

**MEQUON-THIENSVILLE SCHOOL DISTRICT
MEQUON, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

June 30, 2013

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MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mequon-Thiensville School District
Mequon, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mequon-Thiensville School District ("the District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Mequon-Thiensville Education Foundation, Inc. ("the Foundation"). Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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, based on the our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.4.g. to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 35 through 40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

Other 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 financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

The supplementary information and 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 of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the District's 2012 financial statements, and our report dated October 30, 2012, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Certified Public Accountants
Sheboygan, Wisconsin
October 25, 2013

BASIC FINANCIAL STATEMENTS

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Statement of Net Position
June 30, 2013
(With summarized financial information as of June 30, 2012)

	Governmental Activities	Business-type Activities	Totals		Mequon-Thiensville Education Foundation, Inc.
			2013	2012	
ASSETS					
Cash and investments	\$ 5,114,388	\$ 883,027	\$ 5,997,415	\$ 6,946,421	\$ 368,766
Receivables					
Taxes	9,227,496	-	9,227,496	9,729,744	-
Accounts	144,960	158	145,118	20,106	-
Pledges	-	-	-	-	3,258
Due from other governments	441,548	8,758	450,306	416,938	-
Prepaid items	-	-	-	-	3,603
Other pension benefits asset	37,669	-	37,669	96,325	-
Capital assets					
Land	301,938	-	301,938	301,938	-
Land improvements	1,808,282	-	1,808,282	1,726,456	-
Buildings	53,629,336	-	53,629,336	53,567,950	-
Machinery, equipment and textbooks	9,223,989	574,071	9,798,060	9,515,550	5,993
Construction in progress	184,479	-	184,479	141,736	-
Less: Accumulated depreciation	(32,350,612)	(466,251)	(32,816,863)	(31,359,351)	(5,736)
Interest in net assets - Greater Milwaukee Foundation	-	-	-	-	393,014
TOTAL ASSETS	47,763,473	999,763	48,763,236	51,103,813	768,898
DEFERRED OUTFLOWS OF RESOURCES					
Loss on advance refunding	349,020	-	349,020	410,612	-
LIABILITIES					
Short-term notes payable	3,250,000	-	3,250,000	5,300,000	-
Accounts payable	135,103	129,030	264,133	356,496	164,302
Accrued payroll liabilities	697,900	15,389	713,289	848,220	5,317
Accrued interest payable	146,475	-	146,475	260,825	-
Due to other governments	-	-	-	68,739	-
Unearned revenues	4,460	-	4,460	4,600	-
Long-term obligations					
Due within one year	2,469,470	-	2,469,470	2,165,700	-
Due in more than one year	15,778,674	-	15,778,674	18,511,630	-
TOTAL LIABILITIES	22,482,082	144,419	22,626,501	27,516,210	169,619
NET POSITION					
Net investment in capital assets	19,729,079	107,820	19,836,899	18,949,279	257
Restricted for					
Donor intent	16,093	-	16,093	48,298	-
Debt service	142,135	-	142,135	154,512	-
Food service	-	329,119	329,119	397,090	-
Foundation Activities	-	-	-	-	249,938
Unrestricted	5,743,104	418,405	6,161,509	4,449,036	349,084
TOTAL NET POSITION	\$ 25,630,411	\$ 855,344	\$ 26,485,755	\$ 23,998,215	\$ 599,279

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Activities

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 24,222,396	\$ 683,853	\$ 3,594,553
Support services	15,009,223	455,312	549,146
Interest and fiscal charges	822,037	-	-
Depreciation - unallocated	1,617,335	-	-
Non-program	652,160	-	-
Total Governmental Activities	<u>42,323,151</u>	<u>1,139,165</u>	<u>4,143,699</u>
Business-type Activities			
School food service program	1,339,929	1,020,372	272,192
Community service program	776,672	574,982	-
Total Business-type Activities	<u>2,116,601</u>	<u>1,595,354</u>	<u>272,192</u>
Total Primary Government	<u>\$ 44,439,752</u>	<u>\$ 2,734,519</u>	<u>\$ 4,415,891</u>
Component unit			
Mequon-Thiensville			
Education Foundation, Inc.	<u>\$ 340,566</u>	<u>\$ -</u>	<u>\$ 416,784</u>

General revenues
Property taxes
State and federal aids not restricted to
specific functions
Interest and investment earnings
Miscellaneous
Total General Revenues

Change in net position

Net Position - July 1

Net Position - June 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Totals		Mequon-Thiensville Education Foundation, Inc.
		2013	2012	

\$ (19,943,990)	\$ -	\$ (19,943,990)	\$ (20,915,804)	\$ -
(14,004,765)	-	(14,004,765)	(13,932,341)	-
(822,037)	-	(822,037)	(809,224)	-
(1,617,335)	-	(1,617,335)	(1,672,394)	-
(652,160)	-	(652,160)	(432,348)	-
(37,040,287)	-	(37,040,287)	(37,762,111)	-

-	(47,365)	(47,365)	31,039	-
-	(201,690)	(201,690)	(216,848)	-
-	(249,055)	(249,055)	(185,809)	-
(37,040,287)	(249,055)	(37,289,342)	(37,947,920)	-

-	-	-	-	76,218
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37,333,917	227,580	37,561,497	37,795,126	-
2,132,668	-	2,132,668	2,304,562	-
31,494	1,751	33,245	23,407	42,372
49,472	-	49,472	40,232	-
39,547,551	229,331	39,776,882	40,163,327	42,372
2,507,264	(19,724)	2,487,540	2,215,407	118,590
23,123,147	875,068	23,998,215	21,782,808	480,689
\$ 25,630,411	\$ 855,344	\$ 26,485,755	\$ 23,998,215	\$ 599,279

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	General	Other Governmental Funds	Total Governmental Funds	
			2013	2012
ASSETS				
Cash and investments	\$ 4,825,778	\$ 288,610	\$ 5,114,388	\$ 6,050,132
Receivables				
Taxes	9,227,496	-	9,227,496	9,729,744
Accounts	33,133	111,827	144,960	20,028
Due from other funds	95,734	-	95,734	-
Due from other governments	441,548	-	441,548	412,711
TOTAL ASSETS	<u>\$ 14,623,689</u>	<u>\$ 400,437</u>	<u>\$ 15,024,126</u>	<u>\$ 16,212,615</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 3,250,000	\$ -	\$ 3,250,000	\$ 5,300,000
Accounts payable	135,103	-	135,103	263,967
Accrued payroll liabilities	697,900	-	697,900	829,209
Accrued interest payable	24,375	-	24,375	43,725
Due to other funds	-	95,734	95,734	-
Due to other governments	-	-	-	68,739
Unearned revenues	4,460	-	4,460	4,600
Total Liabilities	<u>4,111,838</u>	<u>95,734</u>	<u>4,207,572</u>	<u>6,510,240</u>
Fund Balances				
Restricted				
Donor intent	-	16,093	16,093	48,298
Retirement of long-term debt	-	288,610	288,610	415,337
Committed				
Capital projects	775,000	-	775,000	-
Unassigned	9,736,851	-	9,736,851	9,238,740
Total Fund Balances	<u>10,511,851</u>	<u>304,703</u>	<u>10,816,554</u>	<u>9,702,375</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,623,689</u>	<u>\$ 400,437</u>	<u>\$ 15,024,126</u>	<u>\$ 16,212,615</u>

