

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2013

T A B L E O F C O N T E N T S

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FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2013

**T A B L E O F C O N T E N T S
(C O N T I N U E D)**

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INDEPENDENT AUDITORS' REPORT

To the School Board
Franklin Public School District
Franklin, Wisconsin

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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 Franklin Public School District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state 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 the State Single Audit Guidelines.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Change in Accounting Principles

As discussed in Note 1O to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

November 27, 2013
Milwaukee, Wisconsin

**Franklin Public Schools
Managements' Discussion and Analysis
For the Year Ended June 30, 2013**

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, 2013

(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 2013 and 2012 are shown in the following table.

<u>Description</u>	<u>Year Ended June 30,</u>		<u>Increase (Decrease)</u>
	<u>2013</u>	<u>2012</u>	
Students	<u>4,355</u>	<u>4,274</u>	<u>81</u>
Teachers	<u>299</u>	<u>302</u>	<u>(3)</u>
Students to Teachers	<u>14.57</u>	<u>14.15</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 energy efficient lighting retrofits at Robinwood and Country Dale, as well as adding digital HVAC controls at Robinwood. The Franklin Educational Foundation provided \$67,960 for five innovative projects.

The District made minor budget amendments during the year due to changes in grants. None of the budget variations are expected to have a significant effect on future services or liquidity.

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Managements' Discussion and Analysis

June 30, 2013

(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 position 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, 2013

(Continued)

Comparison of Assets, Liabilities, Deferred Inflows of Resources and Net Position

A comparison of assets, liabilities, deferred inflows of resources, and net position for fiscal 2013 as compared to fiscal 2012 is as follows:

	As of June 30,		Increase (Decrease)
	2013	2012	
Assets:			
Cash	\$ 56,791,177	\$ 21,688,611	\$ 35,102,566
Taxes receivable	3,167,840	3,424,272	(256,432)
Accounts receivable	805	46,915	(46,110)
Inventory	-	775,769	(775,769)
Due from other governments	889,122	950,902	(61,780)
Prepaid expense	227,648	288,683	(61,035)
Total Current Assets	61,076,592	27,175,152	33,901,440
Non-Current Assets			
Property and Equipment, net	41,991,238	40,067,515	1,923,723
Total Assets	103,067,830	67,242,667	35,825,163
Liabilities:			
Accounts Payable	454,952	1,405,370	(950,418)
Accrued Liabilities	5,370,709	4,497,060	873,649
Long-Term Debt Due Within One Year	2,335,000	1,830,000	505,000
Total Current Liabilities	8,160,661	7,732,430	428,231
Long-Term Debt	46,696,627	13,903,981	32,792,646
Total Liabilities	54,857,288	21,636,411	33,220,877
Deferred Inflows of Resources:			
Unamortized premium on issuance	716,972	19,294	-
Net Position	\$ 47,493,570	\$ 45,586,962	\$ 2,604,286

