

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2012

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**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2012

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## INDEPENDENT AUDITORS' REPORT

To the School Board  
Franklin Public School District  
Franklin, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Public School District ("District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Public School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the Franklin Public School 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions and budgetary comparison information on pages 3 through 10 and 33 and 34 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.

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

November 30, 2012  
Milwaukee, Wisconsin

**Franklin Public Schools  
Managements' Discussion and Analysis  
For the Year Ended June 30, 2012**

**Services of the District**

The Franklin Public Schools (the "District") provides public education to residents of the District and to qualifying non-residents between the ages of three and twenty-one. Public education is funded by property taxes paid by residents of the District, several types of aid received from State and Federal Government, and revenues for services. Student fees are nominal.

***Primary and Secondary Education***

The District provides primary education beginning with its five-year-old kindergarten through its eighth grade programs. The District provides secondary education beginning with its ninth grade through twelfth grade programs. The District has seven facilities to deliver its primary and secondary education plus an Education and Community Center. In addition, the District provides educational programs during the summer months on a voluntary basis.

Co-curricular activities are part of primary and secondary education. Co-curricular activities are voluntary and include athletic, music, and other academic activities.

***Special Education***

The District provides special education, as defined by State and Federal regulations, to children with disabilities to meet their special needs. Children as young as three years old may qualify for special education services. Special education teachers are required to have additional training to teach children with disabilities. Special education is coordinated with primary and secondary education.

***Community Services***

The District provides recreational and educational programs to the community through the Franklin Community Education and Recreation Department.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2012

(Continued)

**Financial Highlights**

**Enrolled Students and Teachers**

The number of enrolled students of the District, both resident and non-resident students, the number of teachers and the ratio of enrolled students to teachers for fiscal 2012 and 2011 are shown in the following table.

| <u>Description</u>   | <u>Year Ended June 30,</u> |              | <u>Increase<br/>(Decrease)</u> |
|----------------------|----------------------------|--------------|--------------------------------|
|                      | <u>2012</u>                | <u>2011</u>  |                                |
| Students             | <u>4,274</u>               | <u>4,253</u> | <u>21</u>                      |
| Teachers             | <u>302</u>                 | <u>305</u>   | <u>(3)</u>                     |
| Students to Teachers | <u>14.15</u>               | <u>13.94</u> |                                |

**Results of Operations**

The District was able to meet the State revenue controls, cover all of its expenses, and add to fund balance, while continuing to provide an excellent education to students.

The District continued the maintenance fund designed to protect the community's investment in its buildings. Each year, the District is able to complete maintenance projects totaling over \$500,000. The major projects completed this year included the replacement of the HVAC units on the gym and multipurpose room including air conditioning at Robinwood Elementary School, and replacement of the HVAC unit on the gym at Pleasant View Elementary School. The Franklin Educational Foundation provided \$57,392 for 12 innovative projects.

# **FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

## **Managements' Discussion and Analysis**

June 30, 2012

(Continued)

### **District-Wide and Governmental Fund Financial Statements**

Under generally accepted accounting principles, the District presents two sets of financial statements, one on the accrual basis of accounting and the other on the modified accrual basis of accounting. The accrual basis financial statements or the District-Wide financial statements consist of the statement of net assets and the statement of activities and are presented on an aggregated basis. The modified accrual basis financial statements or the Governmental Fund financial statements consist of the balance sheet and the statement of revenues, expenditures and fund balance and are presented on a fund accounting basis. The Governmental Fund financial statements do not include any long-term assets, such as fixed assets, and long-term liabilities, such as long-term debt.

### **State Regulation of Property Taxes and Long-Term Debt**

Under Wisconsin Statutes, the District is restricted as to the amount of property taxes the District is permitted to levy for operating purposes and the general aid received from the State, without public referendum to exceed the maximum property tax levy. The total amount of State aid and property tax levy is based on a fixed amount per resident student set by the State and a three-year average of resident students enrolled in the District and out of the District.

In addition, State Statutes require new long-term debt, excluding refinancing of current debt, to be approved by public referendum, for the related debt service to be excluded from the property tax levy limitation.

State aid is determined based on property valuation per student. Generally, as property valuation increases and enrollment remains constant, the District receives less State aid.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2012

(Continued)

**Comparison of Assets, Liabilities and Net Assets**

A comparison of assets, liabilities and net assets for fiscal 2012 as compared to fiscal 2011 is as follows:

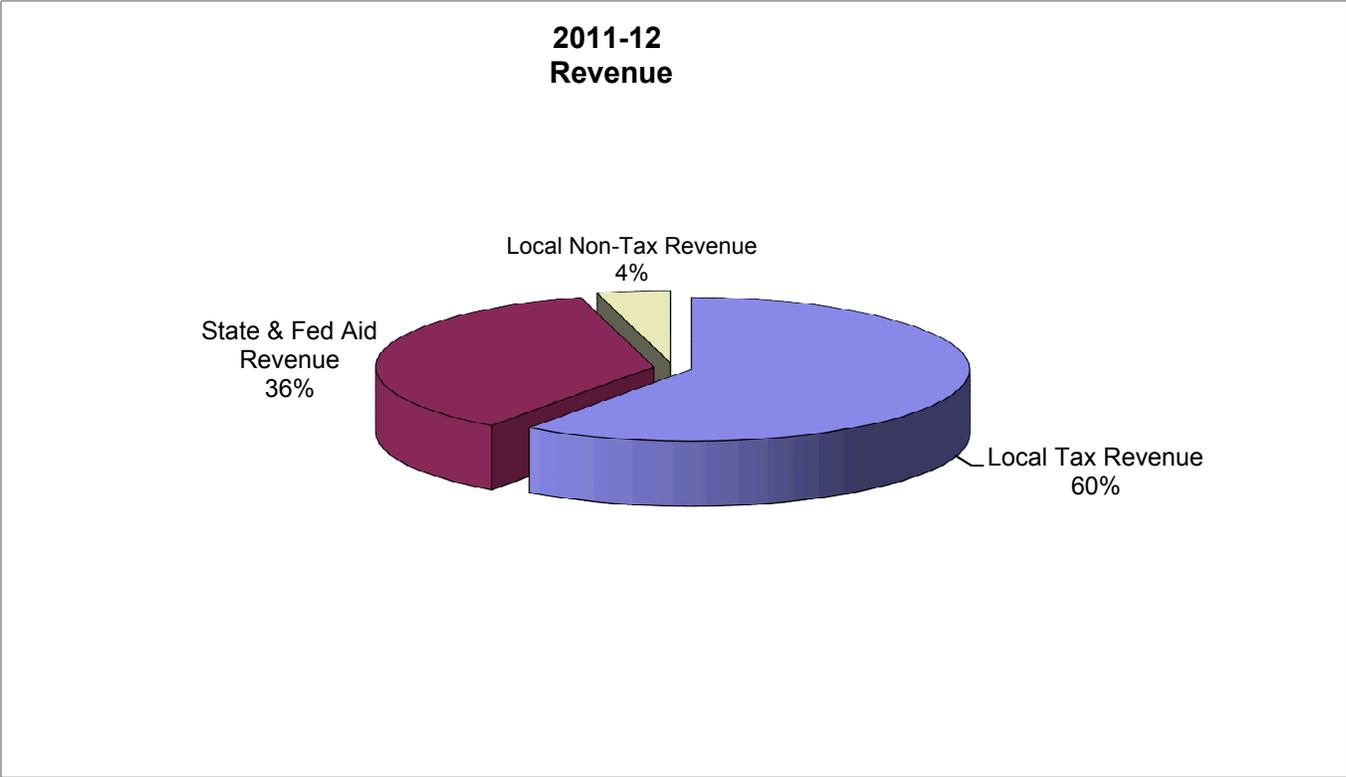
|                                  | <u>As of June 30,</u> |                      | <u>Increase</u>     |
|----------------------------------|-----------------------|----------------------|---------------------|
|                                  | <u>2012</u>           | <u>2011</u>          | <u>(Decrease)</u>   |
| <b>Assets:</b>                   |                       |                      |                     |
| Cash                             | \$ 21,688,611         | \$ 21,634,627        | \$ 53,984           |
| Taxes receivable                 | 3,424,272             | 3,526,586            | (102,314)           |
| Accounts receivable              | 46,915                | 2,288                | 44,627              |
| Inventory                        | 775,769               | -                    | 775,769             |
| Due from other governments       | 950,902               | 774,186              | 176,716             |
| Prepaid expense                  | 288,683               | 279,512              | 9,171               |
| <b>Total Current Assets</b>      | <u>27,175,152</u>     | <u>26,217,199</u>    | <u>957,953</u>      |
| <b>Non-Current Assets</b>        |                       |                      |                     |
| Property and Equipment, net      | <u>40,067,515</u>     | <u>40,556,788</u>    | <u>(489,273)</u>    |
| <b>Total Assets</b>              | <u>67,242,667</u>     | <u>66,773,987</u>    | <u>468,680</u>      |
| <b>Liabilities:</b>              |                       |                      |                     |
| Accounts Payable                 | 1,405,370             | 215,098              | 1,190,272           |
| Accrued Liabilities              | 4,504,076             | 5,019,842            | (515,766)           |
| Short-term Debt                  | -                     | 2,500,000            | (2,500,000)         |
| Maturities of Long-Term Debt     | 1,830,000             | 2,130,181            | (300,181)           |
| <b>Total Current Liabilities</b> | <u>7,739,446</u>      | <u>9,865,121</u>     | <u>(2,125,675)</u>  |
| Long-Term Debt                   | <u>13,916,259</u>     | <u>14,194,412</u>    | <u>(278,153)</u>    |
| <b>Total Liabilities</b>         | <u>21,655,705</u>     | <u>24,059,533</u>    | <u>(2,403,828)</u>  |
| <b>Net Assets</b>                | <u>\$ 45,586,962</u>  | <u>\$ 42,714,454</u> | <u>\$ 2,872,508</u> |

The District did not have any short-term borrowing this year.

