

# **School District of Tomahawk**

Tomahawk, Wisconsin

## **Financial Statements and Supplementary Information**

Year Ended June 30, 2014

# School District of Tomahawk

## Financial Statements and Supplementary Information

Year Ended June 30, 2014

---

### Table of Contents

Independent Auditor's Report .....	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position .....	4
Statement of Activities .....	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	9
Fiduciary Funds	
Statement of Net Position .....	11
Statement of Changes in Net Position .....	12
Notes to Financial Statements .....	13
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund .....	38
Notes to Budgetary Comparison Schedule - General Fund .....	39
Schedule of Funding Progress and Employer Contributions .....	41
Supplementary Information	
Balance Sheet - Nonmajor Governmental Funds .....	42
Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	43
Schedule of Changes in Assets and Liabilities - Student Organizations' Funds .....	44
Schedule of Expenditures of Federal Awards .....	45
Schedule of State Financial Assistance .....	46
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance .....	47
Other Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	48
Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance .....	50
Schedule of Findings and Questioned Costs .....	52
Schedule of Prior Audit Findings .....	56

## Independent Auditor's Report

Board of Education  
School District of Tomahawk  
Tomahawk, Wisconsin

### Report on the Financial Statements

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

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the budgetary comparison information and the schedule of funding progress and employer contributions on pages 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The nonmajor fund statements, fiduciary fund - schedule of changes in assets and liabilities - student organizations' agency fund and the schedules of expenditures of federal awards and state financial assistance as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor fund statements, fiduciary fund - schedule of changes in assets and liabilities - student organizations' agency fund and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the nonmajor fund statements, fiduciary fund - schedule of changes in assets and liabilities - student organizations' agency fund and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the School District of Tomahawk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

September 26, 2014  
Rhineland, Wisconsin

# School District of Tomahawk

## Statement of Net Position

June 30, 2014

<i>Assets and Deferred Outflow of Resources</i>		Governmental Activities
Current assets:		
Cash and investments		\$7,633,917
Receivables:		
Taxes		3,676,929
Accounts		21,968
Due from other governments		139,660
Prepaid expenses		7,627
Total current assets		11,480,101
Capital assets:		
Capital assets not being depreciated		452,600
Capital assets being depreciated		28,629,927
Less - Accumulated depreciation		(15,268,095)
Total capital assets, net of accumulated depreciation		13,814,432
Deferred outflow of resources - Deferred charge on refunding		86,136
<b>TOTAL ASSETS</b>		<b>\$25,380,669</b>
<i>Liabilities and Net Position</i>		
Liabilities:		
Current liabilities:		
Accounts payable		\$46,535
Accrued liabilities:		
Payroll, payroll taxes, and insurance		1,195,448
Interest		30,015
Unearned revenue		686
Current portion of long-term obligations		754,400
Total current liabilities		2,027,084
Noncurrent liabilities:		
Bonds payable		3,994,338
Net other post-employment benefit obligation		221,202
Compensated absences		2,222,063
Total noncurrent liabilities		6,437,603
Total liabilities		8,464,687
Net position:		
Net investment in capital assets		9,321,230
Restricted for:		
Food service		9,913
Debt service		119,122
Unrestricted		7,465,717
Total net position		16,915,982
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b>\$25,380,669</b>

See accompanying notes to financial statements.

# School District of Tomahawk

## Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes In
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental activities:					
Instruction:					
Regular instruction	\$5,742,153	\$280,197	\$517,369	\$20,150	(\$4,924,437)
Vocational instruction	502,409		6,112		(496,297)
Special education instruction	1,435,897		482,369	15,519	(938,009)
Other instruction	829,005	76,372			(752,633)
Total instruction	8,509,464	356,569	1,005,850	35,669	(7,111,376)
Support services:					
Pupil services	579,593		99,780		(479,813)
Instructional staff services	1,149,378		183,125		(966,253)
General administration services	302,878				(302,878)
Building administration services	752,685				(752,685)
Business services	195,836				(195,836)
Operations and maintenance	1,536,170		336		(1,535,834)
Pupil transportation services	985,745		144,303		(841,442)
Food service	615,643	317,321	307,367		9,045
Central services	54,471				(54,471)
Insurance	166,119				(166,119)
Community service	136,491	12,812			(123,679)
Interest	138,145				(138,145)
Depreciation - Unallocated	495,742				(495,742)
Total support services	7,108,896	330,133	734,911		(6,043,852)
Total governmental activities (carried forward)	\$15,618,360	\$686,702	\$1,740,761	\$35,669	(13,155,228)

# School District of Tomahawk

## Statement of Activities (Continued)

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Total governmental activities (brought forward)	\$15,618,360	\$686,702	\$1,740,761	\$35,669	(\$13,155,228)
General revenues:					
Property taxes:					
General purposes					10,391,183
Debt service					707,475
Community service					146,000
State and federal aids not restricted to specific functions - General					2,564,433
Interest and investment earnings					5,895
Miscellaneous					31,780
Loss on sale of assets					(89,470)
Total general revenues					13,757,296
Change in net position					602,068
Net position - Beginning of year					16,313,914
Net position - End of year					\$16,915,982