Reconciliation to the Statement of Net Position

Total Fund Balances from previous page	\$ 10,816,554	\$ 9,702,375
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,797,412	33,808,265
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Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(14,230,000)	(16,850,000)
Bond premium	(632,800)	(103,470)
Deferred outflows - loss on advance refunding	349,020	410,612
Other post-employment benefits obligation	(3,308,364)	(3,596,160)
Other pension benefits asset (obligation)	37,669	96,325
Vested unused employee benefits	(76,980)	(127,700)
Accrued interest payable	(122,100)	(217,100)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)

\$ 25,630,411	\$ 23,123,147
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The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

	Other Governmental Funds		Total Governmental Funds	
General			2013	2012
Revenues				
Property taxes	\$ 34,969,404	\$ 2,364,513	\$ 37,333,917	\$ 37,567,546
Other local sources	1,163,016	410,032	1,573,048	1,538,074
Interdistrict sources	335,600	-	335,600	425,965
Intermediate sources	11,121	-	11,121	19,992
State sources	4,361,905	-	4,361,905	4,552,534
Federal sources	1,089,328	-	1,089,328	1,027,185
Other sources	52,436	-	52,436	74,081
Total Revenues	41,982,810	2,774,545	44,757,355	45,205,377
Expenditures				
Instruction				
Regular instruction	16,642,083	283,307	16,925,390	17,160,560
Vocational instruction	679,789	-	679,789	763,349
Special education instruction	5,055,596	-	5,055,596	5,079,232
Other instruction	2,015,699	63,933	2,079,632	2,407,196
Total Instruction	24,393,167	347,240	24,740,407	25,410,337
Support Services				
Pupil services	2,343,273	-	2,343,273	2,500,847
Instructional staff services	2,106,649	42,702	2,149,351	2,044,583
General administration services	542,157	-	542,157	618,866
School administration services	2,155,974	42,051	2,198,025	2,192,811
Business services	535,546	-	535,546	518,748
Operation and maintenance of plant	4,084,517	-	4,084,517	3,784,501
Pupil transportation services	2,034,010	-	2,034,010	2,030,275
Central services	927,308	-	927,308	906,779
Insurance	291,154	-	291,154	272,807
Other support services	272,213	-	272,213	143,919
Total Support Services	15,292,801	84,753	15,377,554	15,014,136
Debt Service				
Principal	-	2,120,000	2,120,000	2,005,000
Interest and fiscal charges	29,220	826,225	855,445	768,632
Total Debt Service	29,220	2,946,225	2,975,445	2,773,632
Non-program				
General tuition payments	311,815	-	311,815	254,079
Special education tuition payments	311,374	-	311,374	167,668
Other non-program	28,971	-	28,971	10,601
Total Non-program	652,160	-	652,160	432,348
Total Expenditures	40,367,348	3,378,218	43,745,566	43,630,453
Excess of Revenues Over (Under) Expenditures	1,615,462	(603,673)	1,011,789	1,574,924
Other Financing Sources (Uses)				
Long-term debt issued	-	12,640,000	12,640,000	-
Bond premium	-	600,939	600,939	-
Repayment to current noteholder	-	(13,140,000)	(13,140,000)	-
Sale of capital assets	1,451	-	1,451	2,724
Transfers in	-	343,802	343,802	341,652
Transfers out	(343,802)	-	(343,802)	(341,652)
Total Other Financing Sources (Uses)	(342,351)	444,741	102,390	2,724
Net Change in Fund Balances	1,273,111	(158,932)	1,114,179	1,577,648
Fund Balances - July 1	9,238,740	463,635	9,702,375	8,124,727
Fund Balances - June 30	\$ 10,511,851	\$ 304,703	\$ 10,816,554	\$ 9,702,375

(Continued)

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

	2013	2012
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 1,114,179	\$ 1,577,648
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital assets purchased as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets purchased in governmental fund statements	\$ 643,846	
Depreciation expense reported in the statement of activities	<u>(1,617,335)</u>	
Amount by which depreciation is greater than capital outlay	(973,489)	(1,175,335)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain or loss on the disposal is reported.		
Cost of assets disposed of	(37,364)	(2,800)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits decreased (increased) by:		
Other post-employment benefits (OPEB)	287,796	(396,276)
Other pensions benefits obligation (asset)	(58,656)	178,454
Vested unused employee benefits	50,720	10,700
Loss on advance refunding is reported in the governmental funds as an other financing use, but is deferred and amortized over the life of the new bonds in the statement of activities. The amount of current year amortization is:	(61,592)	(61,592)
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:	2,620,000	2,005,000
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	95,000	21,000
Premiums received on debt issuances are reported in the governmental funds as other financing sources, but are deferred and amortized over the life of the bonds in the statement of activities.	<u>(529,330)</u>	15,520
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ 2,507,264</u>	<u>\$ 2,172,319</u>

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Net Position

Non-Major Proprietary Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Food Service	Community Service	Total Non-Major Proprietary Funds	
			2013	2012
ASSETS				
Cash and investments	\$ 436,011	\$ 447,016	\$ 883,027	\$ 896,289
Accounts receivable	158	-	158	78
Due from other governments	8,758	-	8,758	4,227
Capital assets				
Machinery and equipment	574,071	-	574,071	564,419
Less: Accumulated depreciation	(466,251)	-	(466,251)	(478,405)
TOTAL ASSETS	552,747	447,016	999,763	986,608
LIABILITIES				
Accounts payable	115,808	13,222	129,030	92,529
Accrued payroll liabilities	-	15,389	15,389	19,011
TOTAL LIABILITIES	115,808	28,611	144,419	111,540
NET POSITION				
Net investment in capital assets	107,820	-	107,820	86,014
Restricted	329,119	-	329,119	397,090
Unrestricted	-	418,405	418,405	391,964
TOTAL NET POSITION	\$ 436,939	\$ 418,405	\$ 855,344	\$ 875,068

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Revenues, Expenses and Changes in Net Position