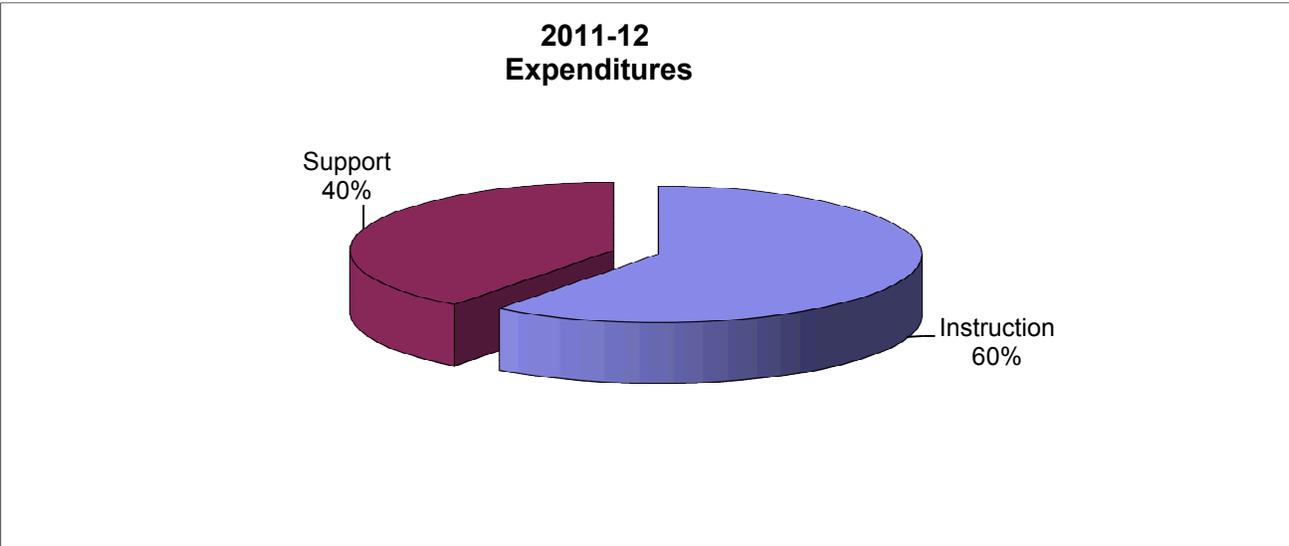
**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Managements' Discussion and Analysis**  
June 30, 2012  
(Continued)

The breakdown of revenue sources is illustrated below:



The breakdown of expenditures is illustrated below:



**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2012

(Continued)

**Changes in Total Fund Balance**

| <u>As of June 30,</u> |                      | <u>Increase</u>     |
|-----------------------|----------------------|---------------------|
| <u>2012</u>           | <u>2011</u>          | <u>(Decrease)</u>   |
| <u>\$ 21,316,833</u>  | <u>\$ 18,550,750</u> | <u>\$ 2,766,083</u> |

The increase in fund balance was due mainly to the fiscal policies of the District which limit spending amounts to originally planned and budgeted expenses. Any savings from operations goes to fund balance to eliminate cash flow borrowing expenses in future years as well as funding capital projects. There were also \$779,873 of planned purchases that were not completed in 2011-12 which increased the fund balance.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the District had invested \$69,965,421 in capital assets, including buildings, sites and equipment (see below). Total accumulated depreciation on these assets was \$29,897,906. Asset acquisitions for governmental activities totaled \$2,020,665. The District recognized depreciation expense of \$2,504,976. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

| <b>Capital Assets</b>        |                                |                      |                |
|------------------------------|--------------------------------|----------------------|----------------|
| <b>(net of depreciation)</b> |                                |                      |                |
|                              | <u>Governmental Activities</u> |                      | <u>Total %</u> |
|                              | <u>2012</u>                    | <u>2011</u>          | <u>Change</u>  |
|                              |                                |                      | <u>2011-12</u> |
| Land                         | \$ 1,168,510                   | \$ 1,168,510         | 0.0%           |
| Buildings                    | 54,151,746                     | 53,699,546           | 0.8%           |
| Furniture and equipment      | 14,645,165                     | 13,126,150           | 11.6%          |
| Accumulated depreciation     | <u>(29,897,906)</u>            | <u>(27,437,418)</u>  | 9.0%           |
| <b>TOTAL</b>                 | <u>\$ 40,067,515</u>           | <u>\$ 40,556,788</u> | <u>-1.2%</u>   |

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2012

(Continued)

**Capital Asset and Debt Administration (Continued)**

**Long-term Debt**

At year-end the District had \$15,745,299 in bonds payable and other long-term debt outstanding – a decrease of \$577,785 (3.5%) from fiscal 2011. This decrease resulted from the payoff of WRS prior service liability and payment on General Obligation Bonds. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

|                                | Total School District |                      | Total %      |
|--------------------------------|-----------------------|----------------------|--------------|
|                                | 2012                  | 2011                 | Change       |
|                                |                       |                      | 2011-12      |
| General obligation bonds       | \$ 5,105,000          | \$ 6,885,000         | -25.9%       |
| Compensated absences           | 211,752               | 357,339              | -40.7%       |
| Other post employment benefits | 10,428,547            | 8,290,668            | 25.8%        |
| Prior service liability - WRS  | --                    | 790,077              | -100.0%      |
| <b>TOTAL</b>                   | <b>\$ 15,745,299</b>  | <b>\$ 16,323,084</b> | <b>-3.5%</b> |

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2012

(Continued)

**Expected Impact of Known Events**

The District is restricted by State Statute as to the amount of property tax levy for operating purposes, without a public referendum to approve an increase. Reference is made in the notes to the financial statements for further discussion on the property tax levy limitation.

The number of students served by the District is a major factor in the amount of State aid paid to the District and the maximum allowable property tax levy. The resident student census of the District is expected to fluctuate over the next five years due to the economy. Student enrollment increased by 21 students or .5% for fiscal 2012.

The State is expected to stay within budget this year, and has historically committed to funding K-12 education in the bi-annual budget.

All bargaining groups have settled contracts through June of 2012.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Net Assets**

June 30, 2012

|                                | <b>Governmental<br/>Activities</b> |
|--------------------------------|------------------------------------|
| <b>ASSETS</b>                  |                                    |
| <b>Current assets</b>          |                                    |
| Cash                           | \$ 21,688,611                      |
| Taxes receivable               | 3,424,272                          |
| Accounts receivable            | 46,915                             |
| Due from other governments     | 950,902                            |
| Inventory                      | 775,769                            |
| Prepaid expense                | 288,683                            |
| Total current assets           | <u>27,175,152</u>                  |
| <b>Noncurrent assets</b>       |                                    |
| Capital assets                 | 69,965,421                         |
| Less: accumulated depreciation | <u>(29,897,906)</u>                |
| Total noncurrent assets        | <u>40,067,515</u>                  |
| <b>Total assets</b>            | <u><u>\$ 67,242,667</u></u>        |

The accompanying notes to financial statements  
are an integral part to these statements.