# School District of Tomahawk

## Balance Sheet - Governmental Funds

June 30, 2014

<i>Assets</i>	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
Assets:				
Cash and investments	\$7,507,155	\$119,122	\$7,640	\$7,633,917
Receivables:				
Taxes	3,676,929			3,676,929
Accounts	16,213		5,755	21,968
Due from other governments	130,432		9,228	139,660
Prepaid expenses	7,627			7,627
<b>TOTAL ASSETS</b>	<b>\$11,338,356</b>	<b>\$119,122</b>	<b>\$22,623</b>	<b>\$11,480,101</b>
<i>Liabilities and Fund Balances</i>				
Liabilities:				
Accounts payable	\$33,825	\$0	\$12,710	\$46,535
Accrued salaries and related items	1,182,381			1,182,381
Unearned revenue	686			686
<b>Total liabilities</b>	<b>1,216,892</b>		<b>12,710</b>	<b>1,229,602</b>
Fund balances:				
Restricted:				
Debt service		119,122		119,122
Food service			9,913	9,913
Committed:				
School forest	104,823			104,823
Future post-employment benefits	3,094,171			3,094,171
Assigned - Community pool	146,719			146,719
Unassigned	6,775,751			6,775,751
<b>Total fund balances</b>	<b>10,121,464</b>	<b>119,122</b>	<b>9,913</b>	<b>10,250,499</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,338,356</b>	<b>\$119,122</b>	<b>\$22,623</b>	<b>\$11,480,101</b>

# School District of Tomahawk

## Balance Sheet - Governmental Funds (Continued)

June 30, 2014

---

Total fund balances - Governmental funds (from previous page)	\$10,250,499
---	--------------

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental fund balances because:

Capital 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 position:

Governmental capital assets	\$29,082,527	
Governmental accumulated depreciation	(15,268,095)	13,814,432

---

Unpaid vacation pay is a liability of the governmental funds only if the employee has resigned or retired.	(13,067)
--	----------

Deferred charges on refunding are amortized over the term of the related debt	86,136
---	--------

Long-term liabilities, including bonds and notes payable, are not due in the current year and therefore are not reported in the fund statements. Interest on long-term debt is not accrued in the 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 position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds payable	4,579,338	
Accrued interest on long-term debt	30,015	
Compensated absences	2,391,463	
Net other post-employment benefit obligation	221,202	(7,222,018)

---

Net position - Governmental activities	\$16,915,982
--	--------------

---

# School District of Tomahawk

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2014

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Local	\$10,646,890	\$707,581	\$317,321	\$11,671,792
Interdistrict	264,844			264,844
Intermediate	32,095			32,095
State	3,415,190		11,868	3,427,058
Federal	586,211		295,499	881,710
Other	32,399			32,399
Total revenues	14,977,629	707,581	624,688	16,309,898
Expenditures:				
Instruction:				
Regular instruction	5,626,021			5,626,021
Vocational instruction	496,412			496,412
Special instruction	1,430,959			1,430,959
Other instruction	790,674			790,674
Total instruction	8,344,066			8,344,066
Support services:				
Pupil services	572,950			572,950
Instructional staff services	1,075,844			1,075,844
General administration services	297,972			297,972
Building administration services	732,900			732,900
Business services	190,200			190,200
Operations and maintenance	1,498,891		3,501	1,502,392
Pupil transportation	980,429			980,429
Food service			613,590	613,590
Central services	48,796			48,796
Insurance	166,119			166,119
Debt Service:				
Principal		570,000		570,000
Interest		143,175		143,175
Debt issuance costs		438		438
Other support services	378,548			378,548
Community service	133,088			133,088
Total support services	6,075,737	713,613	617,091	7,406,441
Total expenditures	14,419,803	713,613	617,091	15,750,507
Excess (deficiency) of revenues over expenditures	557,826	(6,032)	7,597	559,391
Other financing sources - Proceeds from sale of capital assets	447			447
Net change in fund balances	558,273	(6,032)	7,597	559,838
Fund balances - Beginning of year	9,563,191	125,154	2,316	9,690,661
Fund balances - End of year	\$10,121,464	\$119,122	\$9,913	\$10,250,499

# School District of Tomahawk

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Continued)

Year Ended June 30, 2014

Total net change in fund balances - Governmental funds (from previous page)		\$559,838
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlays reported in governmental fund statements	\$159,129	
Depreciation expense reported in the statement of activities	(838,061)	
Amount by which capital outlays are less than depreciation in the current year		(678,932)
Unpaid vacation pay is a liability of the governmental funds only if the employee has resigned or retired.		
Amount by which the liability for vacation pay changed in the current year		(1,949)
Post-employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Change in accumulated compensated absences	51,092	
Change in net OPEB obligation	186,468	
Amounts paid are more than amounts earned		237,560
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 position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year		570,000
The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no affect on the governmental funds balance sheet.		
The value of capital assets disposed of during the year	(213,051)	
The amount of depreciation recapture for the year	123,134	
The difference in the value of assets, net of recaptured depreciation, creates a loss of		(89,917)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
The net effect of these differences in the current year		1,658
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current year	143,175	
The amount of interest accrued during the current year	(139,365)	
Interest paid is more than interest accrued		3,810
<b>Change in net position - Governmental activities</b>		<b>\$602,068</b>



