

SCHOOL DISTRICT OF CORNELL
CORNELL, WISCONSIN
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AS OF JUNE 30, 2015

SCHOOL DISTRICT OF CORNELL

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June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Cornell ("District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparison for the general and special education funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Wisconsin Public School audit Manual issued by the State of Wisconsin Department of Public Instruction, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Workshop SC

Accounting Workshop, SC
October 16, 2015

SCHOOL DISTRICT OF CORNELL

BASIC FINANCIAL STATEMENTS

June 30, 2015

SCHOOL DISTRICT OF CORNELL

STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
CURRENT ASSETS	
Cash and investments	\$2,499,683
Taxes receivable	555,731
Accounts receivable	-
Due from other funds	10,347
Due from other governments	153,033
Total Current Assets	<u>3,218,794</u>
NONCURRENT ASSETS	
Capital assets	10,173,264
Less: Accumulated depreciation	<u>(5,400,120)</u>
Net Capital Assets	<u>4,773,144</u>
Net pension asset	<u>383,217</u>
Total Assets	<u>8,375,155</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows-pension	<u>247,842</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	394,721
Due to other funds	700,000
Unearned revenue	5,578
Current portion of long-term obligations	<u>403,948</u>
Total Liabilities	<u>1,504,247</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,448,144
Restricted	196,848
Unrestricted	<u>2,473,758</u>
Total Net Position	<u>\$7,118,750</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
STATEMENT OF ACTIVITIES
For the Year End June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 1,907,574	\$ 91,396	\$ 353,679	\$ (1,462,499)
Vocational	205,646	40,645	3,686	(161,315)
Special education	1,060,143	535,657	361,041	(163,445)
Other	226,973	10,722	-	(216,251)
Total Instruction	<u>3,400,336</u>	<u>678,420</u>	<u>718,406</u>	<u>(2,003,510)</u>
Support Services				
Pupil services	183,293	-	-	(183,293)
Instructional support services	77,597	-	20,871	(56,726)
Administration	547,940	-	2,800	(545,140)
Buildings and grounds	380,186	-	-	(380,186)
Pupil transportation	351,704	689	17,636	(333,379)
Other support services	129,353	-	-	(129,353)
Interest and fees	16,752	-	-	(16,752)
Food service	276,095	64,695	218,116	6,716
Community services	149,383	5,020	100,318	(44,045)
Depreciation-unallocated*	304,512	-	-	(304,512)
Total Support Services	<u>2,416,815</u>	<u>70,404</u>	<u>359,741</u>	<u>(1,986,670)</u>
Total Activities	<u>\$ 5,817,151</u>	<u>\$ 748,824</u>	<u>\$1,078,147</u>	<u>(3,990,180)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				1,208,321
Debt service				324,400
State and federal aids not restricted to specific functions:				
General				3,033,045
Other				3,771
Investment Income				11,192
Miscellaneous				128,240
Loss on asset disposals				(38,025)
Transfers				(700,000)
Total General Revenues and Transfers				<u>3,970,944</u>
Change in Net Position				(19,236)
NET POSITION-BEGINNING OF YEAR				<u>7,137,986</u>
NET POSITION-END OF YEAR				<u>\$ 7,118,750</u>

*This amount excludes the depreciation expense that is included in the direct expenses of the various functions. (See Note 3)

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,303,550	\$ 5,026	\$ 191,107	\$ 2,499,683
Taxes receivable	555,731	-	-	555,731
Due from other funds	10,347	-	-	10,347
Due from other governments	146,627	-	6,406	153,033
TOTAL ASSETS	<u>\$ 3,016,255</u>	<u>\$ 5,026</u>	<u>\$ 197,513</u>	<u>\$ 3,218,794</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 14,905	-	113	\$ 15,018
Accrued payroll, payroll taxes and withholdings	377,238	-	-	377,238
Unearned revenue	-	-	5,578	5,578
Due to other funds	700,000	-	-	700,000
Total Liabilities	<u>1,092,143</u>	<u>-</u>	<u>5,691</u>	<u>1,097,834</u>
Fund Balances				
Restricted	-	5,026	191,822	196,848
Unassigned	1,924,112	-	-	1,924,112
Total Fund Balances	<u>1,924,112</u>	<u>5,026</u>	<u>191,822</u>	<u>2,120,960</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,016,255</u>	<u>\$ 5,026</u>	<u>\$ 197,513</u>	

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	4,773,144
Net pension asset is not available to retire current period expenditures and, therefore, is not reported in the fund financial statements.	383,217
Deferred outflows are not financial resources and, therefore, are not reported in the fund financial statements.	247,842
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:	
Interest payable	(2,465)
General obligation debt	(325,000)
Vested employee benefits	(78,948)
NET POSITION	<u>\$ 7,118,750</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local	\$ 1,242,384	\$ 324,549	\$ 174,193	\$ 1,741,126
Interdistrict	137,688	-	-	137,688
Intermediate	816,970	-	-	816,970
State	3,246,351	-	7,609	3,253,960
Federal	268,863	-	310,825	579,688
Other	6,508	-	-	6,508
Total Revenues	<u>5,718,764</u>	<u>324,549</u>	<u>492,627</u>	<u>6,535,940</u>
EXPENDITURES				
Instruction				
Regular	1,917,251	-	321	1,917,572
Special education	1,110,182	-	-	1,110,182
Vocational	205,646	-	-	205,646
Other	187,615	-	51,354	238,969
Total instruction	<u>3,420,694</u>	<u>-</u>	<u>51,675</u>	<u>3,472,369</u>
Support Services				
Pupil services	183,293	-	-	183,293
Instruction support services	77,597	-	-	77,597
Administration	547,940	-	-	547,940
Buildings and grounds	382,531	-	-	382,531
Pupil transportation	351,704	-	-	351,704
Other support services	169,157	-	-	169,157
Debt service				
Principal	-	310,000	-	310,000
Interest and fees	-	19,050	-	19,050
Food service	-	-	289,265	289,265
Total support services	<u>1,712,222</u>	<u>329,050</u>	<u>289,265</u>	<u>2,330,537</u>
Community services	-	-	149,383	149,383
Total Expenditures	<u>5,132,916</u>	<u>329,050</u>	<u>490,323</u>	<u>5,952,289</u>
Excess (deficiency) of revenues over expenditures	585,848	(4,501)	2,304	583,651
OTHER FINANCING USES				
Transfer to other funds	(700,000)	-	-	(700,000)
Net Change in Fund Balance	(114,152)	(4,501)	2,304	(116,349)
FUND BALANCES-BEGINNING OF YEAR				
	2,038,264	9,527	189,518	2,237,309
FUND BALANCES-END OF YEAR	<u>\$ 1,924,112</u>	<u>\$ 5,026</u>	<u>\$ 191,822</u>	<u>\$ 2,120,960</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (116,349)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	120,760	
Depreciation expense reported in the statement of activities	(304,512)	
Book value of asset disposals	<u>(38,025)</u>	(221,777)