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Statement of Net Assets

June 30, 2012

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Liabilities and Net Assets:</b>                 |                                    |
| <b>Liabilities</b>                                 |                                    |
| <b>Current liabilities</b>                         |                                    |
| Accounts payable                                   | \$ 1,405,370                       |
| Withholdings and related district fringes payable  | 1,249,129                          |
| Accrued interest                                   | 50,578                             |
| Accrued salaries and related items                 | 3,151,723                          |
| Due to other governments                           | 7                                  |
| Deferred revenues                                  | 52,090                             |
| Current portion of long-term debt                  | 1,830,000                          |
| Current portion of unamortized premium on issuance | 7,016                              |
| Current portion of unamortized deferred loan costs | <u>(6,467)</u>                     |
| <b>Total current liabilities</b>                   | <b>7,739,446</b>                   |
| <b>Noncurrent liabilities</b>                      |                                    |
| Long-term obligations                              | 3,486,752                          |
| Other post-employment benefits                     | 10,428,547                         |
| Unamortized premium on issuance                    | 12,278                             |
| Unamortized deferred loan costs                    | <u>(11,318)</u>                    |
| <b>Total noncurrent liabilities</b>                | <b><u>13,916,259</u></b>           |
| <b>Total liabilities</b>                           | <b>21,655,705</b>                  |
| <b>Net Assets</b>                                  |                                    |
| Invested in capital assets, net of related debt    | 34,962,515                         |
| Restricted for:                                    |                                    |
| Debt service                                       | 1,888,904                          |
| Food service                                       | 487,945                            |
| Other activities                                   | 1,133,050                          |
| Unrestricted                                       | <u>7,114,548</u>                   |
| <b>Total net assets</b>                            | <b><u>45,586,962</u></b>           |
| <b>Total liabilities and net assets</b>            | <b><u>\$ 67,242,667</u></b>        |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Activities**

Year Ended June 30, 2012

|                                    | <u>Program Revenues</u> |                     |                      | Net                 |
|------------------------------------|-------------------------|---------------------|----------------------|---------------------|
|                                    |                         |                     | Operating            | (Expenses)          |
|                                    | <u>Expenses</u>         | <u>Charges for</u>  | <u>Grants and</u>    | Revenues and        |
|                                    |                         | <u>Services</u>     | <u>Contributions</u> | Changes in          |
|                                    |                         |                     |                      | <u>Net Assets</u>   |
| <b>Governmental activities:</b>    |                         |                     |                      |                     |
| Instruction:                       |                         |                     |                      |                     |
| Regular instruction                | \$ 22,746,657           | \$ 3,834,069        | \$ 1,286,629         | \$ (17,625,959)     |
| Special education instruction      | 5,799,764               | 744,527             | 2,590,120            | (2,465,117)         |
| Vocational instruction             | 1,650,619               | ---                 | ---                  | (1,650,619)         |
| Other instruction                  | 2,098,765               | 205,366             | ---                  | (1,893,399)         |
| <b>Total instruction</b>           | <b>32,295,805</b>       | <b>4,783,962</b>    | <b>3,876,749</b>     | <b>(23,635,094)</b> |
| Support services:                  |                         |                     |                      |                     |
| Pupil services                     | 2,240,932               | ---                 | ---                  | (2,240,932)         |
| Instructional staff services       | 876,804                 | ---                 | 133,589              | (743,215)           |
| Administration services            | 4,133,381               | ---                 | ---                  | (4,133,381)         |
| Operation and maintenance of plant | 4,965,436               | 107,336             | ---                  | (4,858,100)         |
| Pupil transportation               | 1,993,566               | ---                 | 97,195               | (1,896,371)         |
| Central services                   | 850,522                 | ---                 | ---                  | (850,522)           |
| Other support services             | 2,141,967               | ---                 | ---                  | (2,141,967)         |
| Community services                 | 1,110,309               | 853,675             | ---                  | (256,634)           |
| Food service                       | 1,657,331               | 1,213,943           | 430,218              | (13,170)            |
| Interest on long-term debt         | 255,843                 | ---                 | ---                  | (255,843)           |
| Unallocated depreciation           | 2,504,976               | ---                 | ---                  | (2,504,976)         |
| <b>Total support services</b>      | <b>22,731,067</b>       | <b>2,174,954</b>    | <b>661,002</b>       | <b>(19,895,111)</b> |
| <br>                               |                         |                     |                      |                     |
| <b>Total school district</b>       | <b>\$ 55,026,872</b>    | <b>\$ 6,958,916</b> | <b>\$ 4,537,751</b>  | <b>(43,530,205)</b> |

**General revenues:**

Taxes:

|   |            |
|---|------------|
| Property taxes, levied for general purposes               | 28,238,843 |
| Property taxes, levied for debt service                   | 2,717,043  |
| Property taxes, levied for specific purposes              | 453,917    |
| Other taxes   | 402,724    |
| Federal and state aid not restricted to specific purposes |            |
| General   | 12,864,427 |
| Other   | 1,495,282  |
| Interest and investment earnings                          | 11,691     |
| Loss on disposal of assets                                | (4,962)    |
| Miscellaneous   | 70,768     |

Changes in net assets 2,719,528

Net assets - beginning of year 42,714,454

Prior period adjustment 152,980

Net assets - beginning of year as adjusted 42,867,434

Net assets - end of year \$ 45,586,962

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Balance Sheet  
Governmental Funds**

June 30, 2012

|   | <u>General</u>       | <u>Other<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|------------------------|---|
| <b>Assets:</b>                                    |                      |                        |   |
| Cash  | \$ 18,120,050        | \$ 3,568,561           | \$ 21,688,611                           |
| Taxes receivable                                  | 3,424,272            | ---                    | 3,424,272                               |
| Accounts receivable                               | 3,850                | 43,065                 | 46,915                                  |
| Due from other funds                              | 41,306               | ---                    | 41,306                                  |
| Due from other governments                        | 945,287              | 5,615                  | 950,902                                 |
| Inventory   | 775,769              | ---                    | 775,769                                 |
| Prepaid expense                                   | 288,683              | ---                    | 288,683                                 |
|   | <hr/>                |                        |   |
| <b>Total assets</b>                               | <b>\$ 23,599,217</b> | <b>\$ 3,617,241</b>    | <b>\$ 27,216,458</b>                    |
|   | <hr/>                |                        |   |
| <b>Liabilities and Fund Balances:</b>             |                      |                        |   |
| <b>Liabilities:</b>                               |                      |                        |   |
| Accounts payable                                  | \$ 1,400,650         | \$ 4,720               | \$ 1,405,370                            |
| Withholdings and related district fringes payable | 1,234,034            | 15,095                 | 1,249,129                               |
| Accrued payroll                                   | 3,146,193            | 5,530                  | 3,151,723                               |
| Due to other funds                                | ---                  | 41,306                 | 41,306                                  |
| Due to other governments                          | 7                    | ---                    | 7                                       |
| Deferred revenues                                 | 11,399               | 40,691                 | 52,090                                  |
|   | <hr/>                |                        |   |
| <b>Total liabilities</b>                          | <b>5,792,283</b>     | <b>107,342</b>         | <b>5,899,625</b>                        |
| <b>Fund Balances:</b>                             |                      |                        |   |
| Nonspendable                                      | 1,064,452            | ---                    | 1,064,452                               |
| Restricted  | ---                  | 2,595,044              | 2,595,044                               |
| Assigned  | ---                  | 914,855                | 914,855                                 |
| Unassigned  | 16,742,482           | ---                    | 16,742,482                              |
|   | <hr/>                |                        |   |
| <b>Total fund balances</b>                        | <b>17,806,934</b>    | <b>3,509,899</b>       | <b>21,316,833</b>                       |
|   | <hr/>                |                        |   |
| <b>Total liabilities and fund balances</b>        | <b>\$ 23,599,217</b> | <b>\$ 3,617,241</b>    | <b>\$ 27,216,458</b>                    |
|   | <hr/>                |                        |   |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets**

June 30, 2012

**Total fund balances - governmental funds** \$ 21,316,833

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

|                          |                     |            |
|--------------------------|---------------------|------------|
| Cost of the assets       | \$ 69,965,421       |            |
| Accumulated depreciation | <u>(29,897,906)</u> |            |
|                          |                     | 40,067,515 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

|                                 |                |             |
|---------------------------------|----------------|-------------|
| Bonds payable                   | 5,105,000      |             |
| Unamortized premium on issuance | 19,294         |             |
| Unamortized deferred loan costs | (17,785)       |             |
| Compensated absences            | <u>211,752</u> |             |
|                                 |                | (5,318,261) |

The District made less than the required annual contribution to fund their post-employment benefit liability resulting in a liability. The post-employment benefit liability is not currently payable and thus not reported in the governmental funds:

(10,428,547)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds

(50,578)

**Total net assets - governmental activities** \$ 45,586,962

The accompanying notes to financial statements are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

Year Ended June 30, 2012

|   | <u>General</u>       | <u>Non-major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|----------------------------|---|
| <b>Revenues:</b>                                      |                      |                            |   |
| Local   | \$ 29,428,000        | \$ 5,863,785               | \$ 35,291,785                           |
| Interdistrict payments within Wisconsin               | 2,733,904            | ---                        | 2,733,904                               |
| Intermediate sources                                  | 17,099               | ---                        | 17,099                                  |
| State   | 16,743,814           | 17,331                     | 16,761,145                              |
| Federal   | 2,463,945            | 412,887                    | 2,876,832                               |
| Other   | 70,598               | ---                        | 70,598                                  |
| <b>Total revenues</b>                                 | <u>51,457,360</u>    | <u>6,294,003</u>           | <u>57,751,363</u>                       |
| <br><b>Expenditures:</b>                              |                      |                            |   |
| Instruction   | 32,691,845           | 552,062                    | 33,243,907                              |
| Support Services                                      | 17,033,940           | 4,860,413                  | 21,894,353                              |
| <b>Total expenditures</b>                             | <u>49,725,785</u>    | <u>5,412,475</u>           | <u>55,138,260</u>                       |
| <b>Excess of revenues over expenditures</b>           | 1,731,575            | 881,528                    | 2,613,103                               |
| <br><b>Fund Balances - Beginning of year</b>          | 16,075,359           | 2,475,391                  | 18,550,750                              |
| <b>Prior period adjustment</b>                        | ---                  | 152,980                    | 152,980                                 |
| <b>Fund Balances - Beginning of year, as adjusted</b> | <u>16,075,359</u>    | <u>2,628,371</u>           | <u>18,703,730</u>                       |
| <br><b>Fund Balances - End of year</b>                | <u>\$ 17,806,934</u> | <u>\$ 3,509,899</u>        | <u>\$ 21,316,833</u>                    |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**

