

SCHOOL DISTRICT OF NEW BERLIN

FINANCIAL STATEMENTS

June 30, 2012

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, 2012, 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, 2012, 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 December 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

December 3, 2012

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012**

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, 2012**

- 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, 2012 compared to June 30, 2011.

Table 1			
Condensed Statement of Net Assets			
<i>(in thousands of dollars)</i>			
	Governmental Activities		% Change
	2012	2011	2011-2012
Current and other assets	\$ 19,017.2	\$ 16,615.8	14.5%
Capital assets	60,605.3	62,333.5	-2.8%
Net OPEB asset	1,434.6	995.1	44.2%
Total assets	<u>\$ 81,057.1</u>	<u>\$ 79,944.4</u>	1.4%
Long-term debt outstanding	\$ 51,479.1	\$ 54,446.7	-5.5%
Other liabilities	7,440.7	9,207.7	-19.2%
Total liabilities	<u>\$ 58,919.8</u>	<u>\$ 63,654.4</u>	-7.4%
Net assets			
Invested in capital assets, net of related debt	\$ 5,628.6	\$ 4,353.1	29.3%
Restricted	2,404.7	2,484.1	-3.2%
Unrestricted	14,104.0	9,452.8	49.2%
Total net assets	<u>\$ 22,137.3</u>	<u>\$ 16,290.0</u>	35.9%

Note: totals may not add due to rounding.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012**

Restricted net assets is comprised of assets held for food service operations, \$683,103, and community services, \$610,874. In addition, \$1,110,770 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.

Changes in net assets. Table 2 shows the changes in net assets for the fiscal year 2012 compared to 2011.

Table 2		
Change in Net Assets		
<i>(in thousands of dollars)</i>		
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues		
Charges for services	\$ 3,519.8	\$ 3,646.2
Operating grants & contributions	3,170.8	3,956.8
General revenues		
Property taxes	45,278.7	45,957.8
State formula aid	7,798.2	9,352.1
Other	848.7	262.7
Total revenues	<u>60,616.2</u>	<u>63,175.6</u>
Expenses:		
Instruction	25,889.4	27,970.0
Pupil & instructional services	3,384.4	3,172.7
Administration and business	14,980.8	18,982.7
Interest on debt	2,629.1	2,247.6
Other	7,885.2	5,771.2
Total expenses	<u>54,768.9</u>	<u>58,144.2</u>
Changes in net assets from operations	<u>5,847.3</u>	<u>5,031.4</u>
Net special item	-	(12,202.7)
Change in net assets	<u>\$ 5,847.3</u>	<u>\$ (7,171.3)</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, 2012**

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>2012 Amount</u>	<u>2012 Percentage</u>	<u>2011 Percentage</u>
Charges for services	\$ 3,519,755	6%	6%
Operating grants and contributions, program revenues	3,170,846	5%	6%
Property taxes	45,278,753	74%	73%
Other State and Federal aid	7,798,212	13%	15%
Other	<u>1,128,251</u>	<u>2%</u>	<u>0%</u>
	<u>\$60,895,817</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>2012 Amount</u>	<u>2012 Percentage</u>	<u>2011 Percentage</u>
Instruction	\$25,889,394	47%	48%
Pupil and instructional services	3,384,382	6%	5%
Administration and business	14,980,800	28%	33%
Interest on debt	2,629,127	5%	4%
Other	<u>7,885,268</u>	<u>14%</u>	<u>10%</u>
	<u>\$54,768,971</u>	<u>100%</u>	<u>100%</u>

Governmental Funds

The District completed the year with a total fund balance in the general fund of \$12.6 million including \$11.8 million unassigned (see footnote 5).

The debt service fund's fund balance decreased by \$252,625.

**SCHOOL DISTRICT OF NEW BERLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012**

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

- Expenditures were less than budget by \$2,255,085 due primarily to benefit design changes made, after adoption of the budget, in the District's health benefit plan. Actuarial estimates of the impact of the changes, calculated at the time of the change, did not indicate the need for a budget adjustment. Actual performance in the District's self-funded plan, as of the end of the fiscal year, were significantly better than anticipated.
- The District increased the fund balance by over \$3.2 million as a result of the aforementioned change in the health benefit program as well as closing out of various outstanding claims for e-rate, insurance rebates and unmeasurable Medicaid payments from prior years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had invested over \$90.3 million in a broad range of capital assets, including buildings, sites, and equipment. This amount includes acquisitions of \$925,761 this year. Total accumulated depreciation on these assets is about \$29.6 million.

- The district recognized depreciation expense of \$2,653,918.

Long-Term Debt

At year-end the District had \$55.5 million in general obligation debt outstanding.

Table 3			
Outstanding Long-Term Obligations			
<i>(in thousands of dollars)</i>			
	Total		Total % Change 2011-2012
	School District		
	2012	2011	
General obligation debt	\$ 54,976.7	\$ 57,980.3	-5.2%
Total	\$ 54,976.7	\$ 57,980.3	-5.2%

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

The District has engaged the services of a firm to perform a strategic analysis of facilities for the purpose of developing a long-range facility maintenance and remodeling plan. The results of that analysis show approximately \$22.5 million of facility upgrades to be funded in future years.