# School District of Tomahawk

## Statement of Net Position - Fiduciary Funds

June 30, 2014

	Scholarship Private-Purpose Trust	Agency Fund
Assets - Cash and investments	\$167,918	\$281,398
<b>TOTAL ASSETS</b>	<b>\$167,918</b>	<b>\$281,398</b>
Liabilities - Due to student organizations	\$0	\$281,398
Net position held in trust for scholarships	167,918	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$167,918</b>	

# School District of Tomahawk

## Statement of Changes in Net Position - Fiduciary Funds

Year Ended June 30, 2014

	Scholarship Private-Purpose Trust
Additions - Private donations	\$97,547
Deductions - Scholarships awarded	80,125
Change in net assets	17,422
Net position - Beginning of year	150,496
Net position - End of year	\$167,918

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      Summary of Significant Accounting Policies

#### Introduction

The financial statements of the School District of Tomahawk (the "District") have been prepared in accordance with accounting principles generally accepted in the United States 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 District is organized as a common school district. The District, governed by a nine-member elected school board, operates grades Pre-Kindergarten through 12 and is comprised of the majority of the City of Tomahawk, Wisconsin taxing district.

This report includes all of the activities of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Reporting Entity** (Continued)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net position at the fund financial statement level.

The statement of net position and statement of activities present financial information about the District's governmental 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Basis of Presentation** (Continued)

##### Government-Wide Financial Statements (Continued)

Program revenues include (a) charges paid by the recipients for goods or services provided by a given program and (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 all taxes, are presented as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

##### Fund Financial Statements

The fund financial 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 remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

- **General Fund** - This is the District's primary operating fund. It accounts for all financial activity that is not accounted for and reported in another fund, including educational programs for students with disabilities.
- **Debt Service Fund** - This fund accounts for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental activities, including amounts accumulated for principal and interest maturing in future years.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Basis of Presentation (Continued)**

#### **Fund Financial Statements (Continued)**

The District reports the following non-major governmental fund:

- Food Service Fund - This fund accounts for financial resources that are restricted to expenditure in the District's breakfast and lunch program.

The District accounts for assets held as an agent for various student organizations in an agency fund and assets held for scholarship purposes in a private-purpose trust fund.

#### **Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, assets, and liabilities resulting from exchange and exchange-type transactions are recognized when the exchange 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, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider 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 they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus and Basis of Accounting (Continued)**

Expenditures are recognized 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 financing 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.

#### **Deposits and Investments**

The District's cash and investments are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less, and shares in the local government investment pool. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

The Debt Service Fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

State Statutes permit the District to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. government agency issues, municipal obligations within Wisconsin, high-grade commercial paper which matures in less than seven years, and the local government pooled investment fund administered by the State Investment Board. Available balances in the Debt Service Fund may be invested in obligations of the United States and the local government pooled investment fund administered by the State of Wisconsin Investment Board.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Deposits and Investments (Continued)**

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

Funds held in the Employee Benefit Trust Fund to provide for post-employment health care benefits and other post-employment benefits may be invested in any kind of property or type of investment consistent with the prudent investor rule set forth in WI Stat. 811.01. This rule requires the trustee of an Employee Benefit Trust Fund to exercise reasonable care, skill, and caution when investing and managing the assets of the trust.

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

#### **Receivables and Payables**

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### **Prepaid Expenses**

Prepaid expenses represent payments made by the District for which benefits extend beyond June 30.



# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Capital Assets**

Capital assets, which include land, site improvements, buildings, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of a unit cost of \$1,000 or more for capitalizing capital assets.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for site improvements and buildings and 5 to 15 years for equipment.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

#### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the District has no items that qualify for reporting in this category.

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

The District's policy allows employees to accumulate earned but unused vacation and sick pay benefits. Accumulated sick leave, per negotiated contracts, is converted to a dollar amount at retirement that may be applied to post-employment health care benefits. The nonvested sick leave has been accrued based on the District's prior experience with employees remaining with the District and receiving payments and the maximums allowed. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts (Continued)**

Retirement Plans - District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid. An estimate of the present value of future benefits is recognized as a long-term liability in the statement of net position.

Post-Employment Benefits - As provided in applicable negotiated contracts, District employees meeting a minimum age and length of service requirements may participate in the District's group health insurance program. The District's cost varies based on the negotiated contract for a particular employee group. An estimate of the present value of future benefits is recognized as a long-term liability in the statement of net position.

#### **Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

#### **Net Position**

Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constituted provisions or enabling legislation.

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

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      Summary of Significant Accounting Policies (Continued)

#### Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance* - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations or other governments or (b) imposed by law through constitutional provisions or enabling legislations.

*Committed fund balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Education - the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* - This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education and administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Fund Balances (Continued)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund equal to 10% of budgeted expenditures for the next fiscal year plus taxes receivable as of June 30 for the next fiscal year. The District considers a fund balance of less than 3% of budgeted expenditures and taxes receivable to be cause for concern, barring unusual or deliberate circumstances. If the unassigned fund balance falls below this level, the District will review variations of increasing revenues and reducing expenditures of the current budget and succeeding budget to develop a short-term plan to bring the fund balance above the minimum threshold.