FRANKLIN PUBLIC SCHOOL DISTRICT

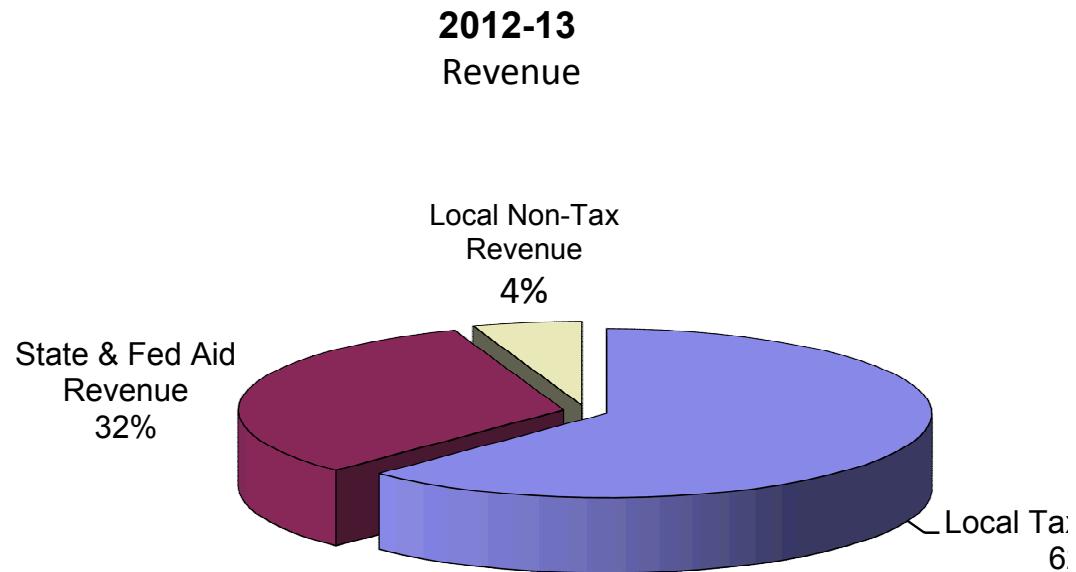
Franklin, Wisconsin

Managements' Discussion and Analysis

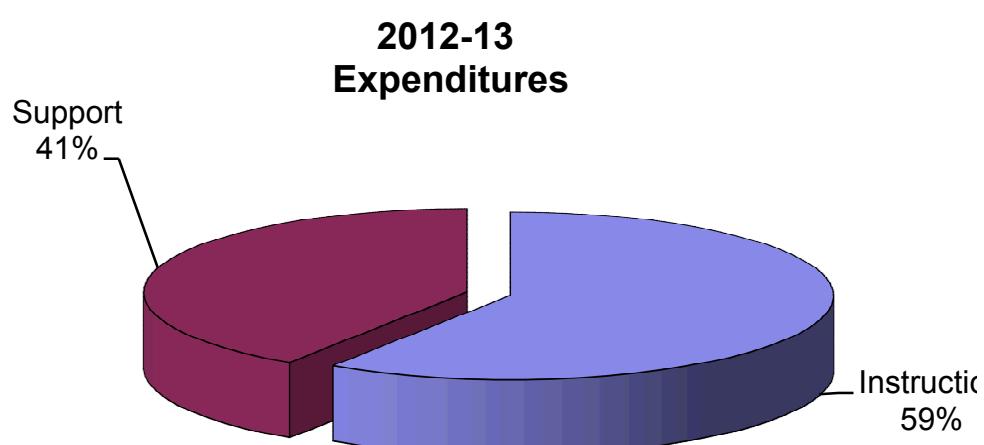
June 30, 2013

(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, 2013

(Continued)

Changes in Total Fund Balance

As of June 30,		Increase (Decrease)
2012	2011	
\$ 21,316,833	\$ 18,550,750	\$ 2,766,083

The increase in fund balance was partly due 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. The fund balance increase was also due to referendum approved facilities updates at the high school, at a total cost not to exceed \$33,000,000.00.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had invested \$67,432,965 in capital assets, including buildings, sites and equipment (see below). Total accumulated depreciation on these assets was \$25,441,727. Asset acquisitions for governmental activities totaled \$2,581,352. The District recognized depreciation expense of \$2,316,142. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

Capital Assets (net of depreciation)			
	Governmental Activities		Total % Change
	2013	2012	2012-13
Land	\$ 1,168,510	\$ 1,168,510	0.0%
Buildings	55,739,763	54,151,746	2.9%
Furniture and equipment	9,531,358	14,645,165	-34.9%
Construction in progress	993,334	--	100.0%
Accumulated depreciation	(25,441,727)	(29,897,906)	-14.9%
TOTAL	\$ 41,991,238	\$ 40,067,515	4.8%

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Managements' Discussion and Analysis

June 30, 2013

(Continued)

Capital Asset and Debt Administration (Continued)

Long-term Debt

At year-end the District had \$49,031,627 in bonds payable and other long-term debt outstanding – an increase of \$33,286,328 (211%) from fiscal 2012. This increase resulted from an increase in debt service for the purpose of renovating the high school, which was approved at a referendum held in November, 2012. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

Outstanding Long-term Obligations

	Total School District		Total % Change 2012-13
	2013	2012	
General obligation bonds	\$ 36,275,000	\$ 5,105,000	610.6%
Compensated absences	269,221	211,752	27.1%
Other post employment benefits	12,526,243	10,428,547	20.1%
Prior service liability - WRS	(38,837)	--	-
TOTAL	\$ 49,031,627	\$ 15,745,299	211.4%

Debt of the District is secured by an irrepealable 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, 2013

(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 81 students or 1.9% for fiscal 2013.