Change in net pension asset is only reported in the statement of activities 15,967

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded 310,000

Other long-term liabilities are reported in the governmental funds when amounts are paid. The statement of activities reports the value of liabilities accrued during the year.

Other liabilities paid during year	-	
Other liabilities accrued during year	<u>(9,375)</u>	(9,375)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 2,298

CHANGE IN NET POSITION \$ (19,236)

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	Long-Term Capital Improvement Trust	Private Purpose Trust	Employee Benefit Trust	Agency
ASSETS				
Cash and investments	\$ 603,770	\$ 21,061	\$ 1,257,227	\$ 36,774
Due from other funds	700,000	-	-	-
Total Assets	<u>\$ 1,303,770</u>	<u>\$ 21,061</u>	<u>\$ 1,257,227</u>	<u>\$ 36,774</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 10,347	\$ -
Due to student groups	-	-	-	36,774
Total Liabilities	<u>-</u>	<u>-</u>	<u>10,347</u>	<u>\$ 36,774</u>
NET POSITION	<u>\$ 1,303,770</u>	<u>\$ 21,061</u>	<u>\$ 1,246,880</u>	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Long-Term Capital Improvement Trust	Private Purpose Trust	Employee Benefit Trust
ADDITIONS			
Contributions	\$ -	\$ 2,900	\$ -
Investment earnings	3,770	20	28,483
Total additions	<u>3,770</u>	<u>2,920</u>	<u>28,483</u>
DEDUCTIONS			
Benefits	<u>-</u>	<u>3,750</u>	<u>195,946</u>
Excess (deficiency) of revenues over expenditures	3,770	(830)	(167,463)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	<u>700,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	703,770	(830)	(167,463)
NET POSITION-BEGINNING OF YEAR	<u>600,000</u>	<u>21,891</u>	<u>1,414,343</u>
NET POSITION-END OF YEAR	<u>\$ 1,303,770</u>	<u>\$ 21,061</u>	<u>\$ 1,246,880</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

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June 30, 2015

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SCHOOL DISTRICT OF CORNELL
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June 30, 2015

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**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Cornell (“the District”) conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. CHANGES IN ACCOUNTING METHODS AND BASIS OF FINANCIAL STATEMENT PRESENTATION

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*(GASB 34). Statement No. 34 makes the most significant change in financial reporting in over twenty years. Subsequent to the issuance of GASB 34, GASB issued the following standards to be implemented at the same time GASB 34 is adopted; Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis For State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6. Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The District has implemented this standard and accordingly has also implemented the provisions of GASB 37, GASB 38 and Interpretation No. 6.

Statement No. 34, among many other changes, adds two new “Government-Wide” (District-Wide) financial statements as basic financial statements required for all governmental units. The Statement of Net Position and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the District used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds are reported as governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION

District-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included 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 or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitutes its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

GOVERNMENTAL ACTIVITIES

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The special education fund has been combined with the general fund as the general fund is the primary source of financing for this fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

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

Permanent Funds

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

FIDUCIARY FUNDS (Not included in district-wide statements)

Private-Purpose Trust Funds

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

Employee Benefit Trust Fund

Employee benefit trust fund is used to account for resources and payments of the District's post employment employee benefits held in a legally separated trust.

Long Term Capital Improvement Trust Fund

This trust fund is for future capital improvement projects after a five year waiting period.

Agency Funds

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

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

Major Funds

The District reports the following major governmental funds:

General Fund
Debt Service Fund

Non-major Funds

The District reports the following non-major funds:

Special Revenue Funds –
 Special Projects Fund
 Food Service Fund
 Community Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

Private – Purpose Trust Funds –
 Scholarship Fund
Long-Term Capital Improvement Trust Fund
Employee Benefit Trust Fund

Agency Funds –
 Student Activity Fund

D. BASIS OF ACCOUNTING

The district-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for district purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2014 tax roll:

Lien date and levy date	October, 2014
Tax bills mailed	December, 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax sale 2014 delinquent real estate taxes	October, 2018

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

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

For governmental fund financial statements, deferred resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred resources is removed from the combined balance sheet and revenue is recognized.

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 currently does not have any items that qualify for reporting in this category.

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 currently does not have any items that qualify for reporting in this category.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. MEASUREMENT FOCUS

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. INVENTORIES

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

G. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest are reported as expenditures.

H. CAPITAL ASSETS

District-Wide Statements

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 2003, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the district-wide statements. Infrastructure assets may be accounted for prospectively from the date of implementation.