Non-Major Proprietary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Food Service	Community Service	Total Non-Major Proprietary Funds	
			2013	2012
Operating Revenues				
Food sales and user charges	\$ 1,020,372	\$ 574,982	\$ 1,595,354	\$ 1,679,513
State sources	13,791	-	13,791	14,449
Federal sources	258,401	-	258,401	267,455
Total Operating Revenues	1,292,564	574,982	1,867,546	1,961,417
Operating Expenses				
Salaries, wages and benefits	-	359,214	359,214	380,338
Purchased services	1,187,496	323,228	1,510,724	1,626,906
Supplies and materials	86,359	39,769	126,128	51,344
Other	25,144	54,461	79,605	59,936
Depreciation	39,511	-	39,511	28,702
Total Operating Expenses	1,338,510	776,672	2,115,182	2,147,226
Operating Loss	(45,946)	(201,690)	(247,636)	(185,809)
Non-Operating Revenues (Expenses)				
Property taxes	-	227,580	227,580	227,580
Interest	1,200	551	1,751	1,317
Loss on disposal of capital assets	(1,419)	-	(1,419)	-
Total Non-Operating Revenues (Expenses)	(219)	228,131	227,912	228,897
Change in Net Position	(46,165)	26,441	(19,724)	43,088
Net Position - July 1	483,104	391,964	875,068	831,980
Net Position - June 30	\$ 436,939	\$ 418,405	\$ 855,344	\$ 875,068

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Cash Flows

Non-Major Proprietary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Food Service	Community Service	Total Non-Major Proprietary Funds	
			2013	2012
Cash Flows from Operating Activities				
Cash received from user charges	\$ 1,020,292	\$ 574,982	\$ 1,595,274	\$ 1,679,759
Cash received from other government payments	190,499	-	190,499	211,787
Cash payments to employees	-	(362,836)	(362,836)	(383,510)
Cash payments to suppliers	(1,181,861)	(420,933)	(1,602,794)	(1,648,972)
Net Cash Provided by (Used for) Operating Activities	28,930	(208,787)	(179,857)	(140,936)
Cash Flows from Noncapital Financing Activities				
Cash received from property taxes	-	227,580	227,580	227,580
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(62,736)	-	(62,736)	-
Cash Flows from Investing Activity				
Interest received	1,200	551	1,751	1,317
Change in Cash and Cash Equivalents	(32,606)	19,344	(13,262)	87,961
Cash and Cash Equivalents - July 1	468,617	427,672	896,289	808,328
Cash and Cash Equivalents - June 30	<u>\$ 436,011</u>	<u>\$ 447,016</u>	<u>\$ 883,027</u>	<u>\$ 896,289</u>
Reconciliation of Operating Loss to Net Cash				
Provided by (Used for) Operating Activities:				
Operating loss	\$ (45,946)	\$ (201,690)	\$ (247,636)	\$ (185,809)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	39,511	-	39,511	28,702
Changes in assets and liabilities				
Accounts receivable	(80)	-	(80)	246
Due from other governments	(4,531)	-	(4,531)	2,148
Accounts payable	39,976	(3,475)	36,501	16,949
Accrued payroll liabilities	-	(3,622)	(3,622)	(3,172)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 28,930</u>	<u>\$ (208,787)</u>	<u>\$ (179,857)</u>	<u>\$ (140,936)</u>
Noncash Activities:				
Commodities Received From				
U.S. Department of Agriculture	<u>\$ 77,162</u>	<u>\$ -</u>	<u>\$ 77,162</u>	<u>\$ 72,265</u>

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2013	2012
ASSETS					
Cash and investments	\$ 11,996	\$ 670,867	\$ 146,721	\$ 829,584	\$ 431,626
Interest receivable	5	-	-	5	5
TOTAL ASSETS	12,001	670,867	146,721	829,589	431,631
LIABILITIES					
Due to student organizations	-	-	146,721	146,721	139,835
NET POSITION					
Restricted for scholarships	12,001	-	-	12,001	11,966
Restricted for other post employment benefits	-	670,867	-	670,867	279,830
	\$ 12,001	\$ 670,867	\$ -	\$ 682,868	\$ 291,796

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

ADDITIONS

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2013	2012
Other local sources	\$ 35	\$ 696	\$ 731	\$ 472
Other	-	1,669,420	1,669,420	2,217,606
Total Additions	35	1,670,116	1,670,151	2,218,078

DEDUCTIONS

Trust fund disbursements	-	1,279,079	1,279,079	2,125,899
Change in Net Position	35	391,037	391,072	92,179
Net Position - July 1	11,966	279,830	291,796	199,617
Net Position - June 30	\$ 12,001	\$ 670,867	\$ 682,868	\$ 291,796

The notes to the basic financial statements are an integral part of this statement.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District is organized as a common school district. The District, governed by a seven-member elected school board, operates grades K through 12 and is comprised of all or parts of three taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The component unit discussed below is included in the basic financial statements in accordance with standards established by GASB Statement No. 61 because of the significance of its relationship with the District.

The component unit column in the district-wide financial statements provides the financial data for the Mequon-Thiensville Education Foundation, Inc. The component unit is reported in a separate column to emphasize that it is legally separate from the District.

The Mequon-Thiensville Education Foundation, Inc. exists for the purpose of raising money and generating contributions from the members of the Mequon-Thiensville community to enhance student educational opportunities. The Mequon-Thiensville Education Foundation, Inc. is reported as a component unit because it raises and holds economic resources almost entirely for the direct benefit of the District or its constituents. Complete financial statements for the component unit can be obtained from the Mequon-Thiensville Education Foundation, Inc., P.O. Box 514, Mequon, WI 53092.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which primarily are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units whose resources are almost entirely for the direct benefit of the primary government or its constituents.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental fund:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The District reports the following nonmajor governmental funds:

SPECIAL REVENUE FUNDS

This fund is used to account for donations that can be used for district operations. Significant revenue sources of this fund include gifts and donations.

DEBT SERVICE FUNDS

These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports no major proprietary funds. The District uses enterprise funds to account for transactions of the Food Service Fund and the Community Service Fund.

Additionally, the government reports the following fund types:

The District accounts for resources legally held in trust for scholarship awards as a *private-purpose trust fund*. Only earnings on the invested resources may be used to support the scholarships.

The District accounts for resources held in trust for formally established employee benefit plans as an *employee benefit trust fund*.

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when the transaction occurs and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Enterprise funds are a type of proprietary fund. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Capital Assets

Capital assets, which include property, machinery and equipment assets, are reported in the applicable governmental activities, business-type activities or component unit columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. The District also capitalizes textbooks and library books with an estimated useful life in excess of one year. The individual cost threshold of \$1,000 does not apply to these types of assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities	Component Unit
	Years		
<u>Assets</u>			
Land improvements	20	-	-
Buildings	25 - 50	-	-
Machinery, equipment and textbooks	5 - 20	10	5 - 7

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Compensated Absences

Vacation

The District's policy allows employees to earn varying amounts of vacation pay for each year employed which accumulates and vests to the employees when earned and must be used within the following year. Upon retirement or termination of employment, the employee is entitled to payment of earned vacation.