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

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Statement of Net Position

June 30, 2013

	Governmental <u>Activities</u>
Assets:	
Cash and investments	\$ 56,791,177
Taxes receivable	3,167,840
Accounts receivable	805
Due from other governments	889,122
Prepaid expense	227,648
Capital assets:	
Nondepreciable	2,161,844
Depreciable, net of accumulated depreciation	<u>39,829,394</u>
Net capital assets	<u>41,991,238</u>
Total assets	103,067,830

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

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Statement of Net Position

(Continued)

June 30, 2013

	Governmental Activities
Liabilities:	
Accounts payable	\$ 454,952
Withholdings and related fringes payable	1,533,016
Accrued interest	281,079
Accrued salaries and related items	3,497,833
Unearned revenues	58,781
Long-term liabilities:	
Long-term debt obligations due within one year	2,335,000
Long-term debt obligations due in more than one year	34,170,384
Other post-employment benefits	<u>12,526,243</u>
Total liabilities	54,857,288
Deferred inflows of resources	
Unamortized premium on issuance	716,972
Net Position	
Net investment in capital assets	37,722,904
Restricted for:	
Debt service	2,578,345
Capital projects	11,913
Food service	518,409
Other activities	209,031
Unrestricted	<u>6,452,968</u>
Total net position	<u>\$ 47,493,570</u>

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, 2013

	Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental activities:				
Instruction:				
Regular instruction	\$ 24,016,324	\$ 4,219,205	\$ 390,198	\$ (19,406,921)
Special education instruction	5,820,501	299,712	2,381,332	(3,139,457)
Vocational instruction	1,656,549	---	---	(1,656,549)
Other instruction	2,101,062	183,605	---	(1,917,457)
Total instruction	33,594,436	4,702,522	2,771,530	(26,120,384)
Support services:				
Pupil services	2,238,764	---	---	(2,238,764)
Instructional staff services	936,228	---	132,882	(803,346)
Administration services	3,992,678	---	---	(3,992,678)
Operation and maintenance of plant	5,045,524	68,856	---	(4,976,668)
Pupil transportation	1,902,683	1,020	97,384	(1,804,279)
Central services	972,645	---	---	(972,645)
Other support services	1,893,155	---	---	(1,893,155)
Community services	1,175,418	869,305	---	(306,113)
Food service	1,582,403	1,148,992	438,260	4,849
Interest on long-term debt	513,935	---	---	(513,935)
Unallocated depreciation	2,316,142	---	---	(2,316,142)
Total support services	22,569,575	2,088,173	668,526	(19,812,876)
Total school district	\$ 56,164,011	\$ 6,790,695	\$ 3,440,056	\$ (45,933,260)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				29,336,272
Property taxes, levied for debt service				1,995,948
Property taxes, levied for specific purposes				453,917
Other taxes				905
Federal and state aid not restricted to specific purposes				
General				13,066,190
Other				1,137,386
Interest and investment earnings				17,228
Gain on disposal of assets				126,054
Miscellaneous				170,898
Changes in net position				371,538
Net position - beginning of year				45,586,962
Prior period adjustment				1,535,070
Net position - beginning of year as adjusted				47,122,032
Net position - end of year				\$ 47,493,570

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, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments	\$ 20,196,564	\$ 2,578,345	\$ 32,167,296	\$ 1,848,972	\$ 56,791,177
Taxes receivable	3,167,840	---	---	---	3,167,840
Accounts receivable	445	---	---	360	805
Due from other governments	838,503	---	---	50,619	889,122
Prepaid expense	227,648	---	---	---	227,648
Total assets	\$ 24,431,000	\$ 2,578,345	\$ 32,167,296	<b">\$ 1,899,951</b">	\$ 61,076,592
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 297,908	\$ ---	\$ 148,717	\$ 8,327	\$ 454,952
Withholdings and related fringes payable	1,512,108	---	---	20,908	1,533,016
Accrued payroll	3,487,633	---	---	10,200	3,497,833
Unearned revenues	13,141	---	---	45,640	58,781
Total liabilities	<b">5,310,790</b">	<b">---</b">	<b">148,717</b">	<b">85,075</b">	<b">5,544,582</b">
Fund Balances:					
Nonspendable	227,648	---	---	---	227,648
Restricted	---	2,578,345	32,018,579	727,440	35,324,364
Assigned	---	---	---	1,087,436	1,087,436
Unassigned	18,892,562	---	---	---	18,892,562
Total fund balances	<b">19,120,210</b">	<b">2,578,345</b">	<b">32,018,579</b">	<b">1,814,876</b">	<b">55,532,010</b">
Total liabilities and fund balances	<b">\$ 24,431,000</b">	\$ 2,578,345	\$ 32,167,296	\$ 1,899,951	\$ 61,076,592