The District capitalizes all capital asset additions of \$5,000 or more. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Land Improvements	20 years
- Building & Improvements	10-50 years
- Furniture and equipment	5-20 years

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CAPITAL ASSETS (continued)

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

I. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long- term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

J. BUDGETS

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 basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data:

- a) Based upon requests from District staff, district administration recommends budget proposals to the Board of Education.
- b) The Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c) Pursuant to a public budget hearing, the Board may make alterations to the proposed budget.
- d) Once the Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire board
- e) Appropriations lapse at year-end unless authorized as a carryover by the Board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

L. COMPENSATED ABSENCES

The District’s policy allows non-teacher employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment, the employee is entitled to receive cash for unused days.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 6, the District provides a post employment benefit for qualifying retirees, see note 15.

N. OTHER ASSETS

In governmental funds, debt issuance costs are recognized in the current period. For the district-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

O. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

P. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

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

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

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

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS (continued)

Fund Statements

Governmental fund equity is classified as fund balance.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classification used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are only available to service debt, special project resources are only available for grantor purposes and food service resources are required by law to be used within that program.
- **Committed:** This classification includes amounts that can be used only for specified purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of year end.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to its representative. The Board of Education determines any assigned amounts.
- **Unassigned:** This classification includes any residual fund balance of the General Fund.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

R. USE OF ESTIMATES

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

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits	\$ 3,151,282
Investments	<u>1,267,233</u>
Total Deposits and Investments	<u>\$ 4,418,515</u>
Per statement of net position - deposits and investments	\$ 2,499,683
Per statement of net position - fiduciary funds	<u>1,918,832</u>
Total	<u>\$ 4,418,515</u>

Deposits

At year end, the carrying amount of the District's deposits was \$3,151,287 and the bank balance was \$3,309,006. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, \$500,000 was covered by federal depository insurance, and \$2,809,006 was uninsured and uncollateralized.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts covered by insurance above.

Fluctuating cash flows during the year due to tax collections, receipts of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The policy requires deposits to be made only in banks with FDIC coverage. The board approves depositories annually and as changes occur based on a recommendation from management.

INVESTMENTS

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

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

INVESTMENTS (continued)

- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

INTEREST RATE RISKS

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

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

	Remaining Maturity (In Months)	
	Amount	12 Months or Less
Local Government Investment Pool	\$ 5	\$ 5
Annuity contract with American United Life Ins Company	1,257,228	1,257,228
John Wilson Music Endowment Fund	10,000	10,000
 Totals	 \$ 1,267,233	 \$ 1,267,233

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. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the District's investments consisted of the following:

	Carrying Amount	Rating
WI Local Government Investment Pool	\$ 5	Not Rated
American United Life Ins Company	1,257,228	A+, AA-
John Wilson Music Endowment Fund	10,000	Not Rated
 Totals	 \$ 1,267,233	

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair (Market) Value of Deposits and Investments

Deposits and investments are reported at fair value. At year end, the fair value of the District's deposits and investments approximated original cost; therefore no fair value adjustments were necessary.

Determining Fair Value

Fair value of the District's deposits and investments are determined as follows:

- 1) Deposits and investments with stated interest rates (savings account and certificates of deposits) are stated at cost, and
- 2) State of Wisconsin Local Government Investment Pool fair value is determined by the Pool's investment board based on published market quotations.

Investment Pool Information

Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At year end, the Pool's fair value was 100 percent of book value.

Income Allocation

Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment. Interest income from special education, food services and community service funds is reported in the general fund.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets not being depreciated					
Sites	\$ 22,650	\$ -	\$ -	\$ -	\$ 22,650
Capital assets being depreciated					
Site improvements	705,392	-	-	-	705,392
Buildings and improvements	7,302,435	8,311	-	-	7,310,746
Furniture, equipment and software	1,916,902	112,449	(48,125)	153,250	2,134,476
Total Capital Assets Being Depreciated	<u>9,924,729</u>	<u>120,760</u>	<u>(48,125)</u>	<u>153,250</u>	<u>10,150,614</u>
Less: Accumulated depreciation for					
Site improvements	(383,623)	(34,730)	-	-	(418,353)
Buildings and improvements	(3,167,411)	(152,815)	-	550	(3,319,676)
Furniture and equipment	(1,488,632)	(116,967)	10,100	(66,592)	(1,662,091)
Total Accumulated Depreciation	<u>(5,039,666)</u>	<u>(304,512)</u>	<u>10,100</u>	<u>(66,042)</u>	<u>(5,400,120)</u>
Net Capital Assets	<u>\$ 4,907,713</u>	<u>\$ (183,752)</u>	<u>\$ (38,025)</u>	<u>\$ 87,208</u>	<u>\$ 4,773,144</u>

Depreciation expense of \$304,512 was not charged to any specific function.

The fund and function detail of capital asset additions is as follows:

	General Fund	Special Education Fund	Food Service Fund
Regular instruction	\$ 9,998	\$ 50,039	\$ -
Other instruction	11,996	-	-
Buildings and grounds	2,345	-	-
Other support services	33,212	-	13,170
Totals	<u>\$ 57,551</u>	<u>\$ 50,039</u>	<u>\$ 13,170</u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term liability activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds, Notes and Loans Payable					
General obligation debt	\$ 635,000	\$ -	\$ 310,000	\$ 325,000	\$ 325,000
Other Liabilities					
Vested compensated absences	<u>69,573</u>	<u>9,375</u>	<u>-</u>	<u>78,948</u>	<u>78,948</u>
Total Long-Term Liabilities	<u>\$ 704,573</u>	<u>\$ 9,375</u>	<u>\$ 310,000</u>	<u>\$ 403,948</u>	<u>\$ 403,948</u>

Interest expense of \$16,752 was incurred and \$19,050 was paid for the year. Interest expense was not allocated to any other functions.