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, 2012

ASSETS

Current Assets

Cash and investments	\$ 10,756,591
Receivables	
Taxes	5,304,996
Accounts	108,955
Due from other governments	1,637,421
Total current assets	17,807,963

Noncurrent Assets

Land	1,388,053
Buildings and improvements	78,292,535
Furniture and equipment	10,570,073
Less accumulated depreciation	(29,645,361)
Total noncurrent assets	60,605,300

Other Assets

Deferred financing costs	1,209,307
OPEB asset	1,434,548
	2,643,855

Total other assets

Total assets	\$ 81,057,118
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LIABILITIES

Current Liabilities

Accounts payable	\$ 876,398
Accrued liabilities	
Payroll, payroll taxes, insurance	1,397,839
Claims incurred but not reported	306,769
Interest	833,000
Unearned revenue	249,592
Current portion, deferred finance premium	3,164
Current portion, long-term obligations	3,773,944
Total current liabilities	7,440,706

Noncurrent Liabilities

Noncurrent portion, deferred finance premium	276,406
Noncurrent portion, long-term obligations	51,202,708
Total noncurrent liabilities	51,479,114

Total liabilities

	58,919,820
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NET ASSETS

Invested in capital assets, net of related debt	5,628,648
Restricted	2,404,747
Unrestricted	14,103,903
Total net assets	22,137,298

Total liabilities and net assets	\$ 81,057,118
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See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Instruction				
Regular instruction	\$ 18,469,146	\$ 1,381,304	\$ -	\$ (17,087,842)
Vocational instruction	521,718	34,699	-	(487,019)
Special educational instruction	5,016,142	373,846	1,496,341	(3,145,955)
Other instruction	1,882,388	128,211	-	(1,754,177)
Total instruction	25,889,394	1,918,060	1,496,341	(22,474,993)
Support services				
Pupil service	1,446,728	-	341,733	(1,104,995)
Instructional staff services	1,937,654	-	480,412	(1,457,242)
General administration services	403,982	-	-	(403,982)
School administration services	2,516,532	-	2,621	(2,513,911)
Business services	12,060,286	1,366,516	317,475	(10,376,295)
Central services	1,526,295	-	-	(1,526,295)
Insurance	468,309	-	-	(468,309)
Other support services	3,662,792	-	532,264	(3,130,528)
Debt service	2,629,127	-	-	(2,629,127)
Community service	157,448	235,179	-	77,731
Depreciation – unallocated	2,070,424	-	-	(2,070,424)
Total support services	28,879,577	1,601,695	1,674,505	(25,603,377)
Total governmental activities	\$ 54,768,971	\$ 3,519,755	\$ 3,170,846	(48,078,370)
General revenues				
Property taxes				39,993,756
General purposes				5,284,997
Debt services				7,798,212
State and federal aids not restricted to specific functions				18,639
Interest and investment earnings				96,430
Donations				733,612
Miscellaneous				
Total general revenues				53,925,646
Change in net assets				5,847,276
Net Assets, beginning of year				16,290,022
Net assets, end of year				\$ 22,137,298

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Debt Service Fund	Other Government Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 8,339,983	\$ 1,095,747	\$ 1,320,861	\$ 10,756,591
Receivables				
Taxes	5,304,996	-	-	5,304,996
Accounts	73,346	15,023	20,586	108,955
Due from other governments	1,594,331	-	43,090	1,637,421
Total assets	\$ 15,312,656	\$ 1,110,770	\$ 1,384,537	\$ 17,807,963
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 838,730	\$ -	\$ 37,667	\$ 876,397
Accrued liabilities				
Payroll, payroll taxes, insurance	578,829	-	5,297	584,126
Claims incurred but not reported	1,120,482	-	-	1,120,482
Deferred revenue	201,996	-	47,596	249,592
Total liabilities	2,740,037	-	90,560	2,830,597
 Fund Balances				
Restricted	-	1,110,770	1,293,977	2,404,747
Committed	732,357	-	-	732,357
Unassigned	11,840,262	-	-	11,840,262
Total fund balances	12,572,619	1,110,770	1,293,977	14,977,366
Total liabilities and fund balances	\$ 15,312,656	\$ 1,110,770	\$ 1,384,537	

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	\$ 90,250,661	
Governmental accumulated depreciation	(29,645,361)	
Deferred finance costs	1,209,307	
Net OPEB asset	1,434,548	63,249,155

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	\$ (1,276,653)	
Bonds payable	(53,700,000)	
Deferred finance premium	(279,570)	
Accrued interest	(833,000)	(56,089,223)