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 Position**

June 30, 2013

Total fund balances - governmental funds	\$ 55,532,010
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of the assets	\$ 67,432,965
Accumulated depreciation	<u>(25,441,727)</u>
	41,991,238

Long-term debt and related items, are not due and payable in the current period and therefore are not reported in the funds. Long-term debt and related items at year-end consist of:

Bonds payable	36,275,000
Unamortized premium on issuance	716,972
WRS unfunded liability (receivable)	(38,837)
Compensated absences	<u>269,221</u>
	(37,222,356)

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.

(12,526,243)

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 governmental funds.

(281,079)

Total net position - governmental activities \$ 47,493,570

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, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	Total <u>Governmental Funds</u>
Revenues:					
Local	\$ 30,062,981	\$ 1,999,210	\$ 10,913	\$ 3,128,977	\$ 35,202,081
Interdistrict payments within Wisconsin	2,798,542	---	---	---	2,798,542
Intermediate sources	7,963	---	---	---	7,963
State	16,498,885	---	---	17,406	16,516,291
Federal	1,295,084	---	---	408,307	1,703,391
Other	188,746	62,885	---	12,547	264,178
Total revenues	50,852,201	2,062,095	10,913	3,567,237	56,492,446
 Expenditures:					
Instruction:					
Current	30,925,208	---	---	570,150	31,495,358
Interdistrict	771,371	---	---	---	771,371
Capital outlay	868,471	---	---	54,234	922,705
Support Services:					
Current	16,223,223	---	---	2,727,653	18,950,876
Capital outlay	750,652	---	992,334	21,319	1,764,305
Debt service	---	2,135,443	---	---	2,135,443
Total expenditures	49,538,925	2,135,443	992,334	3,373,356	56,040,058
Excess (deficiency) of revenues over expenditures	1,313,276	(73,348)	(981,421)	193,881	452,388
 Other Financing Sources:					
Other financing sources - face value of debt issuance	---	9,995,000	33,000,000	---	42,995,000
Other financing sources - premium	---	762,789	---	---	762,789
Other financing uses - paid to escrow agent	---	(9,995,000)	---	---	(9,995,000)
Total other financing sources	---	762,789	33,000,000	---	33,762,789
Net change in fund balances	1,313,276	689,441	32,018,579	193,881	34,215,177
Fund Balances - Beginning of year	17,806,934	1,888,904	---	1,620,995	21,316,833
Fund Balances - End of year	\$ 19,120,210	\$ 2,578,345	\$ 32,018,579	\$ 1,814,876	\$ 55,532,010

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, 2013

Total net change in fund balances - governmental funds	\$ 34,215,177
---	---------------

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 capital outlays exceed depreciation expense is as follows:

Depreciation expense	\$ (2,316,142)
Capital outlays	<u>2,687,010</u>
	370,868

Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.

(42,995,000)

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.

(2,097,696)

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 position.

Bonds payable	11,825,000
Unfunded pension liability	<u>38,837</u>
	11,863,837

Premium on debt issuance for long-term debt is recorded in the governmental funds as other financing sources, but is reported as an increase in deferred inflows of resources in the statement of net position and amortized over the life of the long-term obligation.

(719,687)

Amortization reduces the balance of the respective deferred inflow. The amortization is a revenue in the statement of net position, but is not shown in the governmental funds.

Unamortized premium on debt issuance	22,009
--------------------------------------	--------

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.

(57,469)

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.