General Obligation Debt

All general obligation bonds, notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Ending Balance</u>
General Obligation Debt:					
Refunding bonds	2/12/2010	3/20/2016	2.0-3.0	\$ 1,730,000	<u>\$ 325,000</u>
Total General Obligation Debt					<u>325,000</u>
Other Long-Term Liabilities					
Vested compensated absences					<u>78,948</u>
Total Governmental Activities Long-Term Obligations					<u>\$ 403,948</u>

Debt service requirements to maturity on general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 325,000</u>	<u>\$ 9,750</u>	<u>\$ 334,750</u>
Totals	<u>\$ 325,000</u>	<u>\$ 9,750</u>	<u>\$ 334,750</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed ten percent of the equalized value of taxable property within the District's jurisdiction. The debt limit at year-end was \$16,267,957. Total general obligation debt outstanding at year-end was \$325,000.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - LEASE DISCLOSURES

LESSEE - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSEE - OPERATING LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSOR - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSOR - OPERATING LEASES

The District does not receive material lease payments from property rented to others.

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM

All eligible District employees participate in the Wisconsin Retirement System (“WRS”), a cost-sharing multiple-employer defined benefit public employee retirement system (“PERS”). 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. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.80%	6.80%
Executives & Elected Officials	7.70%	7.70%
Protective with Social Security	6.80%	9.50%
Protective without Social Security	6.80%	13.10%

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

The payroll for District employees covered by the System for the year ended June 30, 2015 was \$2,297,502, the employer's total payroll was \$2,936,910. The total required contribution for the year ended June 30, 2014 was \$288,540, or 14.0% of covered payroll. Of this amount, the employer and employees each contributed their half. Total contributions for the years ended June 30, 2014 and 2013 were \$288,540 and \$258,148, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 54 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final Average Earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990, and no longer actively employed on April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Participants who initially become 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 for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees.

Vesting. 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) on the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability (asset) of (\$383,217) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability (asset) was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District’s proportion was 0.01560158%, which was a decrease of 0.00015906% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$151,913.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$55,555	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	185,572	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,715	-
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$247,842</u>	<u>\$ -</u>

\$160,899 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2015	\$ 48,675	\$ -
2016	48,675	-
2017	48,675	-
2018	48,675	-
2019	48,675	-
Thereafter	4,465	-

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of net Pension Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Asset:	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate <u>(6.20%)</u>	Current Discount Rate <u>(7.20%)</u>	1% Increase To Discount Rate <u>(8.20%)</u>
District's proportionate share of the net pension liability (asset)	\$1,081,123	(\$383,217)	(\$1,539,694)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

NOTE 7 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government Wide Statement of Net Position at year end include the following:

Governmental Activities	
Net Investment in Capital Assets	\$4,773,144
Less: related long-term debt outstanding	<u>(325,000)</u>
Total Net Investment in Capital Assets	<u>4,448,144</u>
Restricted	
Debt service fund	5,026
Special projects fund	91,142
Food service fund	71,851
Community service fund	<u>28,829</u>
	<u>196,848</u>
Unrestricted	<u>2,473,758</u>
Total Governmental Activities Net Position	<u><u>\$7,118,750</u></u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8- GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at year-end include the following:

Restricted	
Major Funds	
Debt service	\$ 5,026
Non-Major Funds	
Special projects	91,142
Food service	71,851
Community service	28,829
Total Restricted Fund Balances	<u>196,848</u>
Unassigned	
Major Funds	
General Fund	<u>1,924,112</u>
Total Governmental Fund Balances	<u>\$2,120,960</u>

Interfund transfers of \$457,842 and \$700,000 were made from the general fund to the special education fund and capital improvement trust fund. The special education fund transfer covered a deficit and the trust fund transfer was determined by the school board.

NOTE 9- EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	<u>\$4,773,144</u>
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable	\$ 325,000
Compensated absences	78,948
Interest payable	<u>2,465</u>
Combined Adjustment	<u>\$ 406,413</u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

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

Accrued interest		
Beginning	\$	4,763
Ending		<u>(2,465)</u>
Decrease	\$	<u>2,298</u>

NOTE 11- EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year:

Fund	Excess Expenditures
General Fund:	
Vocational instruction	\$ 48,972
Other instruction	57,868
Instructional support services	11,384
Operating transfers out	702,265
Special Education Fund	
Instructional support services	7,555
Buildings & grounds	32,722
Pupil transportation	46,238

NOTE 12- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's 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.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 – LIMITATION OF SCHOOL DISTRICT REVENUES

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

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

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

A referendum on or after August 12, 1993.

NOTE 15 – POST-EMPLOYMENT BENEFITS

Plan Description and Description of Benefits. The Cornell School District Employee Benefit Trust Account (“Plan”) is a single-employer defined benefit healthcare plan administered by the Cornell School District Employee Benefit Trust Account. The Plan’s authority is governed by the trust document and laws of the State of Wisconsin. Amendments to the Plan may only be made by the District. The plan provides that the district will pay 81% of the health insurance premiums for eligible retirees (those that retired prior to June 2007) up to a maximum period of 7 years after retirement.

For those teachers eligible for an OPEB benefit that were still employed at 6/30/07, the 81% of premium benefit was replaced with a Health Reimbursement Arrangement (HRA). The HRA language for those hired prior to 2006 and retiring after 2006-07 with minimum of 15 years as a District employee state they are eligible for a maximum of \$140,000 (28 years and \$5,000 for each year of employment with the District) in payments to HRA, to be paid over 10 years after retirement. If a retiree dies before exhaustion of the benefit, the retiree’s beneficiaries will receive the remaining benefit.