Year Ended June 30, 2012

**Total net change in fund balances - governmental funds** \$ 2,613,103

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. The amount by which depreciation expense exceeds capital outlays is as follows:

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation expense | \$ (2,504,976)   |           |
| Capital outlays      | <u>2,020,665</u> | (484,311) |

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (4,962)

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (2,137,879)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

|                            |                |           |
|----------------------------|----------------|-----------|
| Bonds payable              | 1,780,000      |           |
| Unfunded pension liability | <u>790,077</u> | 2,570,077 |

Amortization reduces the balance of the respective liability. The amortization is an expenditure in the statement of net assets, but is not shown in the governmental funds.

|                                      |                |     |
|--------------------------------------|----------------|-----|
| Unamortized premium on debt issuance | 7,016          |     |
| Unamortized deferred loan costs      | <u>(6,467)</u> | 549 |

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 145,587

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 17,364

**Change in net assets of governmental activities** \$ 2,719,528

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Fiduciary Net Assets**

June 30, 2012

|   | <u>Private</u><br><u>Purpose Trusts</u> | <u>Agency</u><br><u>Fund</u> |
|---|---|------------------------------|
| <b>Assets:</b>                          |   |                              |
| Cash                                    | \$ 13,010                               | \$ 118,247                   |
| Investments                             | 10,000                                  | ---                          |
| <b>Total assets</b>                     | <u>\$ 23,010</u>                        | <u>\$ 118,247</u>            |
| <br><b>Liabilities and Net Assets:</b>  |   |                              |
| Due to student groups                   | \$ ---                                  | \$ 118,247                   |
| <b>Total liabilities</b>                | ---                                     | 118,247                      |
| <br><b>Net assets:</b>                  |   |                              |
| Restricted                              | 23,010                                  | ---                          |
| <b>Total liabilities and net assets</b> | <u>\$ 23,010</u>                        | <u>\$ 118,247</u>            |

**Statement of Changes in Fiduciary Net Assets**

Year Ended June 30, 2012

|                                       | <u>Private</u><br><u>Purpose Trusts</u> |
|---------------------------------------|---|
| <b>Additions:</b>                     |   |
| Interest                              | \$ 2                                    |
| Gifts                                 | 8,649                                   |
| <b>Total additions</b>                | <u>8,651</u>                            |
| <br><b>Deductions:</b>                |   |
| Trust fund disbursements              | <u>9,000</u>                            |
| <b>Total deductions</b>               | <u>9,000</u>                            |
| <br><b>Change in net assets</b>       | <br>(349)                               |
| <br><b>Net assets - June 30, 2011</b> | <br><u>23,359</u>                       |
| <b>Net assets - June 30, 2012</b>     | <u><u>\$ 23,010</u></u>                 |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Franklin Public School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Franklin Public School District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

**B. Component Units**

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-Wide Statements**

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statements**

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

The District reports the following major governmental funds:

**General Fund** - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. This fund includes activities associated with providing educational programs for students with disabilities.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund.

**D. Measurement Focus and Basis of Accounting**

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Using ninety days minimizes the likelihood that any of the funds will unnecessarily reflect a deficit fund balance. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

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

State statutes permit the District to invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

**F. Receivables and Payables**

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, Milwaukee County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**G. Interfund Transactions**

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2012 are as follows:

| <b>Purpose</b>   | <b>Receivable Fund</b> | <b>Payable Fund</b>    | <b>Amount</b> |
|------------------|------------------------|------------------------|---------------|
| Transfers:       |                        |                        |               |
| None             |                        |                        |               |
| Due to/from:     |                        |                        |               |
| Special Projects | General                | Other Special Projects | \$ 41,306     |

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

|                            | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings and improvements | \$ 1,000                            | Straight-line                  | 20 - 60 years                    |
| Equipment and furniture    | 1,000                               | Straight-line                  | 6 - 20 years                     |

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance – Governmental Funds**

Beginning with the fiscal year ending June 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable – Amounts that cannot be spent because they are either not in spendable form (i.e. convertible into cash) or legally required to be maintained intact.
- Restricted – Either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board.
- Assigned – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The School Board has delegated authority to assign fund balance for a specific purpose to the Director of Business Services.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**J. Fund Balance – Governmental Funds (Continued)**

- Unassigned – The residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

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

Unused accumulated employee sick and vacation days are paid out upon retirement or termination of employment not to exceed a maximum number of days. The District accrued the vacation and sick leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

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

**L. Estimates**

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

**M. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies and equipment held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed or placed in service.

**N. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed November 30, 2012. The following subsequent events require disclosure:

In September 2012, Act 10 was overturned in county court. The State of Wisconsin plans to appeal this decision. Management is uncertain as to the effects this will have on the District.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**N. Subsequent Events (Continued)**

The District passed a referendum on November 6, 2012 that there shall be issued general obligation bonds in an amount not to exceed \$12,600,000 for the public purpose of paying the cost of constructing an auditorium addition for school and community use and music instruction and various renovation projects at the Franklin High School including expanding art instruction space; parking lot expansion; relocating athletic practice fields; and acquiring equipment, furnishings and fixtures.

The District also passed a referendum on November 6, 2012 that there shall be issued general obligation bonds in an amount not to exceed \$20,400,000 for the public purpose of paying the cost of constructing an academic addition with a secure main entrance to and remodeling and renovation projects including expansion of science facilities at Franklin High School; parking lot expansion; and acquiring equipment, furnishings and fixtures.

**2. Cash and Investments**

Cash and equivalents and investments as shown on the District's statement of net assets are subject to the following risks:

|                                  | <u>Amount</u> | <u>Risks</u>             |
|----------------------------------|---------------|--------------------------|
| Cash and cash equivalents        |               |                          |
| Demand deposits                  | \$ 19,671,734 | Custodial                |
| Certificate of deposits          | 10,000        | Custodial                |
| Local government investment pool | 2,148,134     | Interest rate and credit |
| Total cash and equivalents       | \$ 21,829,868 |                          |

The District's cash and equivalents are reported in the financial statements as follows:

|                                    |               |
|------------------------------------|---------------|
| Statement of net assets:           |               |
| Cash                               | \$ 21,688,611 |
| Statement of fiduciary net assets: |               |
| Cash                               | 131,257       |
| Investments                        | 10,000        |
| Total cash and equivalents         | \$ 21,829,868 |

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**2. Cash and Investments (Continued)**

- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

Deposits in each local bank and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution. Deposits and the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per district. 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 school districts.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits and certificate of deposits were \$19,681,734 at June 30, 2012 and the bank's carrying value was \$19,969,753, of which \$4,583,582 was fully insured and or collateralized and \$15,386,171 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

**Custodial Risk – Investment:** Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

The Local Government Investment Pool does not have a credit quality rating. It is part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operated under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Funds invested in the LGIP are due to the District on demand. The District has relied on data provided by the LGIP for the valuation of pooled investments.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**3. Short-Term Notes Payable**

Short-term notes payable at June 30, 2012 are as follows:

| <u>Balance</u><br><u>July 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>June 30, 2012</u> |
|---------------------------------------|------------------|-------------------|--|
| \$ 2,500,000                          | \$ -             | \$ 2,500,000      | \$ -                                   |

The note was dated December 23, 2010 and was due July 29, 2012, for \$2,500,000 with an interest rate of 1.00%. Interest for the year ended June 30, 2012 was \$1,986. The note was for general district operation.