#### **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 District and taxing entities treasurers for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the taxing entities before retaining any for county purposes.

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

# School District of Tomahawk

## Notes to Financial Statements

---

### 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 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1, 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 30 and are available to pay current liabilities.

#### **Use of Estimates**

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

#### **Subsequent Events**

Subsequent events have been evaluated through September 26, 2014, which is the date the financial statements were available to be issued.

#### **New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* which will be effective for years beginning after June 15, 2014. Statement No. 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability and the amount held in a pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system. Statement No. 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Accounting Pronouncements (Continued)**

The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of the plan. Statement No. 68 is only applicable to pension plans. However, the GASB intends to issue a similar standard for other post-employment benefits effective two years later than this standard.

The District has not evaluated the potential impact of these changes.

### Note 2      **Stewardship and Accountability**

#### **Limitation on School District Revenue**

Wisconsin Statutes limit the amount of revenue school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenue 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 referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 3 Cash and Investments

#### Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the District's bank balance of \$756,096 was exposed to custodial credit risk as uninsured and uncollateralized.

#### Investments

Interest Rate Risk - The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

Credit Risk - State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Local Government Investment Pool. The District has no investment policy that would further limit its investment choices.

The District's cash and investment balances at June 30, 2014, were as follows:

	Weighted Average Maturities	Fair Value
Local Government Investment Pool	< 30 days	\$7,490,122
Cash deposits with financial institutions carrying amount		593,110
Less - Cash held by fiduciary funds		(449,315)
Total		\$7,633,917

The District has invested funds in the Wisconsin Local Government Investment Pool (LGIP). The LGIP is an investment pool managed by the State of Wisconsin Investment Board which allows governments within the state to pool their funds for investment purposes. The LGIP is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in the LGIP are valued at fair value.



# School District of Tomahawk

## Notes to Financial Statements

### Note 4 Capital Assets

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated -				
Land	\$452,600	\$0	\$0	\$452,600
Capital assets being depreciated:				
Site improvements	297,965			297,965
Buildings and building improvements	24,715,243			24,715,243
Furniture and equipment	3,520,276	159,129	213,051	3,466,354
Vehicles	150,365			150,365
Total capital assets being depreciated	28,683,849	159,129	213,051	28,629,927
Less accumulated depreciation for:				
Site improvements	267,344	15,158		282,502
Buildings and building improvements	11,897,496	486,963		12,384,459
Furniture and equipment	2,267,171	329,223	123,134	2,473,260
Vehicles	121,157	6,717		127,874
Total accumulated depreciation	14,553,168	838,061	123,134	15,268,095
Total capital assets being depreciated, net of accumulated depreciation	14,130,681	(678,932)	89,917	13,361,832
Governmental activities capital assets - Net	\$14,583,281	(\$678,932)	\$89,917	\$13,814,432

# School District of Tomahawk

## Notes to Financial Statements

### Note 4 Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the District as follows:

Regular instruction	\$66,289
Vocational instruction	9,493
Physical Instruction	17,485
Special education instruction	15,587
Co-curricular activities	13,909
Other instruction	7,246
Pupil services	558
Instructional staff services	143,164
Building administration services	15,260
Operations and maintenance	39,117
Pupil transportation	5,316
Food service	2,020
Central services	5,675
Community service	1,199
Depreciation not charged to a specific function	495,743
<b>Total depreciation for governmental activities</b>	<b>\$838,061</b>

### Note 5 Long-Term Obligations

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
Governmental activities:					
Bonds	\$5,060,000	\$0	\$570,000	\$4,490,000	\$585,000
Plus deferred premium	135,572		46,234	89,338	
Subtotals	5,195,572		616,234	4,579,338	585,000
Compensated absences	2,442,555	349,011	400,103	2,391,463	169,400
Net OPEB obligation	407,670	250,028	436,496	221,202	
<b>Totals</b>	<b>\$8,045,797</b>	<b>\$599,039</b>	<b>\$1,452,833</b>	<b>\$7,192,003</b>	<b>\$754,400</b>

Payments on bonds and notes are made by the Debt Service Fund. Vested employee benefits will be liquidated by several of the governmental funds.

# School District of Tomahawk

## Notes to Financial Statements

### Note 5 Long-Term Obligations (Continued)

#### General Obligation Debt

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

	Governmental Activities			
	Issue Dates	Interest Rates %	Dates of Maturity	Balance 6/30/2014
Refunding bonds payable - General obligation debt	12/5/2011	2.0 - 3.0	3/1/2021	\$4,490,000

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,358,892,622. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$1,358,892,622)	\$135,889,262
Deduct - Long-term debt applicable to debt margin	(4,490,000)
Add - Debt service fund assets available	119,122
Margin of indebtedness	\$131,518,384

# School District of Tomahawk

## Notes to Financial Statements

### Note 5 Long-Term Obligations (Continued)

#### General Obligation Debt (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt as of June 30, 2014, follows:

#### Governmental Activities

Year Ended June 30	Principal	Interest	Totals
2015	\$585,000	\$131,775	\$716,775
2016	600,000	117,150	717,150
2017	625,000	99,150	724,150
2018	640,000	80,400	720,400
2019	660,000	61,200	721,200
2020 - 2021	1,380,000	62,400	1,442,400
Totals	\$4,490,000	\$552,075	\$5,042,075