Total net assets – governmental activities **\$ 22,137,298**

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, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Government Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$40,904,738	\$ 5,299,801	\$ 1,743,912	\$ 47,948,451
Interdistrict/Intermediate sources	965,126	-	-	965,126
State sources	8,753,053	-	16,505	8,769,558
Federal sources	1,820,085	-	379,416	2,199,501
Other sources	688,226	45,068	318	733,612
Total revenues	<u>53,131,228</u>	<u>5,344,869</u>	<u>2,140,151</u>	<u>60,616,248</u>
Expenditures				
Instruction				
Regular instruction	18,422,851	-	-	18,422,851
Vocational instruction	510,475	-	-	510,475
Special instruction	5,124,966	-	-	5,124,966
Other instruction	1,886,182	-	-	1,886,182
Total instruction	<u>25,944,474</u>	<u>-</u>	<u>-</u>	<u>25,944,474</u>
Support Services				
Pupil services	1,471,033	-	-	1,471,033
Instructional staff services	1,993,917	-	-	1,993,917
General administration services	529,519	-	-	529,519
Building administration services	2,561,828	-	-	2,561,828
Business services	10,743,234	-	1,782,566	12,525,800
Central services	1,730,662	-	-	1,730,662
Insurance	468,309	-	-	468,309
Debt service:				
Principal	668,673	12,055,000	-	12,723,673
Interest and fees	98,422	3,542,064	-	3,640,486
Community service	-	-	184,295	184,295
Other support services	3,668,571	-	-	3,668,571
Total support services	<u>23,934,168</u>	<u>15,597,064</u>	<u>1,966,861</u>	<u>41,498,093</u>
Total expenditures	<u>49,878,642</u>	<u>15,597,064</u>	<u>1,966,861</u>	<u>67,442,567</u>
Excess (deficiency) of revenues under expenditures	<u>3,252,586</u>	<u>(10,252,195)</u>	<u>173,290</u>	<u>(6,826,319)</u>
Other Financing Sources:				
Premium from debt refinancing	-	279,570	-	279,570
Proceeds from long-term obligations	-	9,720,000	-	9,720,000
Total other financing sources	<u>-</u>	<u>9,999,570</u>	<u>-</u>	<u>9,999,570</u>
Net Change in Fund Balances	3,252,586	(252,625)	173,290	3,173,251
Fund Balances, beginning of year	<u>9,320,033</u>	<u>1,363,395</u>	<u>1,120,687</u>	<u>11,804,115</u>
Fund Balances, end of year	<u>\$12,572,619</u>	<u>\$ 1,110,770</u>	<u>\$ 1,293,977</u>	<u>\$ 14,977,366</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, 2012**

Net Change in Fund Balances-Total Governmental Funds \$ 3,173,251

**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	\$ 925,761	
Depreciation expense reported in the Statement of Activities	<u>(2,653,918)</u>	(1,728,157)

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. 666,718

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:	12,723,673	
The amount of long-term debt proceeds in the current year is:	<u>(9,720,000)</u>	3,003,673

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. Deferred finance premium is income in the governmental funds but is recorded as deferred income and amortized in the Statement of Activities.

Cost of issuance for long-term obligations is:	981,972	
Deferred finance premium is:	<u>(279,570)</u>	702,402

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:	(833,000)	
The amount of interest accrued during the prior period is:	<u>862,389</u>	<u>29,389</u>

Change in Net Assets-Governmental Activities \$ 5,847,276

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 451,133
Accounts receivable	<u>440</u>
Total assets	<u><u>\$ 451,573</u></u>
Liabilities	
Accounts payable	\$ 13,021
Due to student groups	<u>438,552</u>
Total liabilities	<u><u>\$ 451,573</u></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, 2012

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, 2012

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, 2012

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, 2012

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, 2012 the District reported \$1,209,307 of unamortized debt issue costs.

Other Liabilities

In governmental funds, deferred premiums from debt issuance are recognized in the current period. For the district-wide financial statements, the district has elected to prospectively amortize deferred premiums over the life of the debt issue. At June 30, 2012 the District reported \$279,570 of unamortized deferred finance premiums.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2012 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 or 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, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Statements

Governmental fund equity is classified as fund balance. 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.

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.
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.

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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

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, 2012, 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, 2012 the District had the following investments:

Investment	Fair Value	Risk Potential
Wisconsin Investment Series Cooperative	\$12,777,369	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, 2012

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

Capital Assets

Capital asset balances and activity for the year ended June 30, 2012 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	77,794,726	497,809	-	78,292,535
Vehicles	491,475	10,716	-	502,191
Furniture and equipment	9,650,646	417,236	-	10,067,882
Total depreciable capital assets	<u>87,936,847</u>	<u>925,761</u>	<u>-</u>	<u>88,862,608</u>
Less accumulated depreciation for				
Buildings and improvements	(20,680,141)	(1,909,886)	-	(22,590,027)
Furniture, equipment and vehicles	(6,311,302)	(744,032)	-	(7,055,334)
Total accumulated depreciation	<u>(26,991,443)</u>	<u>(2,653,918)</u>	<u>-</u>	<u>(29,645,361)</u>
Total depreciable capital assets net of accumulated depreciation	<u>60,945,404</u>	<u>(1,728,157)</u>	<u>-</u>	<u>59,217,247</u>
Governmental activities, net of accumulated depreciation	<u>\$62,333,457</u>	<u>\$(1,728,157)</u>	<u>\$ -</u>	<u>\$60,605,300</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 377,938
Vocational instruction	17,374
Special education instruction	14,769
Other instruction	34,898
General administration services	2,927
Building administration services	1,281
Business administration	100,944
Central services	33,363
Depreciation not charged to a specific function	<u>2,070,424</u>
Total depreciation for governmental activities	<u>\$2,653,918</u>

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Short-term Borrowing

The District redeemed the existing tax anticipation notes and did not issue additional notes in 2011-2012

Short-term debt activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$2,000,000	\$-	\$2,000,000	\$-

Interest incurred on short-term debt for the year ended June 30, 2012 was \$5,819.