**4. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

|   | <u>Balance</u><br><u>July 1, 2011</u> | <u>Additions</u>    | <u>Reductions</u> | <u>Balance</u><br><u>June 30, 2012</u> |
|---|---------------------------------------|---------------------|-------------------|--|
| Governmental activities:  |                                       |                     |                   |  |
| Capital assets not being depreciated:                                   |                                       |                     |                   |  |
| Sites   | \$ 1,168,510                          | \$ ---              | \$ ---            | \$ 1,168,510                           |
| Capital assets being depreciated:                                       |                                       |                     |                   |  |
| Buildings and improvements  | 53,699,546                            | 452,200             | ---               | 54,151,746                             |
| Equipment   | 13,126,150                            | 1,568,465           | 49,450            | 14,645,165                             |
| Total being depreciated   | 66,825,696                            | 2,020,665           | 49,450            | 68,796,911                             |
| Less accumulated depreciation   | 27,437,418                            | 2,504,976           | 44,488            | 29,897,906                             |
| Total being depreciated, net  | 39,388,278                            | (484,311)           | 4,962             | 38,899,005                             |
| Governmental activities capital assets, net of accumulated depreciation | <u>\$ 40,556,788</u>                  | <u>\$ (484,311)</u> | <u>\$ 4,962</u>   | <u>\$ 40,067,515</u>                   |

Depreciation of \$2,504,976 was expensed to unallocated depreciation for the Government activities on the statement of activities.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**5. Long-Term Liabilities**

Long-term liabilities of the District are as follows:

| <u>Type</u>                    | Balance<br>July 1,<br>2011 | <u>Additions</u>    | <u>Reductions</u>   | Balance<br>June 30,<br>2012 | Amounts<br>due within<br>one year |
|--------------------------------|----------------------------|---------------------|---------------------|-----------------------------|-----------------------------------|
| G.O. Bonds                     | \$ 6,885,000               | \$ ---              | \$ 1,780,000        | \$ 5,105,000                | \$ 1,830,000                      |
| Compensated absences           | 357,339                    | 2,869               | 148,456             | 211,752                     | ---                               |
| Prior service liability - WRS  | 790,077                    | ---                 | 790,077             | ---                         | ---                               |
| Other post-employment benefits | 8,290,668                  | 4,247,145           | 2,109,266           | 10,428,547                  | ---                               |
| <b>Total</b>                   | <b>\$ 16,323,084</b>       | <b>\$ 4,250,014</b> | <b>\$ 4,827,799</b> | <b>\$ 15,745,299</b>        | <b>\$ 1,830,000</b>               |

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2012 on long-term liabilities was \$271,770 and \$254,406, respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2012 is comprised of the following individual issues:

| <u>Description</u>               | <u>Issue<br/>Dates</u> | <u>Interest<br/>Rates %</u> | <u>Dates of<br/>Maturity</u> | Balance<br>June 30<br>2012 |
|----------------------------------|------------------------|-----------------------------|------------------------------|----------------------------|
| \$3,965,000 G.O. Refunding Bond  | 03/12/2008             | 3.00-3.25%                  | 04/01/2015                   | \$ 2,195,000               |
| \$13,045,000 G.O. Refunding Bond | 09/15/2003             | 3.50-5.00%                  | 04/01/2017                   | 2,910,000                  |
|                                  |                        |                             |                              | <u>\$ 5,105,000</u>        |

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,730,520,438. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

|   |                       |
|---|-----------------------|
| Debt limit (10% of \$2,730,520,438)             | \$ 273,052,044        |
| Deduct long-term debt applicable to debt margin | 5,105,000             |
| Margin of indebtedness                          | <u>\$ 267,947,044</u> |

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**5. Long-Term Liabilities (Continued)**

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2012 follow:

| Year Ended<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-------------------------------|---------------------|-------------------|---------------------|
| 2013                          | \$ 1,830,000        | \$ 202,315        | \$ 2,032,315        |
| 2014                          | 1,890,000           | 129,580           | 2,019,580           |
| 2015                          | 1,385,000           | 53,075            | 1,438,075           |
|                               | <u>\$ 5,105,000</u> | <u>\$ 384,970</u> | <u>\$ 5,489,970</u> |

In prior years, the District defeased bonds by placing the funds in escrow sufficient to meet the future debt service requirements as they become due. The remaining principal balance of the refunded issues totaled \$16,585,000. Accordingly, the trust account assets and liability for the defeased debt is not included in the District's financial statements. \$10,265,000 of the defeased bonds remained outstanding as of June 30, 2012.

**6. Excess of Actual Expenditures Over Budget in Individual Funds**

The following major fund functions had an excess of actual expenditures over budget for the year ended June 30, 2012:

General Fund:

|                             |            |
|-----------------------------|------------|
| Undifferentiated curriculum | \$ 497,318 |
| Vocational curriculum       | 45,976     |

Special Education Fund:

|                                  |           |
|----------------------------------|-----------|
| Purchased Instructional Services | \$ 36,598 |
|----------------------------------|-----------|

**7. Fund Balances**

As of June 30, 2012, fund balances are composed of the following:

|  |                      |
|--|----------------------|
| General fund:                                |                      |
| Nonspendable prepaid expenses and inventory  | \$ 1,064,452         |
| Unassigned                                   | 16,742,482           |
| Restricted for special revenue trust         | 218,195              |
| Restricted for other debt service retirement | 1,888,904            |
| Restricted for food service programs         | 487,945              |
| Assigned for community service               | 914,855              |
| Total  | <u>\$ 21,316,833</u> |

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**8. Employee Retirement Plans**

All eligible Franklin Public School District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teacher 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 2011 are:

|   | <u>Employee</u> | <u>Employer</u> |
|---|-----------------|-----------------|
| <b>General (including Teachers)</b>       | 5.8%            | 5.8%            |
| <b>Executives &amp; Elected Officials</b> | 6.65%           | 6.65%           |
| <b>Protective with Social Security</b>    | 5.8%            | 5.8%            |
| <b>Protective without Social Security</b> | 5.8%            | 11.2%           |

The payroll for Franklin Public School District employees covered by the WRS for the year ended June 30, 2012 was \$26,655,390; the employer's total payroll was \$27,802,964. The total required contribution for the year ended December 31, 2012 was \$3,265,018, which consisted of \$1,702,323, or 6.4% of payroll from the employer and \$1,562,695, or 5.9% of payroll from employees. Total contributions for the year ending June 30, 2011 and 2010 were \$3,363,496 and \$3,187,298, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65, (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**9. Other Post-Employment Benefits**

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the later commonly referred to as an implicit rate subsidy. Employees participating in the OPEB benefit consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

|                                   |            |
|-----------------------------------|------------|
| Retirees                          | 73         |
| Actives                           | 338        |
| Number of participating employees | <u>411</u> |

For fiscal year 2012, the District paid \$1,626,390 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2012 in the amount of \$482,876.

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial 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 Retiree Health Plan:

|  |                      |
|--|----------------------|
| Annual required contribution               | \$ 4,235,374         |
| Interest on net OPEB obligation            | 331,627              |
| Adjustment to annual required contribution | <u>(319,856)</u>     |
| Annual OPEB cost (expense)                 | 4,247,145            |
| Contributions made                         | <u>(2,109,266)</u>   |
| Increase in net OPEB obligation            | 2,137,879            |
| Net OPEB obligation – beginning of year    | 8,290,668            |
| Net OPEB obligation – end of year          | <u>\$ 10,428,547</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 were as follows:

| <b>Fiscal Year Ended</b> | <b>Annual OPEB Cost</b> | <b>Percentage of Annual OPEB Cost Contributed</b> | <b>Net OPEB Obligation (asset)</b> |
|--------------------------|-------------------------|---|------------------------------------|
| 2012                     | \$ 4,247,145            | 49.66%  | \$ 10,428,547                      |
| 2011                     | 4,243,272               | 35.71%  | 8,290,668                          |
| 2010                     | 3,932,029               | 34.20%  | 5,562,792                          |

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$30,963,136, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,963,136.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**9. Other Post-Employment Benefits (Continued)**

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

The accompanying schedules of employer contributions present 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 Statements 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to 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. Additional information as of the latest actuarial valuation follows:

|                               |   |
|-------------------------------|---|
| Actuarial valuation date      | 7/1/2010  |
| Actuarial cost method         | Unit credit                                       |
| Amortization method           | 30 year open level dollar & percentage of payroll |
| Remaining amortization period | 30 years  |
| Actuarial value of assets     | Market value                                      |
| Actuarial assumptions*:       |   |
| Investment rate of return     | 4.00%   |
| Salary increases              | 4.00%   |

**10. GASB Statement No. 68, Accounting and Financial Reporting for Pensions**

The Government Accounting Standards Board has issued Statement No. 68 which will require the District to disclose their net stipend liability on their statement of net assets, effective for the year ending June 30, 2015. GASB Statement No. 68 defines the liability as the difference between the total stipend liability and the value of assets set aside to pay benefits. This statement will have a material effect on the District's stipend liability compared to what is disclosed under current standards. As of July 1, 2010, the most recent actuarial valuation date, the District's net stipend liability, as defined by GASB Statement No. 68 was \$2,157,536.

**11. Limitation on School District Revenues**

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2012  
(Continued)

**12. Risk Management**

The Franklin Public School 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.

**13. Litigation**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2012, are not likely to have a material adverse impact on the District's financial position.

**14. Unsettled Contracts**

As of June 30, 2010, the District and certified staff have been unable to reach agreement on a new contract to replace the contract which expired on June 30, 2011. No negotiations regarding contract renewal have occurred. Because the District's liability cannot be estimated, no accrual has been made at June 30, 2012. The contract was subsequently settled at the end of October 2012.