### Note 6 Employee Retirement Plans

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit Public Employee Retirement System. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees), and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g., teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

# School District of Tomahawk

## Notes to Financial Statements

### Note 6 Employee Retirement Plans (Continued)

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the general employment category, including teachers. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contributions rates are as follows:

	2014		2013	
	Employee	Employer	Employee	Employer
General (including teachers)	7.00%	7.00%	6.65%	6.65%

The payroll for the District employees covered by the WRS for the year ended June 30, 2014, was \$7,245,642; the employer's total payroll was \$7,718,231. The total required contribution for the year ended June 30, 2014, was \$495,700, which consisted of \$495,700, or 100% of payroll from the employer. Total contributions for the years ending June 30, 2013 and 2012, were \$483,922 and \$555,326, respectively, equal to the required contributions for each year.

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

# School District of Tomahawk

## Notes to Financial Statements

---

### **Note 6**      **Employee Retirement Plans (Continued)**

Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested. The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

### **Note 7**      **Compensated Absences**

The District employment contracts provide for other supplemental health insurance benefits based on the accumulation of sick leave as follows:

- Teachers
  - Teachers will be allowed eight days of sick leave per school year, with unused days accumulative to 120 days.
  - Teachers with ten or more years of teaching experience with the District at the end of the 2011-12 school year, and who meet the retirement eligibility criteria, will be provided the following upon retirement:
    - A credit balance equal to the amount of sick leave per diem as specified on the chart in Appendix A of the employee handbook that aligns with the number of years teaching experience in the District the teacher had at the end of the 2011-12 school year for each day of unused sick leave up to 120 days.
  - Teachers with nine or fewer years of teaching experience with the District at the end of the 2011-2012 school year, and any newly hired teachers beginning with those whose individual contracts begin with the 2012-13 school year, and who meet the retirement eligibility criteria will be provided the following upon retirement:
    - A credit balance equal to one hundred twenty dollars (\$120) for each day of unused sick leave up to 120 days.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 7      **Compensated Absences** (Continued)

- **Administrators**
  - Any administrator with at least 15 years of service with the District may, at normal retirement age, convert up to 144 days of unused sick leave to a credit balance from which the District will pay for medical and dental insurance premiums. The credit balance is determined by dividing the individual's average salary for the last three years by the average contract days for the last three years times the accumulated sick days. In addition, administrators are credited with ten days for each year of employment, up to 60 days, in addition to the accumulated sick leave to apply towards health insurance. However, this benefit does not include the series of cash payments option.
- **Non-Union Support Staff**
  - Non-union support staff with at least 15 years of service with the District may, at normal retirement age, convert up to 144 days of unused sick leave to a credit balance from which the District will pay for medical and dental insurance premiums. The credit balance is determined by multiplying the individuals last daily wage rate by the accumulated sick days.
- **Union Support Staff**
  - Support staff that have attained the age of 55, with a minimum of 15 years of service in the District, convert up to 100 days for school year employees and 120 days for twelve month employees to a credit balance from which the District will pay for medical and dental insurance premiums. For all employees hired before July 1, 2012, employees who have accumulated the maximum number of sick leave days allowed may convert one half of each accumulated sick leave day above the maximum to the credit balance.

The value of providing these benefits in the future aggregated \$2,391,463 at June 30, 2014. The District has recorded the estimated liability for future payments to be made under these agreements in the statement of net position.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 8      Other Post-Employment Benefits

The District administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through the District's group medical insurance plan, which covers both active and retired members. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits until they are eligible for Medicare. The plan does not issue a stand-alone report.

An implicit rate subsidy exists when an employer's retirees and current employees are covered together as a group wherein the premium rate or premium equivalent rate paid by the retirees may be lower than they would be if the retirees were rated separately. In addition to the implicit rate subsidy inherent in the sick leave conversion previously discussed, the contribution requirements to the plan are as follows:

- Teachers - Full-time teachers who retire at age 55 or older with at least 15 years of service with the District will have a specified amount applied to the cost of group health and group dental insurance. The amount is determined based on a scale included in the employee handbook which is calculated based on years of experience.
- Administrators - One administrator will have a specified amount applied to the cost of group health insurance and group dental insurance. The base amount at the end of the 2006-07 school year was \$55,005. This amount increases for this administrator by the percentage rate of change in the Consumer Price Index or 5%, whichever is less.
- Non-Union Support Staff - Certain non-union support staff who retire with at least 15 years of service with the District will have \$45,000 applied to the cost of group health and group dental insurance.

The District's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (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 (or fund excess) over a period not to exceed 30 years.



# School District of Tomahawk

## Notes to Financial Statements

### Note 8 Other Post-Employment Benefits (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$249,989
Interest on net OPEB obligation	11,872
Adjustment to annual required contribution	(11,833)
Annual OPEB cost	250,028
Contributions made	327,856
Decrease in net OPEB obligation	(77,828)
Net OPEB obligation - Beginning of year	407,670
Adjustment for actuarial revaluation	(108,640)
Net OPEB obligation - End of year	\$221,202

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$250,028	131.15%	\$221,202
6/30/2013	\$381,093	81.08%	\$407,670
6/30/2012	\$380,602	81.08%	\$334,397

The plan was not funded as of July 1, 2012, the most recent actuarial valuation date. The actuarial accrued liability for benefits was \$3,531,058 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,531,058.