Sick

The District's policy does not allow accumulated sick pay benefits to vest for teachers and administrators. For these employee groups, unused accumulated employee sick pay is forfeited upon retirement or termination of employment.

The District's policy allows educational support staff to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, educational support staff are entitled to apply the vested amounts towards the cost of group health insurance coverage. The benefits can only be used for the payment of health insurance premiums on behalf of retired employees.

All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for this amount is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability is calculated based on the pay or salary rates in effect at June 30, 2013.

g. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has 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 an 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. The District has no items that qualify for reporting in this category.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Long-Term Obligations

In the district-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

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.

i. Fund Equity/Net Position

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has not adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISTRICT-WIDE AND PROPRIETARY FUND FINANCIAL STATEMENTS

In the district-wide and proprietary fund financial statements, net position is displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by a) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Deficit Fund Equity

No funds had deficit fund equity as of June 30, 2013.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service funds and employee benefit trust fund account for their transactions through separate and distinct bank and investment accounts as required by Wisconsin Statutes. In addition, the agency fund and private-purpose trust fund use separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$6,826,999 on June 30, 2013 as summarized below:

Primary government:	
Deposits with financial institutions	\$ 6,291,130
Investment	
Wisconsin Investment Series Cooperative	535,869
	<u>\$ 6,826,999</u>
Component unit:	
Deposits with financial institutions	<u>\$ 368,766</u>
Reconciliation to the basic financial statements:	
District-wide Statement of Net Position	
Cash and investments	\$ 5,997,415
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	11,996
Employee benefit trust fund	670,867
Agency fund	146,721
	<u>\$ 6,826,999</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposit accounts per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On June 30, 2013, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
WISC					
Cash Management Series	\$ 535,868	\$ -	\$ 535,868	\$ -	\$ -
Investment Series Cooperative	1	-	1	-	-
Totals	<u>\$ 535,869</u>	<u>\$ -</u>	<u>\$ 535,869</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. The District does not have investments in any one issuer (other than U.S. Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
WISC					
Cash Management Series	\$ 535,868	\$ 535,868	\$ -	\$ -	\$ -
Investment Series Cooperative	1	1	-	-	-
Totals	<u>\$ 535,869</u>	<u>\$ 535,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$535,869 at year end consisting of \$535,868 invested in the Cash Management Series and \$1 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14-day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates fair value.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November 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 must be paid in full or in 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 is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 141,736	\$ 184,479	\$ 141,736	\$ 184,479
Land	301,938	-	-	301,938
Total capital assets, not being depreciated	443,674	184,479	141,736	486,417
Capital assets, being depreciated:				
Land improvements	1,726,456	81,826	-	1,808,282
Buildings	53,567,950	61,386	-	53,629,336
Machinery, equipment and textbooks	8,951,131	457,891	185,033	9,223,989
Subtotals	64,245,537	601,103	185,033	64,661,607
Less accumulated depreciation for:				
Land improvements	1,298,988	62,550	-	1,361,538
Buildings	22,700,292	1,048,730	-	23,749,022
Machinery, equipment and textbooks	6,881,666	506,055	147,669	7,240,052
Subtotals	30,880,946	1,617,335	147,669	32,350,612
Total capital assets, being depreciated, net	33,364,591	(1,016,232)	37,364	32,310,995
Governmental activities capital assets, net	<u>\$ 33,808,265</u>	<u>\$ (831,753)</u>	<u>\$ 179,100</u>	32,797,412
Less related long-term debt outstanding				<u>13,068,333</u>
Net investment in capital assets				<u>\$ 19,729,079</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 564,419	\$ 62,736	\$ 53,084	\$ 574,071
Less accumulated depreciation for:				
Machinery and equipment	478,405	39,511	51,665	466,251
Total capital assets, being depreciated, net	86,014	23,225	1,419	107,820
Business-type activities capital assets, net	<u>\$ 86,014</u>	<u>\$ 23,225</u>	<u>\$ 1,419</u>	<u>\$ 107,820</u>
Component unit:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 5,993	\$ -	\$ -	\$ 5,993
Less accumulated depreciation for:				
Machinery and equipment	5,479	257	-	5,736
Total capital assets, being depreciated, net	514	(257)	-	257
Component unit capital assets, net	<u>\$ 514</u>	<u>\$ (257)</u>	<u>\$ -</u>	<u>\$ 257</u>

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

Governmental activities	
Unallocated	\$ 1,617,335
Business-type activities	
Food service	\$ 39,511

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

4. Interfund Receivables, Payables and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
General Fund	\$ 95,734	\$ -
Special Revenue Fund		
Special Revenue Trust	-	95,734
Totals	<u>\$ 95,734</u>	<u>\$ 95,734</u>

The purpose of these interfunds is to account for each funds share of cash and investments held in the general fund.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended June 30, 2013 were as follows:

Transfers from:
General Fund

Transfer to:
Non-Referendum Debt Service

\$ 343,802

Transfers are used to: 1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; 2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and 3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

5. Short-Term Debt

The District issues tax anticipation notes in advance of property tax collections. Short-term debt activity for the year ended June 30, 2013 was as follows:

Description	Beginning Balance	Issued	Redeemed	Ending Balance
TD Securities, tax anticipation notes issued 9/28/11, principal plus interest due 9/4/12, accruing interest at 1.0%	\$ 5,300,000	\$ -	\$ 5,300,000	\$ -
Jefferies & Co., tax anticipation notes issued 10/3/12, principal plus interest due 2/4/13, accruing interest at 1.0%	-	3,000,000	3,000,000	-
Oppenheimer & Co., tax anticipation notes issued 10/3/12, principal plus interest due 9/4/13, accruing interest at 1.0%	-	3,250,000	-	3,250,000
Tax anticipation notes	<u>\$ 5,300,000</u>	<u>\$ 6,250,000</u>	<u>\$ 8,300,000</u>	<u>\$ 3,250,000</u>

Interest paid on short-term debt for the year totaled \$29,220.

