursive, flowing style.

January 3, 2012

**SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)? ___ yes X no

Identification of major programs

| <u>CFDA NUMBER(S)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.394 | Education Jobs Act |
| 93.778 | Medicaid reimbursement |
| | IDEA Cluster |
| 84.027 | IDEA Flowthrough |
| 84.027 | IDEA - Flowthrough (EIS) |
| 84.027 | IDEA - Discretionary - REACH |
| 84.173 | Preschool Entitlement |
| 84.391 | ARRA - IDEA Flowthrough |
| 84.391 | ARRA - IDEA Flowthrough (EIS) |
| 84.392 | ARRA - Preschool Entitlement |
| 84.386 | ARRA - Title IID Technology |

Dollar threshold used to distinguish between Type A & Type B programs \$300,000

Auditee qualified as low-risk auditee? X yes no

**SCHOOL DISTRICT OF NEW BERLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
Year Ended June 30, 2011**

Finding 2010-1 - State Pupil Transportation

This finding has been corrected.