**15. Prior Period Adjustment**

An adjustment has been made to the June 30, 2011 net assets in the Special Revenue Trust. This adjustment was made to account for District activity funds, which technically were not student activity funds and did not belong in the Agency Fund. The \$152,980 adjustment represents the balance transferred from the Agency Fund to the Special Revenue Trust.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Funding Progress**  
June 30, 2012

**Schedule of Funding Progress**

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Unfunded AAL (UAAL)</b> | <b>Funded Ratio</b> | <b>Covered Payroll</b> | <b>UAAL as a Percentage of Covered Payroll</b> |
|---------------------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| 7/1/2008                        | \$ ---                           | \$ 32,554,990                            | \$ 32,554,990              | 0.00%               | \$ 25,582,740          | 127.25%  |
| 7/1/2010                        | \$ ---                           | \$ 30,963,136                            | \$ 30,963,136              | 0.00%               | \$ 26,251,518          | 117.95%  |

The District is required to present the above information for the three most recent actuarial studies. The above-referenced study was performed as of July 1, 2010 and was the second study performed. Once there have been three actuarial studies completed, information pertaining to the three most recent actuarial studies will be presented.

The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**  
Year Ended June 30, 2012

| <b>Year Ended June 30,</b> | <b>Annual Required Contribution</b> | <b>Actual Contribution</b> | <b>Percent Contributed</b> |
|----------------------------|-------------------------------------|----------------------------|----------------------------|
| 2010                       | \$ 3,932,029                        | \$ 1,344,629               | 34.20%                     |
| 2011                       | 4,243,272                           | 1,515,396                  | 35.71%                     |
| 2012                       | 4,247,145                           | 2,109,266                  | 49.66%                     |

See Independent Auditors' Report

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2012

|  | <u>Fund 10 - Budget</u> |                      | <u>Fund 27 - Budget</u> |                    | <u>Combined Budget Amounts</u> |                      | <u>Actual</u>        | <u>Variance</u>                          |
|--|-------------------------|----------------------|-------------------------|--------------------|--------------------------------|----------------------|----------------------|--|
|  | <u>Original</u>         | <u>Final</u>         | <u>Original</u>         | <u>Final</u>       | <u>Original</u>                | <u>Final</u>         |                      | <u>Favorable</u><br><u>(Unfavorable)</u> |
| <b>Revenues:</b>   |                         |                      |                         |                    |                                |                      |                      |  |
| Local  | \$ 29,110,138           | \$ 29,110,138        | \$ ---                  | \$ ---             | \$ 29,110,138                  | \$ 29,110,138        | \$ 29,428,000        | \$ 317,862                               |
| Interdistrict payments within Wisconsin                  | 2,563,864               | 2,563,864            | 337,301                 | 337,301            | 2,901,165                      | 2,901,165            | 2,733,904            | (167,261)                                |
| Intermediate sources                                     | ---                     | ---                  | 819,762                 | ---                | 819,762                        | ---                  | 17,099               | 17,099                                   |
| State  | 15,027,579              | 15,027,579           | 1,600,000               | 1,600,000          | 16,627,579                     | 16,627,579           | 16,743,814           | 116,235                                  |
| Federal  | 1,340,448               | 1,362,296            | 280,551                 | 1,120,905          | 1,620,999                      | 2,483,201            | 2,463,945            | (19,256)                                 |
| Other  | 27,000                  | 27,000               | ---                     | ---                | 27,000                         | 27,000               | 70,598               | 43,598                                   |
| <b>Total revenues</b>                                    | <b>48,069,029</b>       | <b>48,090,877</b>    | <b>3,037,614</b>        | <b>3,058,206</b>   | <b>51,106,643</b>              | <b>51,149,083</b>    | <b>51,457,360</b>    | <b>308,277</b>                           |
| <b>Expenditures:</b>                                     |                         |                      |                         |                    |                                |                      |                      |  |
| Instruction  | 27,691,732              | 27,708,311           | 5,527,505               | 5,651,935          | 33,219,237                     | 33,360,246           | 32,691,845           | 668,401                                  |
| Support Services   | 16,011,186              | 16,016,585           | 1,876,220               | 1,772,382          | 17,887,406                     | 17,788,967           | 17,033,940           | 755,027                                  |
| <b>Total expenditures</b>                                | <b>43,702,918</b>       | <b>43,724,896</b>    | <b>7,403,725</b>        | <b>7,424,317</b>   | <b>51,106,643</b>              | <b>51,149,213</b>    | <b>49,725,785</b>    | <b>1,423,428</b>                         |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>4,366,111</b>        | <b>4,365,981</b>     | <b>(4,366,111)</b>      | <b>(4,366,111)</b> | <b>---</b>                     | <b>(130)</b>         | <b>1,731,575</b>     | <b>1,731,705</b>                         |
| <b>Other Financing Sources (uses):</b>                   |                         |                      |                         |                    |                                |                      |                      |  |
| Operating transfers                                      | (4,366,111)             | (4,366,111)          | 4,366,111               | 4,366,111          | ---                            | ---                  | ---                  | ---                                      |
| <b>Total other financing sources (uses)</b>              | <b>(4,366,111)</b>      | <b>(4,366,111)</b>   | <b>4,366,111</b>        | <b>4,366,111</b>   | <b>---</b>                     | <b>---</b>           | <b>---</b>           | <b>---</b>                               |
| <b>Net change in fund balances</b>                       | <b>---</b>              | <b>(130)</b>         | <b>---</b>              | <b>---</b>         | <b>---</b>                     | <b>(130)</b>         | <b>1,731,575</b>     | <b>1,731,705</b>                         |
| <b>Fund Balances - Beginning of year</b>                 | <b>16,075,359</b>       | <b>16,075,359</b>    | <b>---</b>              | <b>---</b>         | <b>16,075,359</b>              | <b>16,075,359</b>    | <b>16,075,359</b>    | <b>---</b>                               |
| <b>Fund Balances - End of year</b>                       | <b>\$ 16,075,359</b>    | <b>\$ 16,075,229</b> | <b>\$ ---</b>           | <b>\$ ---</b>      | <b>\$ 16,075,359</b>           | <b>\$ 16,075,229</b> | <b>\$ 17,806,934</b> | <b>\$ 1,731,705</b>                      |

The accompanying notes to financial statements  
are an integral part to these statements.

**OTHER SUPPLEMENTARY INFORMATION**

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2012

|   | <u>Special<br/>Revenue<br/>Trust</u> | <u>Other<br/>Special<br/>Projects</u> | <u>Debt<br/>Service</u> | <u>Food<br/>Service</u> | <u>Community<br/>Service</u> | <u>Total</u>            |
|---|--------------------------------------|---------------------------------------|-------------------------|-------------------------|------------------------------|-------------------------|
| <b>Assets:</b>                                    |                                      |                                       |                         |                         |                              |                         |
| Cash  | \$ 217,260                           | \$ ---                                | \$ 1,888,904            | \$ 535,553              | \$ 926,844                   | \$ 3,568,561            |
| Accounts receivable                               | 1,759                                | 41,306                                | ---                     | ---                     | ---                          | 43,065                  |
| Due from other governments                        | ---                                  | ---                                   | ---                     | 5,615                   | ---                          | 5,615                   |
| <b>Total assets</b>                               | <b>\$ 219,019</b>                    | <b>\$ 41,306</b>                      | <b>\$ 1,888,904</b>     | <b>\$ 541,168</b>       | <b>\$ 926,844</b>            | <b>\$ 3,617,241</b>     |
| <br>  |                                      |                                       |                         |                         |                              |                         |
| <b>Liabilities and Fund Balances:</b>             |                                      |                                       |                         |                         |                              |                         |
| <b>Liabilities:</b>                               |                                      |                                       |                         |                         |                              |                         |
| Accounts payable                                  | \$ 824                               | \$ ---                                | \$ ---                  | \$ 1,201                | \$ 2,695                     | \$ 4,720                |
| Withholdings and related district fringes payable | ---                                  | ---                                   | ---                     | 7,657                   | 7,438                        | 15,095                  |
| Accrued payroll                                   | ---                                  | ---                                   | ---                     | 5,530                   | ---                          | 5,530                   |
| Due to other funds                                | ---                                  | 41,306                                | ---                     | ---                     | ---                          | 41,306                  |
| Deferred revenues                                 | ---                                  | ---                                   | ---                     | 38,835                  | 1,856                        | 40,691                  |
| <b>Total liabilities</b>                          | <b>824</b>                           | <b>41,306</b>                         | <b>---</b>              | <b>53,223</b>           | <b>11,989</b>                | <b>107,342</b>          |
| <br>  |                                      |                                       |                         |                         |                              |                         |
| <b>Fund Balances:</b>                             |                                      |                                       |                         |                         |                              |                         |
| Restricted  | 218,195                              | ---                                   | 1,888,904               | 487,945                 | ---                          | 2,595,044               |
| Assigned  | ---                                  | ---                                   | ---                     | ---                     | 914,855                      | 914,855                 |
| <b>Total fund balances</b>                        | <b>218,195</b>                       | <b>---</b>                            | <b>1,888,904</b>        | <b>487,945</b>          | <b>914,855</b>               | <b>3,509,899</b>        |
| <br><b>Total liabilities and fund balances</b>    | <br><b>\$ 219,019</b>                | <br><b>\$ 41,306</b>                  | <br><b>\$ 1,888,904</b> | <br><b>\$ 541,168</b>   | <br><b>\$ 926,844</b>        | <br><b>\$ 3,617,241</b> |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Nonmajor Governmental Funds**