Long-term Obligations

Long-term liabilities balances and activity for the year ended June 30, 2012 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	\$55,045,000	\$9,720,000	\$ 11,990,000	\$52,775,000	\$3,025,000
Notes	990,000	-	65,000	925,000	70,000
Capital leases	1,945,325	-	668,673	1,276,652	678,944
Total governmental activity long-term liabilities	<u>\$57,980,325</u>	<u>\$9,720,000</u>	<u>\$12,723,673</u>	<u>\$54,976,652</u>	<u>\$3,773,944</u>

Payments on bonds and notes are made by the debt service fund. Interest incurred on long-term obligations was \$2,560,091.

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:

	<u>Government Activities</u>				
	<u>Original Amount</u>	<u>Issued Date</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>Balance 6/30/12</u>
Bonds payable	\$14,770,000	10/12/2003	2.25-5.0%	03/01/2023	\$ 4,050,000
Bonds payable	\$10,000,000	04/04/2005	3.0-5.0%	03/01/2025	2,680,000
Bonds payable	\$22,530,000	06/01/2006	3.75-5.0%	03/01/2025	17,795,000
Bonds payable	\$5,330,000	03/22/2011	2.0-3.3%	03/01/2021	5,245,000
Notes payable	\$335,000	04/22/2011	1.25-3.25%	03/01/2015	210,000
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	11,995,000
Bonds payable	\$9,720,000	06/19/2012	2.0-2.5%	05/01/2025	<u>9,720,000</u>
					<u>\$53,700,000</u>

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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, 2012 is:

Equalized value certified by Wisconsin Department of Revenue for 2011:	\$4,360,117,398
Margin of indebtedness at 10%	436,011,740
Deduct long-term debt application to debt margin net of debt service funds available for debt retirement	53,700,000
Margin of indebtedness	\$ 382,311,740

Aggregate cash flow requirements for retirement of long-term principal and interest on bonds as of June 30, 2012 is as follows:

Year Ended June 30	Principal	Interest	Total
2013	\$ 3,095,000	\$ 2,133,775	\$ 5,228,775
2014	3,175,000	2,077,152	5,252,152
2015	3,265,000	1,948,903	5,213,903
2016	3,300,000	1,822,640	5,122,640
2017	3,390,000	1,701,128	5,091,128
2018-2022	17,975,000	6,611,460	24,586,460
2023-2027	14,410,000	3,458,028	17,868,028
2028-2029	5,090,000	416,900	5,506,900
	\$53,700,000	\$20,169,986	\$73,869,986

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, 2012, are as follows:

Year Ending June 30	Amount
2013	\$ 739,924
2014	343,510
2015	294,582
	1,378,016
Less amount representing interest	101,364
	\$1,276,652

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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

Defeasance of Debt

In 2012, the District defeased certain governmental obligation debt by placing sufficient funds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$9,190,000 of bonds are considered defeased.

Defined Benefit Pension Plan

All eligible District employees participate in the Wisconsin Retirement Systems (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work at least 1200 hours a year (880 hours for teachers; 440 hours prior to July 1, 2011) are eligible to participate in the WRS. Covered employees in the General/Teacher/General Educational Support Personnel category are required by statute to contribute 5.8% (5.9% effective, January 1, 2012) of their salary (6.65% (7.05% effective January 1, 2012) for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security (5.9% effective January 1, 2012 for both)) to the plan. Employers may make these contributions to the plan on behalf of the employees until June 29, 2011 when Wisconsin Act 10 became effective. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected costs of future benefits.

The payroll for District employees covered by the System for the year ended June 30, 2012 was \$24,168,527, the employer's total payroll was \$26,561,732. The total required contribution paid \$1,422,040 (52%) by the employer and \$1,317,358 (48%) by employees for the year ended June 30, 2012 was \$2,739,398. Total contributions for the years ended June 30, 2011 and 2010 were \$2,904,261 and \$2,996,857, respectively, equal to the required contribution 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 through June 30, 2011 are immediately vested. For participants employed after July 1, 2011, five years of creditable service is required for eligibility.

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.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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

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 the July 1, 2010 actuarial study. 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 \$1,890,844 of benefits for the year ended June 30, 2012.