(230,501)

Change in net position of governmental activities	\$ 371,538
--	------------

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

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Statement of Fiduciary Net Position

June 30, 2013

	Private	Agency
	Purpose Trusts	Fund
Assets:		
Cash	\$ 14,388	\$ 91,012
Investments	<u>10,000</u>	---
Total assets	24,388	91,012
Liabilities:		
Accounts payable	---	436
Due to student groups	<u>---</u>	<u>90,576</u>
Total liabilities	---	91,012
Net position:		
Restricted	<u>24,388</u>	---
Total net position	<u>\$ 24,388</u>	<u>\$ 91,012</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

	Private
	Purpose Trusts
Additions:	
Interest	\$ 2
Gifts	<u>13,376</u>
Total additions	13,378
Deductions:	
Trust fund disbursements	<u>12,000</u>
Total deductions	<u>12,000</u>
Change in net position	1,378
Net position - June 30, 2012	<u>23,010</u>
Net position - June 30, 2013	<u>\$ 24,388</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, 2013

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 accounting principles generally accepted in the United States of America (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 position 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, 2013
(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.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund – This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

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. 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 position 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, 2013
(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. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. 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.

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, 2013 are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Transfers:			
None			
Due to/from:			
None			

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(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 Threshold</u>	<u>Depreciation Method</u>	<u>Estimated 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 Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

J. Fund Balance – Governmental Funds

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balances amounts to be reported within one of the following fund balance categories:

- 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, 2013
(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 30th and have not yet been earned by the recipient.

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 27, 2013. There are no subsequent events which require recognition or disclosure.

O. Adoption of New Accounting Guidance

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Report as Assets and Liabilities*. The adoption of these pronouncements has no material effect on the financial statements.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

2. Cash and Investments

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

	<u>Amount</u>	<u>Risks</u>
Cash and cash equivalents		
Demand deposits	\$ 10,439,275	Custodial
Certificate of deposits	10,000	Custodial
Local government investment pool	46,447,302	Custodial
Total cash and equivalents	<u>\$ 56,896,577</u>	

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

Statement of net position		
Cash and investments	\$ 56,791,177	
Statement of fiduciary net position:		
Cash	105,400	
Investments	10,000	
Total cash and equivalents	<u>\$ 56,896,577</u>	

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).
- 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.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

2. Cash and Investments (Continued)

Deposits in each local bank and area bank are insured by the FDIC in the amount of \$250,000. 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 was \$10,439,275 at June 30, 2013 and the bank's carrying value was \$11,522,050, of which \$710,581 was fully insured and \$10,811,469 was collateralized by pledged securities. 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. All investments have a maturity date of less than one year.

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, 2013
(Continued)

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Balance				Prior Period	Balance
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustment</u>		<u>June 30, 2013</u>
Governmental activities:						
Capital assets not being depreciated:						
Sites	\$ 1,168,510	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,168,510
Construction in progress	---	993,334	---	---	---	993,334
Capital assets being depreciated:						
Buildings and improvements	54,151,746	601,209	---	986,808	55,739,763	
Equipment	14,645,165	1,092,467	---	(6,206,274)	9,531,358	
Total being depreciated	68,796,911	1,693,676	---	(5,219,466)	65,271,121	
Less accumulated depreciation	29,897,906	2,316,142	---	(6,772,321)	25,441,727	
Total being depreciated, net	<u>38,899,005</u>	<u>(622,466)</u>	<u>---</u>	<u>1,552,855</u>	<u>39,829,394</u>	
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 40,067,515</u>	<u>\$ 370,868</u>	<u>\$ ---</u>	<u>\$ 1,552,855</u>	<u>\$ 41,991,238</u>	

Depreciation of \$2,316,142 was expensed to unallocated depreciation for the government activities on the statement of activities.

4. Deferred Inflows of Resources

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District has only one item that qualifies for reporting in this category. It is the unamortized premium on debt issuance reported in the government-wide statement of net position. An unamortized premium results from the difference between the par-value or face-value of a bond and the price above this face value, at which the bond has been issued. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	Balance July 1, <u>2012</u>	Additions	Reductions	Balance June 30, <u>2013</u>	Amounts due within <u>one year</u>
G.O. Bonds	\$ 5,105,000	\$ 42,995,000	\$ 11,825,000	\$ 36,275,000	\$ 2,335,000
Compensated absences	211,752	63,923	6,454	269,221	---
Prior service liability - WRS	---	---	38,837	(38,837)	---
Total	\$ 5,316,752	\$ 43,058,923	\$ 11,870,291	\$ 36,505,384	\$ 2,335,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2013 on long-term liabilities was \$202,316 and \$432,817, 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, 2013 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates %</u>	<u>Dates of Maturity</u>	<u>June 30, 2013</u>
\$3,965,000 G.O. Refunding Bond	03/12/2008	3.00-3.25%	04/01/2015	\$ 1,470,000
\$13,045,000 G.O. Refunding Bond	09/15/2003	3.50-5.00%	04/01/2017	1,805,000
\$23,005,000 G.O. Refunding Bond	03/06/2013	2.00-3.00%	10/01/2029	23,005,000
\$9,995,000 G.O. Refunding Bond	05/15/2013	3.00-3.25%	04/01/2033	9,995,000
				\$ 36,275,000