# School District of Tomahawk

## Notes to Financial Statements

---

### Note 8      Other Post-Employment Benefits (Continued)

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. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects 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, 2012, actuarial valuation, the unprojected unit credit actuarial cost method was used. The actuarial assumptions included a 3.97% rate of return (net of administrative expenses), based on expected yield for general assets invested in a long-term fixed income portfolio and an annual health care cost trend rate of 10% initially, and reduced by decrements to a rate of 5% after five years. Both rates include a 4% inflation assumption. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level percentage of payroll amortization method. The remaining amortization period at July 1, 2012, was 30 years.

# School District of Tomahawk

## Notes to Financial Statements

---

### **Note 9                      Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2014.

### **Note 10                      Jointly Governed Organization**

The District is served by Cooperative Education Service Agency No. 9 (CESA). CESA is a regional service entity organized to serve the educational needs of 22 school districts in all or parts of Fond du Lac, Langlade, Lincoln, Marathon, Oneida, Price, Shawano, Taylor, and Vilas Counties. CESA is governed by an 11-member board of control elected from a delegate assembly, which consists of one school board member from each of the school districts in the CESA region, with special provisions made for areas served by union high/K-8 districts. Participating school districts have neither an ongoing financial interest nor responsibility. The District purchased \$243,886 of education services during the fiscal year.

## Required Supplementary Information

# School District of Tomahawk

## Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2014

	Budget Amounts Original and Final	Actual on Budgetary Basis	Variance With Final Budget - Positive (Negative)
Revenues:			
Local	\$10,460,757	\$10,488,078	\$27,321
Interdistrict	350,000	264,844	(85,156)
Intermediate		6,112	6,112
State	2,992,388	2,991,864	(524)
Federal	365,310	328,391	(36,919)
Other	18,000	32,399	14,399
Total revenues	14,186,455	14,111,688	(74,767)
Expenditures:			
Instruction:			
Regular instruction	5,873,167	5,626,021	247,146
Vocational instruction	506,094	496,412	9,682
Special instruction	72,946	49,909	23,037
Other instruction	809,002	790,671	18,331
Total instruction	7,261,209	6,963,013	298,196
Support services:			
Pupil services	478,518	411,624	66,894
Instructional staff services	941,406	875,230	66,176
General administration services	350,496	297,972	52,524
Building administration services	755,781	732,900	22,881
Business services	200,782	186,956	13,826
Operations and maintenance	1,432,644	1,496,805	(64,161)
Pupil transportation	963,730	908,906	54,824
Central services	66,228	48,796	17,432
Insurance	151,600	166,119	(14,519)
Other support services	320,000	378,548	(58,548)
Total support services	5,661,185	5,503,856	157,329
Nonprogram transactions	1,000		1,000
Total expenditures	12,923,394	12,466,869	456,525
Excess of revenues over expenditures	1,263,061	1,644,819	381,758
Other financing sources (uses):			
Transfers out	(1,263,061)	(1,110,966)	152,095
Proceeds from sale of capital assets		447	447
Net other financing sources (uses)	(1,263,061)	(1,110,519)	152,542
Net change in fund balance		534,300	534,300
Fund balance - Beginning of year	9,440,445	9,440,445	
Fund balance - End of year	\$9,440,445	\$9,974,745	\$534,300

See Independent Auditor's Report.

See accompanying notes to budgetary comparison schedule - general fund.

# School District of Tomahawk

## Notes to Budgetary Comparison Schedule - General Fund

---

### Note 1      Budgetary Accounting

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the General Fund and all other funds.

Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as assigned or committed fund balance.

# School District of Tomahawk

## Notes to Budgetary Comparison Schedule - General Fund

### Note 2 Budgetary Comparisons

GAAP requires a budgetary comparison for the general fund and each major special revenue fund.

Required comparisons are between the final budget and actual on a budgetary basis. The "original budget" represents the budget as approved by the School Board after it sets the tax to be levied for the fiscal year. The "final budget" is the "original budget" adjusted for any budget amendments approved by the School Board during the fiscal year and up to the time the financial statements are ready to be issued. The "actual on a budgetary basis" excludes the revenues, expenditures, and other financing sources (uses) of the special education fund and community service fund which are treated as special revenue funds for budgetary purposes. The following schedule reconciles the "budgetary basis" revenues and expenditures of the budgetary comparison schedule - general fund to the governmental funds - statement of revenues, expenditures, and changes in fund balances.