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	(1,890,844)
Change in net OPEB obligation (asset)	(666,718)
OPEB asset at beginning of year	(767,828)
OPEB asset at end of year	\$ (1,434,546)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2012 and the preceding two years was:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed/Paid	Net OPEB Obligation(Asset)
6/30/2012	\$1,224,126	155%	\$(1,434,546)
6/30/2011	\$1,224,126	204%	\$(767,828)
6/30/2010	\$2,496,238	97%	\$505,020

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

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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

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.

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, 2012 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, 2012, UHC projected the aggregate claim limit to equal approximately \$5,489,908 (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, 2012, the District has reported a liability of \$306,769, which represents estimated unreported claims which were incurred on or before June 30, 2012, but were not paid by the District as of that date.

Changes for the claims liability amount for the years ended June 30, 2012 and 2011 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>
2012	\$855,185	4,391,926	4,940,342	\$306,769
2011	\$534,374	\$7,852,860	\$7,532,049	\$855,185

**SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

Note 4 - Governmental Activities Net Assets

Governmental activities net assets reported on the Government Wide Statement of Net Assets at June 30, 2012 includes the following:

Governmental Activities	
Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 60,605,300
Less: related long-term debt outstanding	<u>(54,976,652)</u>
Total invested in capital assets	5,628,648
Restricted	2,404,747
Unrestricted	<u>14,103,903</u>
Total governmental activities net assets	<u><u>\$22,137,298</u></u>

Note 5 - Governmental Fund Balances

Government fund balances reported on the fund financial statements at June 30, 2012 include the following:

Restricted	
Debt Service Fund	\$ 1,110,770
Community Service Fund	610,874
Food Service Fund	<u>683,103</u>
Total restricted fund balance	<u>2,404,747</u>
Committed	
General Fund - Self-funded insurance	<u>732,357</u>
Unassigned	
General Fund	<u>11,840,262</u>
	<u><u>\$14,977,366</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, 2012**

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>
2013	\$32,474
2014	14,474
2015	5,544
2016	<u>782</u>
	<u>\$53,274</u>

Total lease expense for the year ended June 30, 2012 was \$32,474.

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	\$60,605,300
Net pension asset	1,434,548
Deferred finance costs	<u>1,209,307</u>
	<u>\$63,249,155</u>

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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	\$ (1,276,653)
Bonds and notes payable	(53,700,000)
Deferred finance premium	(279,570)
Accrued interest	<u>(833,000)</u>
Combined Adjustment	<u><u>\$(56,089,223)</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	\$666,718
Accrued interest	<u>29,389</u>
	<u><u>\$696,107</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	\$(2,653,918)
Capital expenditures	<u>925,761</u>
	<u><u>\$(1,728,157)</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	\$12,723,673
Proceeds from long-term debt	(9,720,000)
Deferred finance costs	981,972
Deferred finance premiums	<u>(279,570)</u>
	<u><u>\$ 3,706,075</u></u>

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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 December 3, 2012.

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. 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 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* in June 2011. The requirements of the related Statement are effective for financial statements for periods beginning after June 15, 2011.

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

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 retroactivity 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 GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* in December 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in June 2011. This Statement amended Statement No. 34 relating to net asset reporting requirements. The requirements of the related Statement are effective for financial statement periods beginning after December 15, 2011.

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 40,782,336	\$ 40,782,336	\$ 40,904,738	\$ 122,402
Intermediate sources	682,994	682,994	823,472	140,478
State sources	7,053,012	7,053,012	7,056,196	3,184
Federal sources	346,703	346,703	348,437	1,734
Other sources	117,381	117,381	681,633	564,252
Total revenues	<u>48,982,426</u>	<u>48,982,426</u>	<u>49,814,476</u>	<u>832,050</u>
Expenditures				
Instruction				
Regular instruction	20,088,839	20,088,839	18,381,123	1,707,716
Vocational instruction	489,847	489,847	510,475	(20,628)
Other instruction	2,206,608	2,206,608	1,886,182	320,426
Total instruction	<u>22,785,294</u>	<u>22,785,294</u>	<u>20,777,780</u>	<u>2,007,514</u>
Support Services				
Pupil services	726,809	726,809	711,982	14,827
Instructional staff services	1,804,715	1,804,715	1,649,209	155,506
General administration services	632,894	632,894	529,519	103,375
Building administration services	2,354,960	2,354,960	2,561,828	(206,868)
Business services	9,629,298	9,629,298	10,210,279	(580,981)
Central services	2,132,520	2,132,520	1,730,662	401,858
Insurance	511,226	511,226	468,309	42,917
Principal and interest	932,233	932,233	767,095	165,138
Other support services	3,291,382	3,291,382	3,139,583	151,799
Total support services	<u>22,016,037</u>	<u>22,016,037</u>	<u>21,768,466</u>	<u>247,571</u>
Total expenditures	<u>44,801,331</u>	<u>44,801,331</u>	<u>42,546,246</u>	<u>2,255,085</u>
Excess of revenues over expenditures	4,181,095	4,181,095	7,268,230	3,087,135
Other Financing Sources (Uses)				
Transfer to other funds	(4,667,411)	(4,667,411)	(4,015,644)	651,767
Long term debt proceeds	493,000	493,000	-	(493,000)
Total other financing sources (uses)	<u>(4,174,411)</u>	<u>(4,174,411)</u>	<u>(4,015,644)</u>	<u>158,767</u>
Net Change in Fund Balance	6,684	6,684	3,252,586	3,245,902
Fund balance, beginning of year	<u>9,320,033</u>	<u>9,320,033</u>	<u>9,320,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,326,717</u>	<u>\$ 9,326,717</u>	<u>\$ 12,572,619</u>	<u>\$ 3,245,902</u>