6. Leases

The District leases various equipment under the terms of long-term operating lease agreements. Following is a schedule, by years, of future minimum rental payments required under long-term operating lease agreements:

Year Ending June 30,	Amount
2014	\$ 144,000
2015	129,000
2016	40,000
2017	17,000
Total Minimum Payments Required	<u>\$ 330,000</u>

Rent expense under all operating leases for the year ended June 30, 2013 amounted to \$126,510.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2013:

	Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 16,850,000	\$ 12,640,000	\$ 15,260,000	\$ 14,230,000	\$ 2,295,000
Vested unused employee benefits	127,700	73,703	124,423	76,980	62,800
Other post-employment benefits	3,596,160	1,295,549	1,583,345	3,308,364	-
Bond premium	103,470	600,939	71,609	632,800	111,670
Governmental activities					
Long-term obligations	<u>\$ 20,677,330</u>	<u>\$ 14,610,191</u>	<u>\$ 17,039,377</u>	<u>\$ 18,248,144</u>	<u>\$ 2,469,470</u>

Total interest paid during the year on long-term debt totaled \$826,225.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$2,470,000 issued 8/9/10; \$215,000 to \$255,000 due annually through 2020; interest 1.50% to 4.00%	\$ 1,615,000
\$12,640,000 issued 12/3/12; \$1,610,000 to \$2,310,000 due annually through 2019; interest 2.00% to 3.00%	<u>12,615,000</u>

Total Outstanding General Obligation Debt	<u>\$ 14,230,000</u>
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Annual principal and interest maturities of the outstanding general obligation debt of \$14,230,000 on June 30, 2013 are detailed below:

Year Ended June 30	Principal	Interest	Total
2014	\$ 2,295,000	\$ 366,198	\$ 2,661,198
2015	2,355,000	299,820	2,654,820
2016	2,430,000	230,675	2,660,675
2017	2,495,000	158,435	2,653,435
2018	2,545,000	105,890	2,650,890
2019-2020	2,110,000	61,665	2,171,665
	<u>\$ 14,230,000</u>	<u>\$ 1,222,683</u>	<u>\$ 15,452,683</u>

For the governmental activities, the other long-term liabilities are generally liquidated by the general fund.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2013 was \$411,792,587 as follows:

Equalized valuation of the District		\$ 4,259,170,765
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		425,917,077
Total outstanding general obligation debt applicable to debt limitation	\$ 14,230,000	
Less: Amounts available for financing general obligation debt		
Debt service funds (1)	105,510	
Net outstanding general obligation debt applicable to debt limitation		14,124,490
Legal Margin for New Debt		<u>\$ 411,792,587</u>

(1) - Debt service funds, less \$183,100 of interest payments due in 2013.

Current Refunding

During December of 2012, the District currently refunded the remaining balance of the general obligation refunding bond issue from 2005. The District issued \$12,640,000 of general obligation refunding bonds to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the remaining life of the debt by \$1,296,509 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,236,229.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

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 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

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

	2012		2013	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%	6.65%	6.65%
Executives & Elected Officials	7.05%	7.05%	7.0%	7.0%
Protective with Social Security	5.9%	9.0%	6.65%	9.75%
Protective without Social Security	5.9%	11.3%	6.65%	12.35%

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE D - OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended June 30, 2013 was \$21,103,335; the employer's total payroll was \$22,757,161. The total required contribution for the year ended June 30, 2013 was \$2,690,014, which consisted of \$1,345,007 or 5.9% of covered payroll from the employer for July 1, 2012 through December 31, 2012 and 6.7% of payroll from the employer for January 1, 2013 through June 30, 2013, and \$1,345,007, or 5.9% of payroll from employees for July 1, 2012 through December 31, 2012 and 6.7% of payroll from the employees for January 1, 2013 through June 30, 2013. Total contributions for the years ended June 30, 2012 and 2011 were \$2,538,379 and \$2,507,985, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's 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. 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 the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Other Post-Employment Benefits

The District has established the Mequon-Thiensville Post-Employee Benefits Trust (the "Plan") which provides eligible employees and former employees of the District (the "Participants") health, dental and life insurance benefits. The Plan is reported as a fiduciary fund of the District and the significant accounting policies of the Plan are consistent with the District's significant accounting policies discussed in Note A. The Plan financial statements are prepared on the accrual basis of accounting.

Plan Description - The Plan is a single-employer defined benefit postemployment health, dental and life insurance plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plans. District paid medical, dental and life insurance benefits last until the retiree reaches age 65 while coverage for the spouse lasts until the retiree or spouse reaches age 65, whichever comes first. All employees of the District are eligible for the Plan if they meet the following age and service requirements:

Teachers	Age 58 and 20 years of service
Administrators & Management	Age 55 and 10 years of service
Educational Support Staff	Age 58 and 20 years of service

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of insurance premiums based on the employee group and their retirement date.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE D - OTHER INFORMATION (Continued)

Membership of the Plan at July 1, 2012, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	259	48	307
Administrators & Management	28	7	35
Educational Support Staff	102	-	102
Total	<u>389</u>	<u>55</u>	<u>444</u>

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

Annual required contribution	\$ 1,345,195
Interest on net OPEB obligation	197,789
Adjustment to annual required contribution	<u>(247,435)</u>
Annual OPEB cost (expense)	1,295,549
Contributions made	<u>1,583,345</u>
Change in net OPEB obligation	(287,796)
Net OPEB obligation - beginning of year	<u>3,596,160</u>
Net OPEB obligation - end of year	<u>\$ 3,308,364</u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5.5% discount rate, and (b) projected salary increases at 3%.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 1,295,549	122.2%	\$ 3,308,364
6/30/2012	\$ 2,184,970	81.9%	\$ 3,596,160
6/30/2011	\$ 1,976,098	58.6%	\$ 3,199,884

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$11,453,631. The annual payroll for active employees covered by the plan for the 2013 fiscal year was \$21,103,335 a ratio of the UAAL to covered payroll of 54%.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE D - OTHER INFORMATION (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, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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

In the July 1, 2012 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5.5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% for medical and 4% for dental, reduced by decrements to an ultimate rate of 5% for medical and 4% for dental after nine years. The UAAL is being amortized as an open level dollar amount.

3. Pension Plan

Plan Description - The plan, a single-employer pension plan, is a defined benefit pension plan established to provide benefits after early retirement. The benefit is equal to \$20,000 and is to be paid at the individual's option of either a lump sum payment or in up to five equal annual payments. The plan is administered by the District. Employees of the District are eligible for the Plan if they meet the following age and service requirements:

Teachers	Age 58 and 20 years of service
Administrators	Age 55 and 10 years of service

Annual Pension Cost and Net Pension Obligation - The District's annual pension costs for the year ended June 30, 2013 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 91,269
Interest on net OPEB	6,266
Adjustment to annual required contribution	(4,816)
Annual OPEB cost (expense)	92,719
Contributions made	34,063
Change in net OPEB obligation	58,656
OPEB obligation (asset) - beginning of year	(96,325)
OPEB obligation (asset) - end of year	<u>\$ (37,669)</u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5.5% discount rate, and (b) projected salary increases at 3%.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE D - OTHER INFORMATION (Continued)

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

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
6/30/2013	\$ 92,719	36.7%	\$ (37,669)
6/30/2012	\$ 250,458	171.3%	\$ (96,325)
6/30/2011	\$ 244,526	116.0%	\$ 82,129

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$677,034. The annual payroll for active employees covered by the plan for the 2012 fiscal year was \$21,103,335 a ratio of the UAAL to covered payroll of 3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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

In the July 1, 2012 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date. The UAAL is being amortized as an open level dollar amount.