Year Ended June 30, 2012

|  | <u>Special<br/>Revenue<br/>Trust</u> | <u>Other<br/>Special<br/>Projects</u> | <u>Debt<br/>Service</u> | <u>Food<br/>Service</u> | <u>Community<br/>Service</u> | <u>Total</u>        |
|--|--------------------------------------|---------------------------------------|-------------------------|-------------------------|------------------------------|---------------------|
| <b>Revenues:</b>   |                                      |                                       |                         |                         |                              |                     |
| Local  | \$ 561,428                           | \$ 61,900                             | \$ 2,718,922            | \$ 1,213,943            | \$ 1,307,592                 | \$ 5,863,785        |
| State  | ---                                  | ---                                   | ---                     | 17,331                  | ---                          | 17,331              |
| Federal  | ---                                  | ---                                   | ---                     | 412,887                 | ---                          | 412,887             |
| <b>Total revenues</b>  | <u>561,428</u>                       | <u>61,900</u>                         | <u>2,718,922</u>        | <u>1,644,161</u>        | <u>1,307,592</u>             | <u>6,294,003</u>    |
| <b>Expenditures:</b>   |                                      |                                       |                         |                         |                              |                     |
| Instruction:   | 490,162                              | 61,900                                | ---                     | ---                     | ---                          | 552,062             |
| Support Services:  | 48,067                               | ---                                   | 2,051,770               | 1,648,948               | 1,111,628                    | 4,860,413           |
| <b>Total expenditures</b>                                    | <u>538,229</u>                       | <u>61,900</u>                         | <u>2,051,770</u>        | <u>1,648,948</u>        | <u>1,111,628</u>             | <u>5,412,475</u>    |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | 23,199                               | ---                                   | 667,152                 | (4,787)                 | 195,964                      | 881,528             |
| <b>Fund Balances - Beginning of year</b>                     | 42,016                               | ---                                   | 1,221,752               | 492,732                 | 718,891                      | 2,475,391           |
| <b>Prior period adjustment</b>                               | 152,980                              | ---                                   | ---                     | ---                     | ---                          | 152,980             |
| <b>Fund Balances - Beginning of year, as adjusted</b>        | <u>194,996</u>                       | <u>---</u>                            | <u>1,221,752</u>        | <u>492,732</u>          | <u>718,891</u>               | <u>2,628,371</u>    |
| <b>Fund Balances - End of year</b>                           | <u>\$ 218,195</u>                    | <u>\$ ---</u>                         | <u>\$ 1,888,904</u>     | <u>\$ 487,945</u>       | <u>\$ 914,855</u>            | <u>\$ 3,509,899</u> |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**

June 30, 2012

|                                    | <u>Balance</u>       |           | <u>Additions</u> |           | <u>Deductions</u> |           | <u>Balance</u>       |
|------------------------------------|----------------------|-----------|------------------|-----------|-------------------|-----------|----------------------|
|                                    | <u>June 30, 2011</u> |           |                  |           |                   |           | <u>June 30, 2012</u> |
| <b>Assets:</b>                     |                      |           |                  |           |                   |           |                      |
| Cash                               | \$ 242,461           | \$        | 743,551          | \$        | 867,765           | \$        | 118,247              |
| <b>Total assets</b>                | <u>\$ 242,461</u>    | <u>\$</u> | <u>743,551</u>   | <u>\$</u> | <u>867,765</u>    | <u>\$</u> | <u>118,247</u>       |
| <b>Liabilities and Net Assets:</b> |                      |           |                  |           |                   |           |                      |
| Due to student organizations       |                      |           |                  |           |                   |           |                      |
| Ben Franklin Elementary School     | \$ 808               | \$        | 13,851           | \$        | 13,573            | \$        | 1,086                |
| Country Dale Elementary School     | 2,814                |           | 4,427            |           | 5,489             |           | 1,752                |
| Pleasant View Elementary School    | 2,691                |           | 3,357            |           | 2,893             |           | 3,155                |
| Robinwood Elementary School        | 8,570                |           | 19,792           |           | 23,979            |           | 4,383                |
| Southwood Glen Elementary School   | 4,168                |           | 6,291            |           | 9,924             |           | 535                  |
| Forest Park Middle School          | 33,975               |           | 84,793           |           | 91,983            |           | 26,785               |
| Franklin High School               | 189,435              |           | 611,040          |           | 719,924           |           | 80,551               |
| <b>Total liabilities</b>           | <u>\$ 242,461</u>    | <u>\$</u> | <u>743,551</u>   | <u>\$</u> | <u>867,765</u>    | <u>\$</u> | <u>118,247</u>       |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Schedule of Expenditures of State Awards**

Year Ended June 30, 2012

| <b>Awarding Agency</b>                      | <b>State</b>         | <b>Accrued or</b>        |                      |                        | <b>State</b>               | <b>Accrued or</b>        |
|---|----------------------|--------------------------|----------------------|------------------------|----------------------------|--------------------------|
| <b>Pass-Through Agency</b>                  | <b>I.D.</b>          | <b>(Deferred)</b>        |                      |                        | <b>Disbursements/</b>      | <b>(Deferred)</b>        |
| <b><u>Award Description</u></b>             | <b><u>Number</u></b> | <b><u>Revenue at</u></b> | <b><u>7/1/11</u></b> | <b><u>Receipts</u></b> | <b><u>Expenditures</u></b> | <b><u>Revenue at</u></b> |
|   |                      |                          |                      |                        |                            | <b><u>6/30/12</u></b>    |
| <b>WI Dept. of Public Instruction</b>       |                      |                          |                      |                        |                            |                          |
| <b>Entitlement Programs</b>                 |                      |                          |                      |                        |                            |                          |
| Special education and school-age parents ** | 255.101              | \$ ---                   | \$ 1,660,075         |                        | \$ 1,660,075               | \$ ---                   |
| State school lunch                          | 255.102              | ---                      | 17,331               |                        | 17,331                     | ---                      |
| Common school fund library aid              | 255.103              | ---                      | 133,589              |                        | 133,589                    | ---                      |
| Bilingual/bicultural aid                    | 255.106              | ---                      | 3,167                |                        | 3,167                      | ---                      |
| Pupil transportation                        | 255.107              | ---                      | 97,195               |                        | 97,195                     | ---                      |
| Equalization aids                           | 255.201              | 241,383                  | 14,049,110           |                        | 14,049,268                 | 241,541                  |
| Special adjustment aid                      | 255.203              | ---                      | 550,602              |                        | 550,602                    | ---                      |
| Integration aid-nonresident                 | 255.204              | ---                      | 1,431,181            |                        | 1,431,181                  | ---                      |
| High cost special education aid             | 255.210              | ---                      | 35,015               |                        | 35,015                     | ---                      |
| Advanced placement costs                    | 255.330              | 14,947                   | 14,947               |                        | ---                        | ---                      |
| Mentoring grants for initial educators      | 255.355              | ---                      | 4,680                |                        | 4,680                      | ---                      |
| General tuition payments by state           | 255.401              | ---                      | 450,384              |                        | 450,384                    | ---                      |
|   |                      |                          | 256,330              | 18,447,276             | 18,432,487                 | 241,541                  |
| Passed through CESA #1:                     |                      |                          |                      |                        |                            |                          |
| Special education and school-age parents    | 255.101              | ---                      | 14,527               |                        | 14,527                     | ---                      |
| AODA mini grant                             | 255.306              | ---                      | 892                  |                        | 892                        | ---                      |
| Passed through School District of Elmbrook: |                      |                          |                      |                        |                            |                          |
| Special education                           | 255.101              | ---                      | 34,441               |                        | 34,441                     | ---                      |
| High cost special education aid             | 255.210              | ---                      | 578                  |                        | 578                        | ---                      |
| Passed through Oak Creek / Franklin Vision: |                      |                          |                      |                        |                            |                          |
| Special education and school-age parents    | 255.101              | ---                      | 7,000                |                        | 7,000                      | ---                      |
| Passed through MPS:                         |                      |                          |                      |                        |                            |                          |
| Chapter 220                                 | 255.204              | 3,095                    | 1,477                |                        | ---                        | 1,618                    |
| <b>Total</b>                                |                      |                          | <u>\$ 259,425</u>    | <u>\$ 18,506,191</u>   | <u>\$ 18,489,925</u>       | <u>\$ 243,159</u>        |

\*\* Total DPI aidable expenditures for the year ended June 30, 2012 were \$5,862,909.