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intermediate sources	\$ 285,000	\$ 285,000	\$ 141,654	\$ (143,346)
State sources	1,723,223	1,723,223	1,696,857	(26,366)
Federal sources	1,137,574	1,137,574	1,471,648	334,074
Other sources	-	-	6,593	6,593
Total revenues	<u>3,145,797</u>	<u>3,145,797</u>	<u>3,316,752</u>	<u>170,955</u>
Expenditures				
Instruction				
Regular instruction	37,731	37,731	41,728	(3,997)
Vocational instruction	3,269	3,269	-	3,269
Special instruction	<u>5,511,615</u>	<u>5,511,615</u>	<u>5,124,966</u>	<u>386,649</u>
Total instruction	<u>5,552,615</u>	<u>5,552,615</u>	<u>5,166,694</u>	<u>385,921</u>
Support Services				
Pupil services	691,615	691,615	759,051	(67,436)
Instructional staff services	364,427	364,427	344,708	19,719
Business administrative	626,365	626,365	532,955	93,410
Other support services	<u>522,993</u>	<u>522,993</u>	<u>528,988</u>	<u>(5,995)</u>
Total support services	<u>2,205,400</u>	<u>2,205,400</u>	<u>2,165,702</u>	<u>39,698</u>
Total expenditures	<u>7,758,015</u>	<u>7,758,015</u>	<u>7,332,396</u>	<u>425,619</u>
Deficiency of revenue over expenditures	(4,612,218)	(4,612,218)	(4,015,644)	596,574
Other Financing Sources				
Transfer from general fund	<u>4,667,411</u>	<u>4,667,411</u>	<u>4,015,644</u>	<u>(651,767)</u>
Net Change in Fund Balance	55,193	55,193	-	(55,193)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 55,193</u>	<u>\$ 55,193</u>	<u>\$ -</u>	<u>\$ (55,193)</u>

**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, 2012

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:

General Fund		
	Building Administration	\$206,868
	Business Services	\$580,981
Special Education Fund		
	Regular Instruction	\$3,997
	Pupil Services	\$67,436
	Other Support Services	\$5,995

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF NEW BERLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	<u>Community Service Fund</u>	<u>Food Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and investments	\$ 597,473	\$ 723,388	\$ 1,320,861
Due from other governments	-	43,090	43,090
Accounts receivable	20,586	-	20,586
	<u>20,586</u>	<u>-</u>	<u>20,586</u>
Total assets	<u>\$ 618,059</u>	<u>\$ 766,478</u>	<u>\$ 1,384,537</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 3,268	\$ 34,399	\$ 37,667
Accrued liabilities			
Payroll, payroll taxes, insurance	3,917	1,380	5,297
Deferred revenue	-	47,596	47,596
	<u>-</u>	<u>47,596</u>	<u>47,596</u>
Total liabilities	<u>7,185</u>	<u>83,375</u>	<u>90,560</u>
Fund Balances			
Restricted	<u>610,874</u>	<u>683,103</u>	<u>1,293,977</u>
Total fund balances	<u>610,874</u>	<u>683,103</u>	<u>1,293,977</u>
Total liabilities and fund balances	<u>\$ 618,059</u>	<u>\$ 766,478</u>	<u>\$ 1,384,537</u>

**SCHOOL DISTRICT OF NEW BERLIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012**

	Community Service Fund	Food Service Fund	Total Nonmajor Governmental Funds
Revenues			
Local sources	\$ 377,396	\$ 1,366,516	\$ 1,743,912
State sources	-	16,505	16,505
Federal sources	-	379,416	379,416
Other sources	-	318	318
Total revenues	<u>377,396</u>	<u>1,762,755</u>	<u>2,140,151</u>
Expenditures			
Support Services			
Business services	-	1,782,566	1,782,566
Community service	184,295	-	184,295
Total support services	<u>184,295</u>	<u>1,782,566</u>	<u>1,966,861</u>
Total expenditures	<u>184,295</u>	<u>1,782,566</u>	<u>1,966,861</u>
Net Change in Fund Balances	193,101	(19,811)	173,290
Fund balance, beginning of year	<u>417,773</u>	<u>702,914</u>	<u>1,120,687</u>
Fund balance, end of year	<u><u>\$ 610,874</u></u>	<u><u>\$ 683,103</u></u>	<u><u>\$ 1,293,977</u></u>