	General Fund Actual on Budgetary Basis	Special Education Fund	Community Service Fund	General Fund Actual on GAAP Basis
Revenues	\$14,112,135	\$707,130	\$158,811	\$14,978,076
Expenditures	(12,466,869)	(1,818,096)	(134,838)	(14,419,803)
Other financing sources (uses)	(1,110,966)	1,110,966		
Net change in fund balance	\$534,300	\$0	\$23,973	\$558,273

### Note 3 Excess of Expenditures Over Appropriations

The general fund incurred expenditures, by function, in excess of appropriations:

	Budget	Actual	Actual Over Budget
Support services:			
Operations and maintenance	\$1,432,644	\$1,496,805	\$64,161
Insurance	151,600	166,119	14,519
Other support services	320,000	378,548	58,548

# School District of Tomahawk

## Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$0	\$3,531,058	\$3,531,058	0%	N/A	N/A
7/1/2010	\$0	\$4,076,451	\$4,076,451	0%	N/A	N/A

Schedule of Employer Contributions			
Year Ended 6/30			
	Annual Required Contribution	Percentage Contributed	
2014	\$249,989	131.15%	
2013	\$379,628	81.08%	
2012	\$379,628	70.77%	
2011	\$372,509	80.48%	
2010	\$372,509	81.57%	



## Supplementary Information

---

# School District of Tomahawk

## Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds Food Service Fund
Assets:	
Cash and investments	\$7,640
Accounts receivable	5,755
Due from other governments	9,228
<b>TOTAL ASSETS</b>	<b>\$22,623</b>
Liabilities:	
Accounts payable	\$12,710
Fund balances:	
Restricted - Food service	9,913
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$22,623</b>

# School District of Tomahawk

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue Funds Food Service Fund
Revenues:	
Local	\$317,321
State	11,868
Federal	295,499
Total revenues	624,688
Expenditures:	
Support services:	
Operations and maintenance	3,501
Food service	613,590
Total expenditures	617,091
Net change in fund balances	7,597
Fund balances - Beginning of year	2,316
Fund balances - End of year	\$9,913

# School District of Tomahawk

## Schedule of Changes in Assets and Liabilities - Student Organizations' Funds

Year Ended June 30, 2014

<i>Assets</i>	Balance 7/1/2013	Receipts	Disbursements	Balance 6/30/2014
Cash and investments	\$261,968	\$351,768	\$332,338	\$281,398
<b>TOTAL ASSETS</b>	<b>\$261,968</b>	<b>\$351,768</b>	<b>\$332,338</b>	<b>\$281,398</b>
<i>Liabilities</i>				
Due to student organizations:				
High school	\$144,269	\$260,445	\$246,585	\$158,129
Middle school	74,472	56,677	52,430	78,719
Elementary schools	43,227	34,646	33,323	44,550
<b>TOTAL LIABILITIES</b>	<b>\$261,968</b>	<b>\$351,768</b>	<b>\$332,338</b>	<b>\$281,398</b>

# School District of Tomahawk

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Administering Agency Pass-Through Agency Award Description	Program Period	Federal Catalog Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
<u>Wisconsin Department of Public Instruction</u>			
Child Nutrition Cluster:			
School Breakfast Program	July 1, 2013 - June 30, 2014	10.553	\$60,717
National School Lunch Program (Noncash Assistance)	July 1, 2013 - June 30, 2014	10.555	28,446
National School Lunch Program (Cash Assistance)	July 1, 2013 - June 30, 2014	10.555	206,337
Total U.S. Department of Agriculture			295,500
<u>U.S. Department of Education</u>			
<u>Wisconsin Department of Public Instruction</u>			
Title I Grants to Local Educational Agencies	July 1, 2013 - June 30, 2014	84.010	258,851
Special Education Cluster:			
Special Education:			
Grants to States	July 1, 2013 - June 30, 2014	84.027	191,649
Special Education - Preschool Grants	July 1, 2013 - June 30, 2014	84.173	12,163
Total Special Education Cluster			203,812
Education for Homeless Children and Youth	July 1, 2013 - June 30, 2014	84.196A	16,823
Education Technology Cluster:			
Title II A Teacher/Principal	July 1, 2013 - June 30, 2014	84.367	43,425
<u>CESA #9</u>			
Career and Technical Education - Basic Grants to States	July 1, 2013 - June 30, 2014	84.048	6,112
Total U.S. Department of Education			529,023
<u>U.S. Department of Health and Human Services</u>			
<u>Wisconsin Department of Health Services</u>			
Medical Assistance Payments	July 1, 2011 - June 30, 2012	93.778	9,292
	July 1, 2013 - June 30, 2014	93.778	54,007
Total U.S. Department of Health and Human Services			63,299
<b>TOTAL FEDERAL AWARDS</b>			<b>\$887,822</b>

See Independent Auditor's Report.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

# School District of Tomahawk

## Schedule of State Financial Assistance

Year Ended June 30, 2014

Administering Agency Pass-Through Agency Award Description	State ID Number	Accrued or (Unearned) Revenue 7/1/2013	Grantor		Accrued or (Unearned) Revenue 6/30/2014
			Reimbursements	Expenditures	
<u>Cost Reimbursement Programs</u>					
<u>Wisconsin Department of Public Instruction</u>					
Student Achievement Guarantee in Education July 1, 2012 - June 30, 2013	255.504	\$0	\$257,461	\$257,461	\$0
Educator Effective July 1, 2012 - June 30, 2013	255.410		9,200	9,200	
<b>Total Cost Reimbursement Programs</b>		<b>\$0</b>	<b>266,661</b>	<b>\$266,661</b>	<b>\$0</b>
<u>Entitlement Programs</u>					
<u>Wisconsin Department of Public Instruction</u>					
Special Education and School Age Parents: Internal District Programs	255.101		423,326		
Participant in Package Program at CESA #9			25,983		
State Lunch	255.102		6,168		
Library Aid	255.103		36,826		
Pupil Transportation	255.107		123,944		
General Equalization Aid	255.201		550,444		
Special Adjustment Aid	255.203		1,424,726		
High Cost Transportation Aid	255.947		57,741		
School Breakfast Program	255.344		5,700		
Per Pupil Adjustment Aid	255.925		96,450		
<b>Total Wisconsin Department of Public Instruction</b>			<b>2,751,308</b>		
<u>Wisconsin Department of Revenue</u>					
Payment in Lieu of Taxes	370.503		426,570		
<u>Wisconsin Department of Natural Resources</u>					
Computer Aid	835.109		8,502		
<b>Total Entitlement Programs</b>			<b>3,186,380</b>		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$3,453,041</b>		