The District will also contribute to the HRA an amount equal to the retirees’ accumulated sick leave times ½ the substitute teacher pay rate for a maximum of 120 days at the time of retirement into the plan. Teachers hired after 2006 will receive the sick pay benefit times 1/2 the substitute teacher pay rate for a maximum of 120 days as a contribution into an HRA. There will be no other post-employment benefits for these teachers hired after 2006. The current language beginning July 1, 2011 states that the teacher will only receive the sick pay benefit times 1/2 the substitute teacher pay rate for a maximum of 120 days as a contribution into an HRA. This is now the only OPEB benefit for all active teachers.

Funding. The Plan is being funded by making actuarially determined contributions for 6/30/09 and contributions determined under the alternative measurement method allowed by GASB 45 for years since.

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 to the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45 (determined actuarially for the year ended 6/30/09 and under the alternative measurement method for the years ended thereafter).

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – POST-EMPLOYMENT BENEFITS (continued)

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/alternative measurement liabilities (or funding excess) 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 to the Plan:

Annual required contribution		\$	-
Interest on net OPEB obligation			-
Adjustment of annual required contribution			-
Annual OPEB cost (expense)			-
Contributions made			-
Increase (decrease) in net OPEB obligation			-
Net OPEB obligation - beginning of year			-
Net OPEB obligation - end of year			-

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011-2015 years follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ -	-	\$ -
6/30/2012	-	-	-
6/30/2013	-	-	-
6/30/2014	-	-	-
6/30/2015	-	-	-

For the fiscal years ended 6/30/11 and after, there was no annual OPEB cost or Net OPEB Obligation. *Funded Status and Funding Progress.* The below schedule presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43 prior to the alternative measurement (AMM) done on January 15, 2010 and used to calculate amounts for the years ended since then.

Funded Status and Funding Progress

The funded status and progress of the plan as of the most recent valuation date is as follows:

AMM Valuation Date	AMM Value of Assets (a)	AMM Accrued Liability (AAL) - Entry Age (b)	Unfunded AMML (UAMML) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAMML as a Percent of Covered Payroll ([(b-a)/c])
6/30/2015	\$1,246,880	\$ 934,390	\$(312,490)	133.4%	\$ -	N/A
6/30/2014	1,414,343	1,418,527	4,184	99.7%	-	N/A
6/30/2013	1,568,406	1,477,636	(90,770)	106.1%	-	N/A
6/30/2012	1,740,935	1,858,122	117,187	93.7%	1,185,502	9.89%
6/30/2011	1,977,115	2,151,558	174,443	92.0%	-	N/A

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefit 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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.3% rate of inflation. The actuarial assumptions also included a discount rate of 6.5%. The medical care trend rate assumed an initial rate increase of 22% which was reduced by 2% per year down to 12%. This rate was then decremented by 1% per year down to an ultimate floor of 5% for the remaining years. Life expectancies were based on mortality tables from the National Center for Health Statistics from 1999. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at June 30, 2009 was 5 years.

Alternative measurement methods and assumptions. The District used the alternative measurement method for determining the ARC beginning with the 2009-10 fiscal year ending June 30, 2010. These are allowed per GASB 45. The following is a summary of those significant methods and assumptions:

There were 15 retirees receiving benefits at the time of the alternative measurement on January 15, 2010, a 100% probability factor of employees staying until retirement was used in determining turnover based on inquiries of the employees covered, a 6% increase in health insurance premiums was used, based on consultation with an insurance provider of these benefits to Wisconsin school districts. The projected OPEB liability is being amortized using a 3 year period and management is anticipating that the entire liability will be fully funded in July 2012. A historical age-based retirement date of 58 was used in calculations. Finally, a rate of return on the investments used in the calculations is 3.7%, which is the fixed rate of the current trust investment.

The District also used the alternative measurement method for determining its liability for the fiscal years ending June 30, 2011 and thereafter. These are allowed per GASB 45. The following is a summary of those significant methods and assumptions:

There were 20 retirees receiving benefits at the time of the latest alternative measurement, a 100% probability factor of employees staying until retirement was used in determining turnover based on inquiries of the employees covered, no increase in health insurance premiums was necessary as the calculation for those under the old retirement language is complete. Management believes that the entire liability is fully funded. A historical age-based retirement date of 58 was used in the calculations. Finally, a rate of return on the investments used in the calculations is 1.75%.

The District follows the provisions of GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other Pension Plans* for its employee benefit trust plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by bid and asked prices as obtained from dealers that make markets in such securities.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 - POST-EMPLOYMENT BENEFITS (continued)

Plan Description and Contribution Information

Membership in the sole-employer trust consisted of the following at June 30, 2015, the date of the latest measurement of the actuarial liability using the alternative method:

Retirees and beneficiaries receiving benefits	20
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	-
Total	<u>20</u>

Contributions

Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as described in the following sentences. The district is responsible for paying 81% of the retirees' health insurance premiums on an annual basis not to exceed a 7 year period. Any amount in excess of this 81% of the premiums will be paid by the retirees to the District.

For the year ended June 30, 2015, no plan member contributions occurred.

NOTE 16 – DUE FROM/DUE TO OTHER FUNDS – FUND FINANCIAL STATEMENTS

Individual fund interfund receivable and payable balances at year end are as follows:

Fund	Due From	Due To
General Fund	\$ 10,347	\$ 700,000
Capital Improv Trust Fund	700,000	-
Employee Benefit Trust Fund	-	10,347
	<u>\$ 710,347</u>	<u>\$ 710,347</u>

The balances originate from payments from general fund resources for the employee benefit trust fund and a transfer to the capital improvement trust fund due as of June 30, 2015 and made in July 2015.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2015, the date the financial statements were available to be issued.