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
PUPIL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	<u>Balance 07/01/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/12</u>
ASSETS				
Cash and investments	\$ 468,624	\$ 562,320	\$ 579,811	\$ 451,133
Accounts receivable	-	440	-	440
Total Assets	<u>\$ 468,624</u>	<u>\$ 562,760</u>	<u>\$ 579,811</u>	<u>\$ 451,573</u>
LIABILITIES				
Accounts payable	\$ 32,997	\$ -	\$ 19,976	\$ 13,021
Due to student organizations	435,627	562,760	559,835	438,552
Total Liabilities	<u>\$ 468,624</u>	<u>\$ 562,760</u>	<u>\$ 579,811</u>	<u>\$ 451,573</u>

SINGLE AUDIT SECTION

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

	Federal Catalog Number	Program or Award Amount	Accrued Receivable 07/01/11	Expenditures Grantor	Revenues Grantor Reimbursements	Accrued Receivable 06/30/12
U.S. Department of Education						
State of Wisconsin						
Wisconsin Department of Public Instruction						
<u>IASA Title I</u>						
	84.010					
July 1, 2010 to June 30, 2011		170,845	\$ 107,595	\$ -	\$ 107,595	\$ -
July 1, 2011 to June 30, 2012		143,330	-	124,269	104,869	19,400
<u>Title II Quality Teachers and Principals</u>						
	84.367					
July 1, 2010 to June 30, 2011		98,713	31,441	-	31,441	-
July 1, 2011 to June 30, 2012		77,963	-	76,463	42,224	34,239
<u>Education Jobs Act</u>						
	84.394					
July 1, 2010 to June 30, 2011		761,743	30,179	-	30,179	-
July 1, 2011 to June 30, 2012		13,888	-	13,888	-	13,888
<u>ARRA - ESEA Title II-D Educ Tech Formula</u>						
	84.386					
July 1, 2010 to June 30, 2011		12,430	3,188	-	3,188	-
CESA #1						
<u>Carl Perkins Grant</u>						
	84.048					
July 1, 2011 to June 30, 2012		5,505	-	12,860	11,240	1,620
Title III Cluster						
<u>Title III - English Language</u>						
	84.365					
July 1, 2010 to June 30, 2011		16,928	1,214	-	1,214	-
July 1, 2011 to June 30, 2012		18,499	-	18,499	16,404	2,095
<u>Title III - Immigrant</u>						
	84.365					
July 1, 2010 to June 30, 2011		40,000	15,514	-	15,514	-
Total Title III Cluster			<u>16,728</u>	<u>18,499</u>	<u>33,132</u>	<u>2,095</u>
Special Education Cluster						
<u>Individuals with Disabilities Education Act (IDEA) - Flow Through</u>						
	84.027					
July 1, 2010 to June 30, 2011		1,061,213	460,522	-	460,522	-
July 1, 2011 to June 30, 2012		958,925	-	905,033	377,327	527,706
<u>Individuals with Disabilities Education Act (IDEA) - Flow Through (EIS)</u>						
	84.027					
July 1, 2010 to June 30, 2011		133,412	98,209	-	98,209	-
July 1, 2011 to June 30, 2012		99,410	-	83,694	55,985	27,709
<u>PL-99-457</u>						
	84.173					
July 1, 2010 to June 30, 2011		56,606	8,411	-	8,411	-
July 1, 2011 to June 30, 2012		80,638	-	38,705	8,727	29,978
<u>Individuals with Disabilities Education Act (IDEA) - Discretionary</u>						
	84.027					
July 1, 2010 to June 30, 2011		17,716	7,249	-	7,249	-
<u>ARRA - IDEA Flowthrough</u>						
	84.391					
July 1, 2010 to June 30, 2011		840,404	231,978	-	231,978	-
July 1, 2011 to June 30, 2012		-	-	53,100	53,100	-
<u>ARRA - IDEA EIS</u>						
	84.391					
July 1, 2010 to June 30, 2011		118,183	3,396	-	3,396	-
July 1, 2011 to June 30, 2012		118,183	-	26,726	26,726	-
<u>High Cost Special Education</u>						
	84.027					
July 1, 2011 to June 30, 2012		46,342	-	10,874	10,874	-
Total Special Education Cluster			<u>809,765</u>	<u>1,118,132</u>	<u>1,342,504</u>	<u>585,393</u>
Total U.S. Department of Education			<u>998,896</u>	<u>1,364,111</u>	<u>1,706,372</u>	<u>656,635</u>
U.S. Department of Agriculture						
State of Wisconsin						
Wisconsin Department of Public Instruction						
School Nutrition Cluster						
<u>Food Distribution</u>						
	10.555					
July 1, 2011 to June 30, 2012		-	-	103,491	103,491	-
<u>National School Lunch Program</u>						
	10.555					
July 1, 2010 to June 30, 2011		-	38,785	-	38,785	-
July 1, 2011 to June 30, 2012		-	-	276,244	233,154	43,090
Total School Nutrition Cluster			<u>38,785</u>	<u>379,735</u>	<u>375,430</u>	<u>43,090</u>
Total U.S. Department of Agriculture			<u>38,785</u>	<u>379,735</u>	<u>375,430</u>	<u>43,090</u>
U.S. Department of Health and Human Services						
Wisconsin Department of Health Services						
<u>Medicaid Reimbursement</u>						
	93.778					
July 1, 2008 to June 30, 2009		-	11,132	16,337	27,469	-
July 1, 2009 to June 30, 2010		-	-	217,026	15,030	201,996
July 1, 2009 to June 30, 2010		-	-	(201,996)	-	(201,996)
July 1, 2010 to June 30, 2011		-	40,034	25,040	65,074	-
July 1, 2011 to June 30, 2012		-	-	297,110	125,063	172,047
Total U.S. Department of Health and Human Services			<u>51,166</u>	<u>353,517</u>	<u>232,636</u>	<u>172,047</u>
Totals			<u>\$ 1,088,847</u>	<u>\$ 2,097,363</u>	<u>\$ 2,314,438</u>	<u>\$ 871,772</u>