4. 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; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE D - OTHER INFORMATION (Continued)

5. Contingencies

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

6. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district 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 payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

REQUIRED SUPPLEMENTARY INFORMATION

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 34,922,887	\$ 34,969,404	\$ 34,969,404	\$ -
Other local sources	1,117,399	1,134,251	1,163,016	28,765
Interdistrict sources	324,300	354,475	335,600	(18,875)
State sources	2,659,203	2,838,504	2,634,642	(203,862)
Federal sources	202,860	247,982	246,462	(1,520)
Other sources	48,000	48,000	51,069	3,069
Total Revenues	39,274,649	39,592,616	39,400,193	(192,423)
Expenditures				
Instruction				
Regular instruction	17,751,678	16,800,436	16,642,083	158,353
Vocational instruction	696,687	691,553	676,295	15,258
Other instruction	2,092,210	1,970,505	2,015,129	(44,624)
Total Instruction	20,540,575	19,462,494	19,333,507	128,987
Support Services				
Pupil services	1,454,005	1,475,407	1,500,666	(25,259)
Instructional staff services	1,513,149	1,761,468	1,815,294	(53,826)
General administration services	579,974	579,974	542,157	37,817
School administration services	2,200,483	2,187,540	2,155,974	31,566
Business services	514,004	514,004	535,546	(21,542)
Operation and maintenance of plant	3,801,873	3,790,679	4,019,055	(228,376)
Pupil transportation services	1,592,958	1,592,409	1,540,186	52,223
Central services	867,289	840,549	927,308	(86,759)
Insurance	245,000	282,000	271,154	10,846
Other support services	991,592	952,326	272,213	680,113
Total Support Services	13,760,327	13,976,356	13,579,553	396,803
Debt Service				
Interest and fiscal charges	81,000	81,000	29,220	51,780
Non-program				
General tuition payments	220,800	317,153	311,815	5,338
Revenue transits to others	5,000	5,000	28,971	(23,971)
Total Non-program	225,800	322,153	340,786	(18,633)
Total Expenditures	34,607,702	33,842,003	33,283,066	558,937
Excess of Revenues Over Expenditures	4,666,947	5,750,613	6,117,127	366,514
Other Financing Sources (Uses)				
Sale of capital assets	1,000	1,000	1,451	451
Transfers out	(4,743,847)	(4,826,454)	(4,845,467)	(19,013)
Total Other Financing Sources (Uses)	(4,742,847)	(4,825,454)	(4,844,016)	(18,562)
Net Change in Fund Balance	(75,900)	925,159	1,273,111	347,952
Fund Balance - July 1	9,238,740	9,238,740	9,238,740	-
Fund Balance - June 30	\$ 9,162,840	\$ 10,163,899	\$ 10,511,851	\$ 347,952

See Notes to Required Supplemental Information

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Education Special Revenue Fund - Budgetary Basis
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intermediate sources	\$ 17,000	\$ 17,000	\$ 11,121	\$ (5,879)
State sources	1,525,000	1,525,000	1,727,263	202,263
Federal sources	805,142	805,142	842,866	37,724
Other sources	-	-	1,367	1,367
Total Revenues	2,347,142	2,347,142	2,582,617	235,475
Expenditures				
Instruction				
Vocational instruction	6,800	6,800	3,494	3,306
Special education instruction	5,195,920	5,078,527	5,055,596	22,931
Other instruction	-	-	570	(570)
Total Instruction	5,202,720	5,085,327	5,059,660	25,667
Support Services				
Pupil services	763,686	763,686	842,607	(78,921)
Instructional staff services	254,180	254,180	291,355	(37,175)
Operation and maintenance of plant	-	-	65,462	(65,462)
Pupil transportation services	500,500	500,500	493,824	6,676
Insurance	-	-	20,000	(20,000)
Total Support Services	1,518,366	1,518,366	1,713,248	(194,882)
Non-program				
Special education tuition payments	26,100	226,100	311,374	(85,274)
Total Expenditures	6,747,186	6,829,793	7,084,282	(254,489)
Excess of Revenues Over (Under) Expenditures	(4,400,044)	(4,482,651)	(4,501,665)	(19,014)
Other Financing Sources				
Transfers in	4,400,044	4,482,651	4,501,665	19,014
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin
Schedule of Funding Progress
For the Year Ended June 30, 2013

Other Post Employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AA) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2012	\$ 279,830	\$ 11,733,461	\$ 11,453,631	2%	\$ 21,103,335	54%
7/1/2010	93,032	15,951,267	15,858,235	1%	22,054,624	72%
7/1/2008	-	17,255,775	17,255,775	0%	23,738,139	73%

Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AA) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2012	\$ -	\$ 677,034	\$ 677,034	0%	\$ 21,103,335	3%
7/1/2010	-	1,940,391	1,940,391	0%	22,054,624	9%
7/1/2008	-	1,367,012	1,367,012	0%	23,738,139	6%

See Notes to Required Supplemental Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Employer Contributions
For the Year Ended June 30, 2013

Other Post Employment Benefit Plan:

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 1,157,754	\$ 2,212,939	52%
2012	1,788,694	2,229,145	80%
2013	1,583,345	1,345,195	118%

Pension Plan:

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 283,750	\$ 246,352	115%
2012	428,912	251,695	170%
2013	34,063	91,269	37%

See Notes to Required Supplemental Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Required Supplemental Information
For the Year Ended June 30, 2013

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" for the fiscal year ended June 30, 2009. Information for prior years is not available.

NOTE B - SCHEDULE OF FUNDING PROGRESS

There have been no changes in actuarial assumptions that have a significant effect on the amounts presented in the schedule of funding progress for one year compared to the information presented for prior years.

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education 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 Board of Education may make alterations to the proposed budget.
- Once the Board of Education (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 Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a reserved or designated fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances are not carried over at year end.
- The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2013.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note B; however, the District adopts a budget for the special education special revenue fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 39,400,193	\$ 2,582,617
Reclassification of special education	2,582,617	(2,582,617)
Total Revenues	41,982,810	-
Expenditures		
Actual amounts (budgetary basis)	33,283,066	7,084,282
Reclassification of special education	7,084,282	(7,084,282)
Total Expenditures	40,367,348	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	6,117,127	(4,501,665)
Reclassification of special education	(4,501,665)	4,501,665
Excess of Revenues Over (Under) Expenditures	1,615,462	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(4,844,016)	4,501,665
Reclassification of special education	4,501,665	(4,501,665)
Total Other Financing Sources (Uses)	(342,351)	-
Net Change in Fund Balance		
Actual amounts (budgetary basis)	1,273,111	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	9,238,740	-
Fund Balance - June 30		
Actual amounts (budgetary basis)	\$ 10,511,851	\$ -