SCHOOL DISTRICT OF CORNELL
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2015

SCHOOL DISTRICT OF CORNELL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$1,220,092	\$1,220,092	\$ 1,242,384	\$ 22,292
Interdistrict	116,255	116,255	137,688	21,433
Intermediate	61,090	61,090	71,731	10,641
State	3,140,533	3,140,533	3,243,338	102,805
Federal	118,742	118,742	120,418	1,676
Other	10,000	10,000	6,508	(3,492)
Total Revenues	<u>4,666,712</u>	<u>4,666,712</u>	<u>4,822,067</u>	<u>155,355</u>
EXPENDITURES				
Instruction				
Regular	1,756,565	1,756,565	1,632,729	123,836
Vocational	156,674	156,674	205,646	(48,972)
Other	129,747	129,747	187,615	(57,868)
Total instruction	<u>2,042,986</u>	<u>2,042,986</u>	<u>2,025,990</u>	<u>16,996</u>
Support Services				
Pupil services	56,139	56,139	53,728	2,411
Instructional support services	52,774	52,774	64,158	(11,384)
Administration	570,634	570,634	547,940	22,694
Buildings and grounds	610,036	610,036	344,309	265,727
Pupil transportation	343,450	343,450	292,520	50,930
Other support services	194,994	194,994	165,210	29,784
Total support services	<u>1,828,027</u>	<u>1,828,027</u>	<u>1,467,865</u>	<u>360,162</u>
Non-program				
General tuition payments	334,077	334,077	284,522	49,555
Other non-program	-	-	-	-
Total non-program	<u>334,077</u>	<u>334,077</u>	<u>284,522</u>	<u>49,555</u>
Total Expenditures	<u>4,205,090</u>	<u>4,205,090</u>	<u>3,778,377</u>	<u>426,713</u>
Excess of revenues over expenditures	461,622	461,622	1,043,690	582,068
OTHER FINANCING USES				
Transfer from other funds	-	-	-	-
Transfer to other funds	<u>(455,577)</u>	<u>(455,577)</u>	<u>(1,157,842)</u>	<u>(702,265)</u>
Net Change in Fund Balance	6,045	6,045	(114,152)	(120,197)
FUND BALANCES-BEGINNING OF YEAR	<u>2,038,264</u>	<u>2,038,264</u>	<u>2,038,264</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$2,044,309</u>	<u>\$2,044,309</u>	<u>\$ 1,924,112</u>	<u>\$ (120,197)</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 SPECIAL EDUCATION FUND
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intermediate	\$ 814,181	\$ 814,181	\$ 745,239	\$ (68,942)
State	3,000	3,000	3,013	13
Federal	108,033	108,033	148,445	40,412
Total Revenues	<u>925,214</u>	<u>925,214</u>	<u>896,697</u>	<u>(28,517)</u>
EXPENDITURES				
Instruction				
Special education	1,214,802	1,214,802	1,110,182	104,620
Total instruction	<u>1,214,802</u>	<u>1,214,802</u>	<u>1,110,182</u>	<u>104,620</u>
Support Services				
Pupil services	135,179	135,179	129,565	5,614
Instructional support services	5,884	5,884	13,439	(7,555)
Administration	-	-	-	-
Buildings and grounds	5,500	5,500	38,222	(32,722)
Pupil transportation	12,946	12,946	59,184	(46,238)
Other support services	6,480	6,480	3,947	2,533
Total support services	<u>165,989</u>	<u>165,989</u>	<u>244,357</u>	<u>(78,368)</u>
Non-program				
Other non-program	-	-	-	-
Total Expenditures	<u>1,380,791</u>	<u>1,380,791</u>	<u>1,354,539</u>	<u>26,252</u>
Excess (deficiency) of revenues over expenditures	(455,577)	(455,577)	(457,842)	(2,265)
OTHER FINANCING SOURCES				
Transfer from general fund	455,577	455,577	457,842	2,265
Transfer to general fund	-	-	-	-
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFIT PLAN
 For the Year Ended June 30, 2015

AMM Date	AMM Value of Assets (a)	AMM Liability (AMML) - Entry Age (b)	Unfunded AMML (UAMML) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAMML as a Percent of Covered Payroll ((b-a)/c)
6/30/2015	\$ 1,246,880	\$934,390	(\$312,490)	133.4%	\$ -	NA
6/30/2014	1,414,343	1,418,527	4,184	99.7%	-	NA
6/30/2013	1,568,406	1,477,636	(90,770)	106.1%	-	NA

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
For the Year Ended June 30, 2015

<u>Year Ended June 30</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2015	\$ -	\$ -	N/A
2014	-	-	N/A
2013	-	-	N/A

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
For the Year Ended June 30, 2015

WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS *

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01560158%
District's proportionate share of the net pension liability (asset)	(\$383,217)
District's covered-employee payroll	\$2,201,158
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.*

Only calendar year 2014 was available. The District will continue to present information for years available until a full ten-year trend is compiled.

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Year Ended June 30, 2015

WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS *

Contractually required contributions	\$154,413
Contributions in relation to the contractually required contributions	\$154,413
Contribution deficiency (excess)	-
District's covered-employee payroll	\$2,201,158
Contributions as a percentage of covered-employee payroll	7%

**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.*

Only calendar year 2014 was available. The District will continue to present information for years available until a full ten-year trend is compiled.

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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 Pension" for the fiscal year ended June 30, 2010. Information for prior years is not available.

NOTE B – SCHEDULE OF FUNDING PROGRESS

Beginning with the June 30, 2010 valuation the alternative measurement method was utilized by the District. Actuarial valuations were completed prior to that date.

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 (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the fund or function level depending upon the fund. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows the budget procedures at note 1J.