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2012

| <b>Awarding Agency</b>  | <b>Federal</b> | <b>Accrued or</b> |                     | <b>Federal</b>        | <b>Accrued or</b> |
|---|----------------|-------------------|---------------------|-----------------------|-------------------|
| <b>Pass-Through Agency</b>                                    | <b>Catalog</b> | <b>(Deferred)</b> |                     | <b>Disbursements/</b> | <b>(Deferred)</b> |
| <b>Award Description</b>                                      | <b>Number</b>  | <b>Revenue at</b> | <b>Receipts</b>     | <b>Expenditures</b>   | <b>Revenue at</b> |
|   |                | <b>7/1/11</b>     |                     |                       | <b>6/30/12</b>    |
| <b>U.S. Department of Agriculture</b>                         |                |                   |                     |                       |                   |
| Passed through Wisconsin Department of Public Instruction:    |                |                   |                     |                       |                   |
| Nutrition Cluster:  |                |                   |                     |                       |                   |
| Donated Commodities   | 10.555         | \$ ---            | \$ 109,126          | \$ 109,126            | \$ ---            |
| Food Service Aid - Lunch                                      | 10.555         | 8,397             | 306,543             | 303,761               | 5,615             |
| <b>Total U.S. Department of Agriculture</b>                   |                | <b>8,397</b>      | <b>415,669</b>      | <b>412,887</b>        | <b>5,615</b>      |
| <b>U.S. Department of Education</b>                           |                |                   |                     |                       |                   |
| Title I, Part A Cluster:                                      |                |                   |                     |                       |                   |
| Passed through Wisconsin Department of Public Instruction:    |                |                   |                     |                       |                   |
| ESEA Title I-A Basic  | 84.010         | 22,625            | 109,620             | 110,854               | 23,859            |
| Passed through Milwaukee Public Schools:                      |                |                   |                     |                       |                   |
| ESEA Title I-A Basic  | 84.010         | ---               | 3,236               | 3,236                 | ---               |
| Title I, Part A Cluster Subtotal                              |                | 22,625            | 112,856             | 114,090               | 23,859            |
| Passed through Wisconsin Department of Public Instruction:    |                |                   |                     |                       |                   |
| Special Education Cluster:                                    |                |                   |                     |                       |                   |
| Idea Flow Through High Cost                                   | 84.027         | ---               | 27,755              | 27,755                | ---               |
| Idea Flow Through Entitlement                                 | 84.027         | 130,237           | 808,534             | 746,902               | 68,605            |
| Idea Preschool Entitlement                                    | 84.173         | 5,802             | 21,796              | 18,609                | 2,615             |
| ARRA-IDEA Flow Through  | 84.391         | 4,174             | 48,110              | 43,936                | ---               |
| ARRA-IDEA Preschool Entitlement                               | 84.392         | 22,617            | 22,617              | ---                   | ---               |
| Special Education Cluster Subtotal                            |                | 162,830           | 928,812             | 837,202               | 71,220            |
| Title IV-A Safe and Drug Free Schools Act                     | 84.186         | 9                 | 9                   | ---                   | ---               |
| ESEA Title III-A English Language Acquisition                 | 84.365         | 6,924             | 29,547              | 22,715                | 92                |
| ESEA Title II-A Teacher Principal Training                    | 84.367         | 27,083            | 85,915              | 75,729                | 16,897            |
| ARRA-ESEA Title II-D Education Technology Formula             | 84.386         | ---               | 1,602               | 1,602                 | ---               |
| Passed through St. Francis School District:                   |                |                   |                     |                       |                   |
| Vocational Education- Basic Grants - to States (Carl Perkins) | 84.048         | ---               | 5,949               | 5,949                 | ---               |
| Passed through Wisconsin Department of Administration:        |                |                   |                     |                       |                   |
| Education Jobs Fund   | 84.410         | 65,036            | 897,731             | 1,057,805             | 225,110           |
| <b>Total U.S. Department of Education</b>                     |                | <b>284,507</b>    | <b>2,062,421</b>    | <b>2,115,092</b>      | <b>337,178</b>    |
| <b>U.S. Department of Health and Human Services</b>           |                |                   |                     |                       |                   |
| Passed through Wisconsin Medicaid and Badgercare Programs:    |                |                   |                     |                       |                   |
| Medical Assistance Program                                    | 93.778         | ---               | 358,039             | 358,039               | ---               |
| Passed through School District of Elmbrook:                   |                |                   |                     |                       |                   |
| Medical Assistance Program                                    | 93.778         | ---               | 1,282               | 1,282                 | ---               |
| <b>Total U.S. Department of Health and Human Services</b>     |                | <b>---</b>        | <b>359,321</b>      | <b>359,321</b>        | <b>---</b>        |
| <b>Total</b>  |                | <b>\$ 292,904</b> | <b>\$ 2,837,411</b> | <b>\$ 2,887,300</b>   | <b>\$ 342,793</b> |

The accompanying notes to financial statements  
are an integral part to these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Schedules of Expenditures of Federal and State Awards**  
June 30, 2012

**1. General**

The accompanying schedule of expenditures of federal and state awards represents the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophy  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

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

To the School Board  
Franklin Public School District  
Franklin, Wisconsin

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

**Internal Control Over Financial Reporting**

Management of Franklin Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin Public School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

## **Compliance and Other Matters**

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

We noted certain other matters involving the internal control over financial reporting that we have reported to management of the Franklin Public School District in a separate letter dated November 30, 2012.

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

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

November 30, 2012  
Milwaukee, Wisconsin

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophy  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE STATE SINGLE AUDIT GUIDELINES**

To the School Board  
Franklin Public School District  
Franklin, Wisconsin

**Compliance**

We have audited the Franklin Public School District's (the "District") compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* could have a direct and material effect on each of Franklin Public School District's major programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on Franklin Public School District's compliance based on our audit.

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

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

## Internal Control Over Compliance

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

*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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

November 30, 2012  
Milwaukee, Wisconsin

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2012

**FY2011-1 Financial Statement Preparation**

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of the District should be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

Cause: The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect: The District's financial statements would be materially misstated and required footnote disclosures would be missing.

Recommendation: We recommend the District assigns a staff member to review the financial statements prepared by its auditors.

District Response: The District will continue to rely on the expertise of an accounting firm to prepare the financial statements.

Status: This remains a finding for the year ended June 30, 2012.

**FY2011-2 U.S. Department of Health and Human Services Medical Assistance Program, #93.778**

Criteria: Wisconsin Medicaid requires that Districts have an ongoing program with sufficient internal control to accurately identify total one-way student trips on transportation reported on the cost report. The number of one-way trips on IEP transportation should be properly reported on the cost report.

Condition: The District did not have an internal control system in place during 2009-2010 to track the total number of one-way student trips. Instead, the District used the total number of student enrollment days as a method of estimating the number of one-way trips.

Effect: Without documentation supporting the number of one way trips, we were unable to determine that the number claimed is correct.

Cause: The District did not have an internal control system in place to track the total number of one-way student trips.

Recommendation: We recommend that the District implement sufficient controls to accurately identify total one-way student trips for Medicaid and special education students listed on the cost report.

District's Response: Prior to this audit of the 2009-2010 Medicaid filing, the District had already initiated an update of their internal controls at the beginning of the 2010-2011 school year by establishing a detailed log of the number of one-way trips provided to students. Teachers keep detailed logs of the number of one-way trips provided to students. This provides a more accurate method of reporting the number of one-way student trips on the cost report.

Status: This is no longer a finding for the year ended June 30, 2012.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2012

**Section I. Summary of Auditors Results**

**Financial Statements**

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued:  | Unqualified |
| 2. Internal control over financial reporting:  |             |
| A. Material weakness(es) identified?   | No          |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | Yes         |
| 3. Noncompliance material to financial statements?                                       | No          |

**Federal Awards**

- |   |             |
|---|-------------|
| 4. Internal control over major programs:  |             |
| A. Material weakness(es) identified:  | No          |
| B. Significant deficiency (s) identified that are not considered to be material weakness?                             | No          |
| 5. Type of auditor's report issued on compliance for major programs:  | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No          |

7. Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.410                | Education Jobs Fund                       |
| 93.778                | Medical Assistance Program                |

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs. | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                   | Yes       |

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2012  
(Continued)

**Section I. Summary of Auditors Results (continued)**

**State Awards**

10. Internal control over financial reporting:

- |  |    |
|--|----|
| A. Material weakness identified  | No |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | No |

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

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

13. Identification of major state programs:

| <u>CFDA Number</u> | <u>Name of State Program or Cluster</u>  |
|--------------------|--|
| 255.101            | Special Education and School-Age Parents |
| 255.103            | Common School Fund Library Aids          |
| 255.201            | Equalization Aid                         |
| 255.203            | Special Adjustment Aid                   |
| 255.204            | Integration Aid-Nonresident              |
| 255.210            | High Cost Special Education Aid          |

**Section II. Financial Statement Findings**

**FY2012-1 Financial Statement Preparation**

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of the District should be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

Cause: The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect: The District's financial statements would be materially misstated and required footnote disclosures would be missing.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2012  
(Continued)

**Section II. Financial Statement Findings (continued)**

**FY2012-1 Financial Statement Preparation (continued)**

Recommendation: We recommend the District assigns a staff member to review the financial statements prepared by its auditors.

District Response: The District will continue to rely on the expertise of an accounting firm to prepare the financial statements.

**Section III. Federal and State Award Findings and Questioned Costs**

See FY2012-1.

**Section IV. Other Issues**

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction No

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

4. Name and signature of partner \_\_\_\_\_  
Brian J. Mechenich

5. Date of Report November 30, 2012