SUPPLEMENTARY INFORMATION

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Special Revenue Funds		Debt Service Funds		Total Non-Major Governmental Funds	
	Special Revenue Trust		Non-Referendum Debt Service	Referendum Approved Debt Service		
					2013	2012
ASSETS						
Cash and investments	\$ -	\$ -	\$ 288,610	\$ 288,610	\$ 463,635	
Accounts receivable	111,827	-	-	111,827	-	
TOTAL ASSETS	\$ 111,827	\$ -	\$ 288,610	\$ 400,437	\$ 463,635	
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$ 95,734	\$ -	\$ -	\$ 95,734	\$ -	
Fund Balances						
Restricted						
Retirement of long-term debt	-	-	288,610	288,610	415,337	
Donor intent	16,093	-	-	16,093	48,298	
Total Fund Balances	16,093	-	288,610	304,703	463,635	
TOTAL LIABILITIES AND FUND BALANCES	\$ 111,827	\$ -	\$ 288,610	\$ 400,437	\$ 463,635	

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Special Revenue Funds		Debt Service Funds		Total Non-Major Governmental Funds	
	Special Revenue Trust		Non-Referendum Debt Service	Referendum Approved Debt Service	2013	2012
Revenues						
Property taxes	\$ -	\$ -	\$ 2,364,513	\$ 2,364,513	\$ 2,347,500	
Other local sources	399,788	-	10,244	410,032	416,474	
Federal sources	-	-	-	-	19,452	
Total Revenues	399,788	-	2,374,757	2,774,545	2,783,426	
Expenditures						
Instruction						
Regular instruction	283,307	-	-	283,307	244,650	
Other instruction	63,933	-	-	63,933	119,245	
Total Instruction	347,240	-	-	347,240	363,895	
Support Services						
Instructional staff services	42,702	-	-	42,702	53,175	
School administration services	42,051	-	-	42,051	5,332	
Total Support Services	84,753	-	-	84,753	58,507	
Debt Service						
Principal	-	290,000	1,830,000	2,120,000	2,005,000	
Interest and fiscal charges	-	53,802	772,423	826,225	714,252	
Total Debt Service	-	343,802	2,602,423	2,946,225	2,719,252	
Total Expenditures	431,993	343,802	2,602,423	3,378,218	3,141,654	
Excess of Revenues Over (Under) Expenditures	(32,205)	(343,802)	(227,666)	(603,673)	(358,228)	
Other Financing Sources (Uses)						
Long-term debt issued	-	-	12,640,000	12,640,000	-	
Bond premium	-	-	600,939	600,939	-	
Repayment to current noteholder	-	-	(13,140,000)	(13,140,000)	-	
Transfers in	-	343,802	-	343,802	341,652	
Total Other Financing Sources (Uses)	-	343,802	100,939	444,741	341,652	
Net Change in Fund Balances	(32,205)	-	(126,727)	(158,932)	(16,576)	
Fund Balances - July 1	48,298	-	415,337	463,635	480,211	
Fund Balances - June 30	\$ 16,093	\$ -	\$ 288,610	\$ 304,703	\$ 463,635	

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Schedule of Changes in Assets and Liabilities - Pupil Activity Agency Funds

For the Year Ended June 30, 2013

	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
ASSETS				
Cash	\$ 139,835	\$ 519,391	\$ 512,505	\$ 146,721
LIABILITIES				
Due to student organizations				
Homestead High School	\$ 117,836	\$ 466,511	\$ 465,283	\$ 119,064
Lake Shore Middle School	5,538	16,020	9,576	11,982
Steffen Middle School	14,992	29,708	30,863	13,837
Donges Bay Elementary School	436	2,610	2,810	236
Oriole Lane Elementary School	166	2,662	2,331	497
Wilson Elementary School	867	1,880	1,642	1,105
TOTAL LIABILITIES	\$ 139,835	\$ 519,391	\$ 512,505	\$ 146,721

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

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

To the Board of Education
Mequon-Thiensville School District
Mequon, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mequon-Thiensville School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mequon-Thiensville School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated October 25, 2013. Our report includes a reference to other auditors who audited the financial statements of the Mequon-Thiensville Education Foundation, Inc., as described in our report on the Mequon-Thiensville School District's financial statements. The financial statements of the Mequon-Thiensville Education Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors 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, described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Mequon-Thiensville School District's Response to Findings

The Mequon-Thiensville School District's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. The Mequon-Thiensville School 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 result of that testing, and not to provide an opinion on the effectiveness of the Mequon-Thiensville School 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 Mequon-Thiensville School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Sheboygan, Wisconsin
October 25, 2013

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

To the Board of Education
Mequon-Thiensville School District
Mequon, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Mequon-Thiensville School District'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 the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District 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, 2013.

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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Certified Public Accountants
Sheboygan, Wisconsin
October 25, 2013

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Revenues				Total Expenditures
			(Accrued) or Deferred Revenues 7/1/12	Amount Received	Accrued or (Deferred) Revenue 6/30/13	Total Revenues	
U.S. DEPARTMENT OF AGRICULTURE							
<i>Child Nutrition Cluster</i>							
Cash Assistance							
School Breakfast Program	DPI	10.553					
July 1, 2011 to June 30, 2012			\$ (204)	\$ 204	\$ -	\$ -	\$ -
July 1, 2012 to June 30, 2013			-	10,372	492	10,864	10,864
School Lunch Program	DPI	10.555					
July 1, 2011 to June 30, 2012			(4,023)	4,023	-	-	-
July 1, 2012 to June 30, 2013			-	162,108	8,267	170,375	170,375
Cash Assistance Subtotal			(4,227)	176,707	8,759	181,239	181,239
Non-Cash Assistance (Commodities)							
Donated Commodities	DPI	10.555	-	77,162	-	77,162	77,162
Total <i>Child Nutrition Cluster</i> and U.S. Department of Agriculture			(4,227)	253,869	8,759	258,401	258,401
U.S. DEPARTMENT OF EDUCATION							
Title I Grants to Local Educational Agencies	DPI	84.010					
Basic Grant							
July 1, 2011 to June 30, 2012			(9,995)	9,995	-	-	-
July 1, 2012 to June 30, 2013			-	78,411	45,733	124,144	124,144
Program Improvement							
July 1, 2012 to June 30, 2013			-	20,597	7,403	28,000	28,000
Total Title I Grants to States			(9,995)	109,003	53,136	152,144	152,144
Special Education Cluster							
Special Education - Grants to States	DPI	84.027					
Flow Through							
July 1, 2011 to June 30, 2012			(190,155)	190,155	-	-	-
July 1, 2012 to June 30, 2013			-	477,853	230,981	708,834	708,834
High Cost Special Education Aid							
July 1, 2012 to June 30, 2013			-	17,321	-	17,321	17,321
Discretionary							
July 1, 2012 to June 30, 2013			-	1,344	-	1,344	1,344
Total Special Education - Grants to States			(190,155)	686,673	230,981	727,499	727,499

(Continued)