NOTE D – BUDGETARY INFORMATION

The District adopts a separate budget for the special education special revenue fund. A reconciliation of the Revenues, Expenditures, and Other Financing Sources (Uses) per the budget to actual individual fund statements to the combined general fund/special education fund statement follows:

SCHOOL DISTRICT OF CORNELL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

NOTE D – BUDGETARY INFORMATION (continued)

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary statements)	\$ 4,822,067	\$ 896,697
Reclassification of special education	896,697	(896,697)
Total Revenues	<u>5,718,764</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary statements)	3,778,377	1,354,539
Reclassification of special education	1,354,539	(1,354,539)
Total Expenditures	<u>5,132,916</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary statements)	1,043,690	457,842
Reclassification of special education	(457,842)	(457,842)
Excess of Revenues Over (Under) Expenditures	<u>585,848</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary statements)	(1,157,842)	457,842
Reclassification of special education	457,842	(457,842)
Total Other Financing Sources (Uses)	<u>(700,000)</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (combined statement)	(114,152)	-
Fund Balance - beginning		
Actual amounts (combined statement)	<u>2,038,264</u>	<u>-</u>
Fund Balance - ending		
Actual amounts (combined statement)	<u>\$ 1,924,112</u>	<u>\$ -</u>

NOTE E – WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of Assumptions. There were no changes in the assumptions.

**SCHOOL DISTRICT OF CORNELL
SUPPLEMENTARY INFORMATION**

June 30, 2015

SCHOOL DISTRICT OF CORNELL
 COMBINING BALANCE SHEET
 GENERAL FUND
 For the Year Ended June 30, 2015

	General Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$2,273,683	\$ 29,867	\$ 2,303,550
Taxes receivable	555,731	-	555,731
Due from other funds	10,347	-	10,347
Due from other governments	96,300	50,327	146,627
TOTAL ASSETS	<u>\$2,936,061</u>	<u>\$ 80,194</u>	<u>\$ 3,016,255</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,899	\$ 10,006	\$ 14,905
Accrued payroll, payroll taxes, withholdings	307,050	70,188	377,238
Due to other funds	700,000	-	700,000
Total Liabilities	<u>1,011,949</u>	<u>80,194</u>	<u>1,092,143</u>
Fund Balances			
Unassigned	1,924,112	-	1,924,112
Total Fund Balances	<u>1,924,112</u>	<u>-</u>	<u>1,924,112</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,936,061</u>	<u>\$ 80,194</u>	<u>\$ 3,016,255</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND

For the Year Ended June 30, 2015

	General Fund	Special Education Fund	Total General Fund
REVENUES			
Local sources	\$ 1,242,384	\$ -	\$ 1,242,384
Interdistrict sources	137,688	-	137,688
Intermediate sources	71,731	745,239	816,970
State sources	3,243,338	3,013	3,246,351
Federal sources	120,418	148,445	268,863
Other sources	6,508	-	6,508
Total Revenues	<u>4,822,067</u>	<u>896,697</u>	<u>5,718,764</u>
EXPENDITURES			
Instruction			
Regular	1,917,251	-	1,917,251
Special education	-	1,110,182	1,110,182
Vocational	205,646	-	205,646
Other instruction	187,615	-	187,615
Total instruction	<u>2,310,512</u>	<u>1,110,182</u>	<u>3,420,694</u>
Support Services			
Pupil services	53,728	129,565	183,293
Instruction support services	64,158	13,439	77,597
Administration	547,940	-	547,940
Buildings and grounds	344,309	38,222	382,531
Pupil transportation	292,520	59,184	351,704
Other support services	165,210	3,947	169,157
Total support services	<u>1,467,865</u>	<u>244,357</u>	<u>1,712,222</u>
Total Expenditures	<u>3,778,377</u>	<u>1,354,539</u>	<u>5,132,916</u>
Excess (deficiency) of revenues over expenditures	1,043,690	(457,842)	585,848
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	457,842	457,842
Operating transfers out	<u>(1,157,842)</u>	<u>-</u>	<u>(1,157,842)</u>
NET CHANGE IN FUND BALANCE	(114,152)	-	(114,152)
FUND BALANCES-BEGINNING OF YEAR	<u>2,038,264</u>	<u>-</u>	<u>2,038,264</u>
FUND BALANCES-END OF YEAR	<u>\$ 1,924,112</u>	<u>\$ -</u>	<u>\$ 1,924,112</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Projects	Food Service	Community Service	
ASSETS				
Cash and investments	\$ 91,142	\$ 71,136	\$ 28,829	\$ 191,107
Due from other governments	-	6,406	-	6,406
TOTAL ASSETS	<u>\$ 91,142</u>	<u>\$ 77,542</u>	<u>\$ 28,829</u>	<u>\$ 197,513</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 113	\$ -	\$ 113
Due to other funds	-	-	-	-
Deferred revenue	-	5,578	-	5,578
Total Liabilities	<u>-</u>	<u>5,691</u>	<u>-</u>	<u>5,691</u>
Fund Balances				
Restricted	91,142	71,851	28,829	191,822
Total Fund Balances	<u>91,142</u>	<u>71,851</u>	<u>28,829</u>	<u>191,822</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 91,142</u>	<u>\$ 77,542</u>	<u>\$ 28,829</u>	<u>\$ 197,513</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Special Projects	Food Service	Community Service	
REVENUES				
Local	\$ 58,228	\$ 64,695	\$ 51,270	\$ 174,193
State	-	7,609	-	7,609
Federal	-	210,507	100,318	310,825
Total Revenues	<u>58,228</u>	<u>282,811</u>	<u>151,588</u>	<u>492,627</u>
EXPENDITURES				
Instruction				
Regular instruction	321	-	-	321
Other instruction	51,354	-	-	51,354
Support Services	-	-	-	-
Buildings and grounds	-	-	-	-
Food service	-	289,265	-	289,265
Total support services	<u>51,675</u>	<u>289,265</u>	<u>-</u>	<u>340,940</u>
Community service	-	-	149,383	149,383
Total Expenditures	<u>51,675</u>	<u>289,265</u>	<u>149,383</u>	<u>490,323</u>
Excess (deficiency) of revenues over expenditures	6,553	(6,454)	2,205	2,304
OTHER FINANCING SOURCES				
Operating transfers in (out)	-	-	-	-
Net Change in Fund Balance	6,553	(6,454)	2,205	2,304
FUND BALANCES-BEGINNING OF YEAR	<u>84,589</u>	<u>78,305</u>	<u>26,624</u>	<u>189,518</u>
FUND BALANCES-END OF YEAR	<u>\$ 91,142</u>	<u>\$ 71,851</u>	<u>\$ 28,829</u>	<u>\$ 191,822</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2015