See Independent Auditor's Report.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

# School District of Tomahawk

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

---

### **Note 1            Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2014. The information in these Schedules is presented in accordance with the requirements of the Wisconsin Department of Public Instruction. Because the Schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

### **Note 2            Summary of Significant Accounting Policies**

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable.

### **Note 3            Special Education and School Age Parents Program**

2013 - 2014 eligible costs under the State Special Education Program are \$1,478,828.

## Other Reports

---



## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education  
School District of Tomahawk  
Tomahawk, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Tomahawk (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2014.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

## Compliance and Other Matters

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

## Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 26, 2014  
Rhineland, Wisconsin

## Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance

Board of Education  
School District of Tomahawk  
Tomahawk, Wisconsin

### Report on Compliance for Each Major Federal and State Program

We have audited the School District of Tomahawk's (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* and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School District of Tomahawk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the School District of Tomahawk's compliance.

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

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

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of Tomahawk's internal control over compliance with the types of requirements that could have a direct and material effect on major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *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 any opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Wipfli LLP*

Wipfli LLP

September 26, 2014  
Rhineland, Wisconsin

# School District of Tomahawk

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

---

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified  
not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified  
not considered to be material weakness(es)? No

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

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

Identification of major federal programs:

#### CFDA Number

#### Name of Federal Program or Cluster

84.010

Title I Grants

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

Auditee qualified as low-risk auditee? Yes

# School District of Tomahawk

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

---

### Section I - Summary of Auditor's Results (Continued)

#### State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified

not considered to be material weakness(es)? No

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

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with *State Single  
Audit Guidelines*?

No

Identification of major state programs:

#### Name of State Program

255.101

Special Education and School Age Parents

255.201

General Equalization Aid

255.203

Special Adjustment Aid

### Section II - Financial Statement Findings

#### 2014-001 Segregation of Duties

Criteria - No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction

Condition - The size of the office staff precludes a proper segregation of functions to assure adequate internal control. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not unusual in an organization of your size, but the Board should continue to be aware of this condition and to realize the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under those conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations, however, a significant deficiency exists in the District's internal controls.

# School District of Tomahawk

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

---

### Section II - Financial Statement Findings (Continued)

#### 2014-001 Segregation of Duties (Continued)

Effect - Without adequate segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements.

Recommendation - We recommend management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response - The District acknowledges that, due to the size of our District, we do not have adequate segregation of duties. We will continue to accept the risk associated with this condition because of cost. We do, however, have the District Clerk review all journal entries, cancelled checks, and bank reconciliations on a monthly basis. The Finance Committee also reviews and approves the list of checks written on a monthly basis.

#### 2014-002 Financial Accounting and Reporting

Criteria - *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be a significant deficiency in internal controls.

Condition - The District's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. As part of our professional services for the year ended June 30, 2014, we were requested to draft the financial statements and accompanying notes to the financial statements. Because the District relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a significant deficiency exists in the District's internal controls.

Effect - The completeness of the financial statement disclosures and the accuracy of the overall financial presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the District as its internal financial staff.

Recommendation - We recommend management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response - The District acknowledges that, due to the size of our District, we do not have an individual trained in the preparation of GAAP basis financial statements. We will continue to accept the risk associated with this condition because of cost.

# School District of Tomahawk

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

---

### Section III - Federal Awards Findings and Questioned Costs

None.

### Section IV - State Awards Findings and Questioned Costs

None.

### Section V - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going ability to continue as a going concern?

No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, significant deficiency, management letter comment, excess of revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction

No

Department of Revenue

No

Department of Natural Resources

No

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

Yes

Name and Signature of Partner



Randall H. Beard, CPA

Date

September 26, 2014



# School District of Tomahawk

## Schedule of Prior Audit Findings

Year Ended June 30, 2014

---

### Financial Statement Findings

#### 2013-001 Segregation of Duties

The size of the office staff precludes a proper segregation of functions to assure adequate internal control. The basic premise is that not one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not unusual in an organization of your size, but the Board should continue to be aware of this condition and to realize the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under those conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations, however, a significant deficiency exists in the District's internal controls.

Status - This is a repeat finding for 2014.

#### 2013-002 Financial Accounting and Reporting

The District's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. As part of our professional services for the year ended June 30, 2013, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the District relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a significant deficiency exists in the District's internal controls.

Status - This is a repeat finding for 2014.