The 2012 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,614,778,526. The legal debt limit and margin of indebtedness as of June 30, 2013, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,614,778,526)	\$ 261,477,853
Deduct long-term debt applicable to debt margin	36,275,000
Margin of indebtedness	\$ 225,202,853

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

5. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2013 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2,335,000	1,093,668	3,428,668
2015	1,870,000	1,000,900	2,870,900
2016	1,585,000	938,125	2,523,125
2017	1,355,000	906,425	2,261,425
2018	1,460,000	865,775	2,325,775
2019-2023	7,915,000	3,656,625	11,571,625
2024-2028	9,130,000	2,473,525	11,603,525
2029-2033	<u>10,625,000</u>	<u>1,014,588</u>	<u>11,639,588</u>
	<u><u>\$ 36,275,000</u></u>	<u><u>\$ 11,949,631</u></u>	<u><u>\$ 48,224,631</u></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. The amount of \$9,005,000 of the defeased bonds remained outstanding as of June 30, 2013.

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, 2013:

General Fund:

Business Administration	\$ 78,780
Central Services	17,127

7. Fund Balances

As of June 30, 2013, fund balances are composed of the following:

General fund:	
Nonspendable prepaid expenses	\$ 227,648
Unassigned	18,892,562
Restricted for special revenue trust	209,031
Restricted for debt service retirement	2,578,345
Restricted for capital projects	32,018,579
Restricted for food service programs	518,409
Assigned for community service	1,087,436
Total	\$ 55,532,010

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective 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 2012 for employee and employer were 5.9%; this increased to 6.65% in 2013.

The payroll for Franklin Public School District employees covered by the WRS for the year ended June 30, 2013 was \$26,887,965; the employer's total payroll was \$29,032,958. The total required contribution for the year ended December 31, 2013 was \$3,377,866, which consisted of \$1,688,933, or 6.2% of payroll from the employer and \$1,688,933, or 6.2% of payroll from employees. Total contributions for the year ending June 30, 2012 and 2011 were \$3,265,018 and \$3,363,496, 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 between April 24, 1998 and June 30, 2011 are immediately vested. Participants who initially become a WRS member on or after July 1, 2011 must accrue five years of credible service to be vested in the WRS.

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, 2013
(Continued)

9. Other Post-Employment Benefits

The following information conforms to the requirements of the Governmental Accounting Standards Board (GASB).

Description of Plan

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, 2012, the date of the latest actuarial valuation:

Retirees	51
Actives	341
Number of participating employees	<u>392</u>

The District also provides administrators who have met the age and years of service requirements with a stipend (supplemental pension) benefit upon their retirement.

Funding Policy

For fiscal year 2013, the District paid \$1,398,661 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2013 in the amount of \$414,563.

Annual OPEB and Stipend Costs and Recognized Obligation

The District's annual other post-employment benefits (OPEB) and stipend costs (expenses) are calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. 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 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 and stipend costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB and stipend obligations:

	OPEB	Stipend	Total
Annual required contribution (ARC)	\$ 3,799,610	\$ 298,020	\$ 4,097,630
Interest on net OPEB/stipend obligation	385,032	28,981	414,013
Adjustment to ARC	(558,672)	(42,051)	(600,723)
Annual OPEB/ stipend cost (expense)	3,625,970	284,950	3,910,920
Contributions made	(1,284,661)	(528,563)	(1,813,224)
Change in net OPEB/ stipend obligation	2,341,309	(243,613)	2,097,696
Net OPEB/stipend obligation – beginning of year	9,698,549	729,998	10,428,547
Net OPEB/stipend obligation – end of year	\$ 12,039,858	\$ 486,385	\$ 12,526,243

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

9. Other Post-Employment Benefits (Continued)

Annual OPEB and Stipend Costs and Recognized Obligation (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 3,625,970	35%	\$ 12,039,858
2012	3,949,845	50%	9,698,549
2011	3,946,243	36%	7,710,321