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Assets - Cash and investments	<u>34,341</u>	<u>\$ 46,187</u>	<u>\$ 43,754</u>	<u>\$ 36,774</u>
Liabilities - Due to student organizations	<u>\$ 34,341</u>	<u>\$ 46,187</u>	<u>\$ 43,754</u>	<u>\$ 36,774</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Agency/ Pass-Through Agency/ Program Title	CFDA Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received	Accrued (Deferred) Ending Balance		
U.S. DEPARTMENT OF EDUCATION						
Rural Education Achievement Program	84.358	\$ -	\$ 19,146	\$ -	\$ 19,146	\$ 19,146
State of Wisconsin-Department of Public Instruction						
Title I	84.010	(25,939)	90,891	36,320	101,272	101,272
21st Century Learning Center	84.287	(37,341)	137,659	-	100,318	100,318
IDEA Flow Through	84.027	(37,247)	132,903	42,937	138,593	138,593
IDEA Discretionary	84.027	(17,392)	17,392	-	-	-
IDEA Preschool	84.173	(1,725)	5,487	6,090	9,852	9,852
CESA 10						
Carl Perkins	84.048	-	3,686	-	3,686	3,686
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
CESA 10						
Medical Assistance	93.778	(73,384)	160,224	4,345	91,185	91,185
Title II-A	84.367	-	21,885	-	21,885	21,885
U.S. DEPARTMENT OF AGRICULTURE						
State of Wisconsin-Department of Public Instruction						
Food Distribution - Commodities	10.550	-	19,827	-	19,827	19,827
National School Breakfast Program	10.553	-	58,724	-	58,724	58,724
National School Lunch Program	10.555	-	115,759	-	115,759	115,759
Fresh Fruit & Vegetable Program	10.582	-	7,529	-	7,529	7,529
Summer Food Service Program	10.559	(5,565)	7,827	6,407	8,669	8,669
TOTAL FEDERAL AWARDS		\$ (198,593)	\$ 798,939	\$ 96,099	\$ 696,445	\$ 696,445

See notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2015

State Agency/ Pass-Through Agency/ Program Title	State ID Number	Deferred Beginning Balance	Received (Returned)	(Deferred) Ending Balance	Total Revenues	Expenditures Grantor Share
DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Handicapped Pupils and School Age Parents Participant in Cesa 10 Package Program	255.101	\$ -	\$ 3,013	\$ -	\$ 3,013	\$ 3,013
		-	162,719	-	162,719	162,719
Total Handicapped Program		-	165,732	-	165,732	165,732
School Lunch Aid Program	255.102	-	2,637	-	2,637	2,637
Common School Fund Library Aid	255.103	-	16,389	-	16,389	16,389
Pupil Transportation	255.107	-	17,636	-	17,636	17,636
Wisconsin Morning Milk	255.109	-	1,087	-	1,087	1,087
General Equalization	255.201	(50,554)	2,830,727	49,676	2,829,849	2,829,849
Sparsity Aid	255.212	-	102,016	-	102,016	102,016
Educator Effectiveness Grant	255.940	-	-	2,800	2,800	2,800
School Breakfast Program	255.344	-	3,884	-	3,884	3,884
SAGE	255.504	-	169,698	-	169,698	169,698
Per Pupil Adjustment Aid	255.945	-	64,350	-	64,350	64,350
Aid For High Poverty District	255.926	-	25,509	-	25,509	25,509
High Cost Transportation	255.947	-	8,162	-	8,162	8,162
Payment In Lieu Of Taxes		-	3,771	-	3,771	3,771
Computer Aid		(3,810)	3,810	3,159	3,159	3,159
Total Wisconsin Department of Public Instruction		(54,364)	3,415,408	55,635	3,416,679	3,416,679
TOTAL STATE AWARDS		\$ (54,364)	\$ 3,415,408	\$ 55,635	\$ 3,416,679	\$ 3,416,679

See notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF CORNELL

**NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
June 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the District and are presented on the modified 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 general purpose financial statements.

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2014-2015 eligible costs under the State Special Education Program are \$19,235.

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

ACCOUNTING WORKSHOP, SC

CERTIFIED PUBLIC ACCOUNTANTS

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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Education
School District of Cornell
Cornell, 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, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 15-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Accounting Workshop SC

Accounting Workshop, SC
October 16, 2015

ACCOUNTING WORKSHOP, SC
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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

Independent Auditor's Report On Compliance For
Each Major Federal and State Program and On Internal Control
Over Compliance Required by OMB Circular A-133
And State Single Audit Guidelines

Board of Education
School District of Cornell
Cornell, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited the compliance of the School District of Cornell ("District") with the types of compliance requirements described in the United States 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 are applicable to each of its major federal and state programs for the year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal 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; and 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 programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each 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, 2015.

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 and 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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 15-1 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

Accounting Workshop SC

Accounting Workshop, SC
October 16, 2015

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financing reporting: Material weakness identified? _____ yes X no

Reported condition(s) identified not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to the financial _____ yes X no

Federal Awards

Internal control over financial reporting: Material weakness identified? _____ yes X no

Reported condition(s) identified not considered to be material weaknesses? _____ yes X none reported

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

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

Identification of major federal program

CFDA Number	Name of Federal Program or Cluster
84.010	Title 1
84.287	21st Century Learning Centers

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

Auditee qualified as a low risk auditee? X yes _____ no