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, 2012**

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Accrued Receivable 07/01/11</u>	<u>Revenue/ Expenditures</u>	<u>State Reimbursements</u>	<u>Accrued Receivable 06/30/12</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION					
Entitlement Programs					
Major State Programs					
Handicapped Pupils and School Age Parents	255.101	\$ -	\$ 1,696,857	\$ 1,696,857	\$ -
Common School Library Fund	255.103	-	165,381	165,381	-
General Equalization	255.201	123,180	6,298,117	6,376,599	44,698
Total Major Programs		<u>123,180</u>	<u>8,160,355</u>	<u>8,238,837</u>	<u>44,698</u>
Nonmajor State Programs					
Integration Aid - Non-resident	255.204	-	284,676	284,676	-
State School Lunch Aid	255.101	-	16,505	16,505	-
Pupil Transportation Aid	255.107	-	152,417	152,417	-
Mentoring for Initial Educators	255.355	-	8,745	8,745	-
Total Nonmajor Programs		<u>-</u>	<u>462,343</u>	<u>462,343</u>	<u>-</u>
Total Entitlement Programs		123,180	8,622,698	8,701,180	44,698
WISCONSIN DEPARTMENT OF REVENUE					
Exempt Computer Aid		448,801	387,827	448,801	387,827
Totals		<u>\$ 571,981</u>	<u>\$ 9,010,525</u>	<u>\$ 9,149,981</u>	<u>\$ 432,525</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, 2012

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 \$ 5,822,699 for the year end June 30, 2012.

**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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated, December 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

December 3, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 compliance of the School District of New Berlin (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. 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 are applicable to each of its major state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, 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, 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 have 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.

As described in **Finding 2012-01** and **Finding 2012-02** in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding time and effort documentation applicable to its Federal IDEA Grant Cluster and Title I Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2012-01** and **Finding 2012-02** to be a material weakness.

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

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

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP

December 3, 2012

**SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

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?	_X_ yes	___ no
Significant deficiency(ies) identified?	___ yes	_X_ no
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	_X_ yes	___ no

Identification of major programs

<u>CFDA NUMBER(S)</u>	<u>Name of Federal Program or Cluster</u>
84.010	IASA Title 1
93.778	Medicaid reimbursement
	IDEA Cluster
84.027	IDEA Flowthrough
84.027	IDEA - Flowthrough (EIS)
84.173	Preschool Entitlement
84.391	ARRA - IDEA Flowthrough
84.391	ARRA - IDEA Flowthrough (EIS)
84.027	High Cost Special Education

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

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012
(continued)

Federal - Title I Cluster (continued)

Finding No. 2012-02	Material Weakness in Internal Control and Material Non-compliance Finding - Time & Effort Reporting
Criteria:	OMB Circular A-87 requires as part of the allowable costs principle that school districts keep time & effort reporting for any employee coded to a federal grant, with certain exceptions.
Condition:	The district did not have time & effort documentation for employees coded to this federal program. In addition, controls did not prevent the noncompliance.
Questioned Costs:	Unknown
Effect:	The district failed to meet documentation requirements of OMB Circular A-87 regarding time & effort reporting, which may result in disallowance of costs submitted for reimbursement, or already reimbursed.
Recommendation:	The district should implement procedures to ensure that time & effort reporting is being kept for all employees coded to federal grants.
District's Response:	The District immediately implemented time and effort reporting when it became aware of noncompliance. The District now documents all time and effort for employees coded to federal programs by doing monthly and semi-annual certification forms.

State

There were no findings or questioned costs for state awards.

**SCHOOL DISTRICT OF NEW BERLIN
CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

Federal – IDEA

Finding No. 2012-01 Material Weakness in Internal Control and Material Non-Compliance Finding – Time and Effort Reporting

The District immediately put procedures in place and will comply as necessary with the time and effort reporting.

Contact Person: Roger Dickson
262-789-6210

Federal – Title I Cluster

Finding No. 2012-02 Material Weakness in Internal Control and Material Non-Compliance Finding – Time and Effort Reporting

The District immediately put procedures in place and will comply as necessary with the time and effort reporting.

Contact Person: Roger Dickson
262-789-6210