The District's annual stipend (supplemental pension costs), the percentage of annual supplemental pension costs contributed to the plan, and the net supplemental pension benefits obligation for the years ended June 30 were as follows:

Fiscal Year Ended	Annual Supplemental Pension Cost	Percentage of Annual Supplemental Pension Costs Contributed	Net Supplemental Pension Obligation
2013	\$ 284,950	185%	\$ 486,385
2012	297,300	50%	729,988
2011	297,029	36%	580,347

Funding Status and Funding Progress

The funded status of the OPEB and stipend benefits as of the most recent actuarial valuation date (July 1, 2012) and schedule of employer contributions can be found in the required supplementary information.

Actuarial Methods and Assumptions

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 schedule 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.

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.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

9. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2012
Actuarial cost method	Unit credit
Amortization method	30 year open level dollar
Remaining amortization period	30 years
Actuarial value of assets	Market value
Actuarial assumptions*:	
Investment rate of return	3.97%
Level percent increases	3.00%
Wage inflation rate*	4.00%
Medical care trend*	10.00% decreasing by 1.00% per year down to 5.00%
Dental care trend*	Leval at 4.00%

* Implicit in this rate is an assumed rate of inflation of 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 position, 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, 2012, the most recent actuarial valuation date, the District's net stipend liability, as defined by GASB Statement No. 68 was \$2,423,485.

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

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.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

13. Commitments and Contingencies

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, 2013, are not likely to have a material adverse impact on the District's financial position.

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

14. Prior Period Adjustments

As stated in Footnote 1O, the District implemented GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*. Under GASB 65 debt issuance costs are no longer recorded as an asset and amortized over the life of the related debt issue. Debt issuance costs are now expensed in the current period. As a result, an adjustment of \$17,785 was made to decrease June 30, 2012 net position and to decrease current assets by eliminating deferred loan costs.

The fiscal year ended June 30, 2013 was the first year in which the District used an appraisal company to take a physical inventory of its capital assets. As a result of this physical inventory, a significant amount of adjustments were needed to the capital assets and depreciation the district recorded as June 30, 2012. A prior period adjustment was required to increase the District's net capital assets and increase the net position by \$1,552,855 as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Schedule of Funding Progress
Year Ended June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Post-Employment Healthcare</u>						
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%
7/1/2012	-	30,137,753	30,137,753	0.00%	25,868,878	116.50%
<u>Supplemental Pension</u>						
7/1/2008	\$ -	\$ 2,397,372	\$ 2,397,372	0.00%	\$ 25,582,740	9.37%
7/1/2010	-	2,157,536	2,157,536	0.00%	26,251,518	8.22%
7/1/2012	-	2,423,485	2,423,485	0.00%	25,868,878	9.37%

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, 2013

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
<u>Post-Employment Healthcare</u>			
2011	\$ 3,978,436	\$ 1,409,318	35.42%
2012	3,978,436	1,961,617	49.31%
2013	3,799,610	1,284,661	33.81%
<u>Supplemental Pension</u>			
2009	\$ 321,448	\$ 78,020	24.27%
2010	321,448	94,124	29.28%
2011	256,938	106,078	41.29%
2012	256,938	147,649	57.46%
2013	298,020	528,563	177.36%

See Independent Auditors' Report

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2013

	Budgeted Amounts		Variance	
	Original	Final	Actual	Positive (Negative)
Revenues:				
Local	\$ 29,964,119	\$ 29,964,119	\$ 30,062,981	\$ 98,862
Interdistrict payments within Wisconsin	2,873,135	2,873,135	2,659,863	(213,272)
Intermediate sources	---	---	1,083	1,083
State	14,847,647	14,847,646	14,882,105	34,459
Federal	446,940	448,599	376,379	(72,220)
Other	128,000	128,898	188,746	59,848
Total revenues	48,259,841	48,262,397	48,171,157	(91,240)
Expenditures:				
Instruction	28,582,913	28,553,878	27,055,772	1,498,106
Support Services	15,726,722	15,758,314	15,245,566	512,748
Total expenditures	44,309,635	44,312,192	42,301,338	2,010,854
Excess (deficiency) of revenues over expenditures	3,950,206	3,950,205	5,869,819	1,919,614
Other Financing Sources (uses):				
Operating transfers	(4,730,078)	(4,730,078)	(4,556,543)	173,535
Net change in fund balances	(779,872)	(779,873)	1,313,276	2,093,149
Fund Balances - Beginning of year	17,806,934	17,806,934	17,806,934	---
Fund Balances - End of year	\$ 17,027,062	\$ 17,027,061	\$ 19,120,210	\$ 2,093,149