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Grantor Agency/Federal Program Title	Pass-through Agency	Federal Catalog Number	Revenues				Total Expenditures
			(Accrued) or Deferred Revenues 7/1/12	Amount Received	Accrued or (Deferred) Revenue 6/30/13	Total Revenues	
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>							
Special Education Preschool Grants	DPI	84.173					
July 1, 2011 to June 30, 2012			(4,544)	4,544	-	-	-
July 1, 2012 to June 30, 2013			-	15,839	3,916	19,755	19,755
Total <i>Special Education Cluster</i>			(194,699)	707,056	234,897	747,254	747,254
Title III Part A English Language Acquisition	DPI	84.365					
July 1, 2011 to June 30, 2012			(20)	20	-	-	-
July 1, 2012 to June 30, 2013			-	13,553	3,379	16,932	16,932
Improving Teacher Quality State Grants	DPI	84.367					
July 1, 2011 to June 30, 2012			(766)	766	-	-	-
July 1, 2012 to June 30, 2013			-	74,145	2,912	77,057	77,057
Education Jobs Fund							
July 1, 2011 to September 30, 2012	DOA	84.410	(229)	558	-	329	329
Total U.S. Department of Education			(205,709)	905,101	294,324	993,716	993,716
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
Medical Assistance - School Based Services	DHS	93.778					
July 1, 2012 to June 30, 2013			-	83,529	12,082	95,611	95,611
Total Federal Financial Assistance			\$ (209,936)	\$ 1,242,499	\$ 315,165	\$ 1,347,728	\$ 1,347,728

DPI - Wisconsin Department of Public Instruction
DHS - Wisconsin Department of Health Services
DOA - Wisconsin Department of Administration

See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2013

Grantor/Agency/State Program Title/ Grant Period	Pass Through Agency	State I.D. Number	Accrued Receivable (Deferred Revenue) 7/1/12	Grantor Reimburse- ments	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Special Education and School-Age Parents	Direct Program	255.101	\$ -	\$ 1,661,902	\$ -	\$ 1,661,902	\$ 1,661,902
State School Lunch Aid	Direct Program	255.102	-	12,464	-	12,464	12,464
Common School Fund Library Aid	Direct Program	255.103	-	118,329	-	118,329	118,329
General Transportation Aid	Direct Program	255.107	-	95,218	-	95,218	95,218
Equalization Aid	Direct Program	255.201	24,326	1,202,218	22,065	1,248,609	1,199,957
Integration Transfer - Non Resident	Direct Program	255.204	-	932,711	-	932,711	932,711
High Cost Special Education Aid	Direct Program	255.210	-	65,361	-	65,361	65,361
School Breakfast Program	Direct Program	255.344	-	1,328	-	1,328	1,328
Pupil Adjustment Aid	Direct Program	255.925	-	175,350	-	175,350	175,350
Total State Programs			\$ 24,326	\$ 4,264,881	\$ 22,065	\$ 4,311,272	\$ 4,262,620

PLW - Project Lead the Way

See notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance
For the Year Ended June 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Mequon-Thiensville School District and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL-AGE PARENTS PROGRAM

The 2012-2013 eligible costs under the State Special Education Program as reported by the District are \$6,067,550.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

NOTE D - OVERSIGHT AGENCIES

The U.S. Department of Education has been designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs
	Special Education Program Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.107	General Transportation Aid
255.201	Equalization Aids
255.204	Integration Transfer - Non-Resident
255.210	High Cost Special Education Aid
255.925	Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$300,000
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	Yes

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding No.	Control Deficiencies
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2013-01 Segregation of Duties

Condition: Management is responsible for the design, installation and maintenance of an appropriate system of internal control. Proper segregation of duties is an important aspect of any control system.

The limited size of the District's office staff prevents the ideal separation of functions. In addition, the Business Assistant position is highly involved with the recording of daily activity in the District's general ledger, has access to all phases of the District's general ledger software which includes the ability to create new vendors in the accounts payable module and the ability to create new employees and adjust wage rates in the payroll module, and has primary backup responsibilities for both the accounts payable and payroll functions.

Criteria: Segregation of duties is an aspect of internal control intended to prevent or decrease opportunities of intentional and unintentional errors and fraud. Duties and responsibilities are properly segregated if no single individual either has control over all phases of a transaction or has the ability to both make and conceal an error, whether such error is intentional or unintentional.

Cause: The lack of segregation of duties is due to the limited number of employees and the key role in which the Business Assistant position serves in maintaining the District's general ledger.

Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend that the Board of Education and the Business Manager continue to monitor the transactions and the financial records of the District. We also encourage the District to continue to identify cost effective opportunities to improve the design of the internal control structure.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding No.	Control Deficiencies
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2013-02 Preparation of Annual Financial Report

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

Management Response: District management believes that the cost of employing internal resources to draft financial statements and related notes under the GASB 34 model, including the related GASB 34 conversion entries, would outweigh the benefits to be received. Furthermore, District management will continue to employ personnel who have the capability to review, approve and accept responsibility for the financial statements.

MEQUON-THIENSVILLE SCHOOL DISTRICT
 Mequon, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

Finding No.	Control Deficiencies
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2013-01 Segregation of Duties - Please see Section II for a description of this finding.

Federal CFDA #: All federal programs.

State ID's: All state programs.

Section IV - Other Issues

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

_____ Yes X No

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

Department of Administration

 X Yes _____ No

Department of Health Services

 X Yes _____ No

Department of Public Instruction

 X Yes _____ No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X Yes _____ No

Name and signature of manager

 CPA

Bryan Grunewald, CPA

Date of report

October 25, 2013

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2013

Status of Prior Year Audit Findings

Finding 2012-01: Segregation of Duties, noted in the June 30, 2012 Schedule of Findings and Questioned Costs, has been reported to the proper federal and state agencies.

Finding 2012-02: Year-end Closing and Financial Reporting, noted in the June 30, 2012 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2013-01	Segregation of Duties District management is cognizant of the District's internal control structure and continues to evaluate cost effective opportunities to further improve segregation of duties. In recent years the District has restructured roles and responsibilities within the Business Office staff requiring both the Accounts Payable Clerk and the Payroll Manager to report directly to the Business Manager. As a result of this change, the Business Manager has become more involved in providing oversight of the daily operations. In addition Management has refined the roles and responsibilities of the payroll and accounts payable personnel and has limited their ability to enter new employees, adjust wage rates and to enter new vendors. The Business Assistant's primary role and responsibilities do not include all phases of the general ledger operations. However, due to the limited number of business office employees, the Business Assistant position will continue to serve as backup for the Accounts Payable and Payroll Manager positions requiring access and knowledge of software operations in multiple areas.
2013-02	Preparation of Annual Financial Report District management believes that the cost of employing internal resources to draft financial statements and related notes under the GASB 34 model, including the related GASB 34 conversion entries, would outweigh the benefits to be received. Furthermore, District management will continue to employ personnel who have the capability to review, approve and accept responsibility for the financial statements.