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

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interdistrict payments within Wisconsin	\$ 137,942	\$ 137,942	\$ 138,679	\$ 737
Intermediate sources	---	---	6,880	6,880
State	1,653,000	1,653,000	1,616,780	(36,220)
Federal	1,042,129	1,043,697	918,705	(124,992)
Total revenues	2,833,071	2,834,639	2,681,044	(153,595)
Expenditures:				
Instruction	5,711,261	5,711,261	5,509,278	201,983
Support Services	1,851,888	1,853,456	1,728,309	125,147
Total expenditures	7,563,149	7,564,717	7,237,587	327,130
Excess (deficiency) of revenues over expenditures	(4,730,078)	(4,730,078)	(4,556,543)	173,535
Other Financing Sources (uses):				
Operating transfers	4,730,078	4,730,078	4,556,543	(173,535)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	\$ ---	\$ ---	\$ ---	\$ ---

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

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Notes to Required Supplemental Information
Year Ended June 30, 2013

1. Budgetary Information

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

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 48,171,157	\$ 2,681,044
Reclassification of special education	2,681,044	(2,681,044)
Total Revenues (GAAP)	<u>50,852,201</u>	---
Expenditures		
Actual amounts (budgetary basis)	42,301,338	7,237,587
Reclassification of special education	7,237,587	(7,237,587)
Total Expenditures (GAAP)	<u>49,538,925</u>	---
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	5,869,819	(4,556,543)
Reclassification of special education	(4,556,543)	4,556,543
Excess of Revenues Over (Under) Expenditures (GAAP)	<u>1,313,276</u>	---
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(4,556,543)	4,556,543
Reclassification of special education	4,556,543	(4,556,543)
Total Other Financing Sources (Uses) (GAAP)	<u>---</u>	---
Net Change in Fund Balance		
Actual amounts (budgetary basis) (GAAP)	<u>1,313,276</u>	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis) (GAAP)	<u>17,806,934</u>	---
Fund Balance - End of Year		
Actual amounts (budgetary basis) (GAAP)	<u>\$ 19,120,210</u>	\$ ---

OTHER SUPPLEMENTARY INFORMATION

FRANKLIN PUBLIC SCHOOL DISTRICT

Franklin, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue	Other		Food Service	Community Service	Total
		Trust	Special Projects			
Assets:						
Cash and investments	\$ 210,452	\$ ---	\$ 535,686	\$ 1,102,834	\$ 1,848,972	
Accounts receivable	---	---	---	360	360	
Due from other governments	---	---	50,619	---	50,619	
Total assets	\$ 210,452	\$ ---	\$ 586,305	\$ 1,103,194	\$ 1,899,951	
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 1,421	\$ ---	\$ ---	\$ 6,906	\$ 8,327	
Withholdings and related district fringes payable	---	---	12,056	8,852	20,908	
Accrued payroll	---	---	10,200	---	10,200	
Unearned revenues	---	---	45,640	---	45,640	
Total liabilities	1,421	---	67,896	15,758	85,075	
Fund Balances:						
Restricted	209,031	---	518,409	---	727,440	
Assigned	---	---	---	1,087,436	1,087,436	
Total fund balances	209,031	---	518,409	1,087,436	1,814,876	
Total liabilities and fund balances	\$ 210,452	\$ ---	\$ 586,305	\$ 1,103,194	\$ 1,899,951	

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, 2013

	Special Revenue <u>Trust</u>	Other Special <u>Projects</u>	Food Service	Community Service	Total
Revenues:					
Local	\$ 598,511	\$ 58,252	\$ 1,148,992	\$ 1,323,222	\$ 3,128,977
State	---	---	17,406	---	17,406
Federal	---	---	408,307	---	408,307
Other	---	---	12,547	---	12,547
Total revenues	598,511	58,252	1,587,252	1,323,222	3,567,237
Expenditures:					
Instruction:					
Current	511,898	58,252	---	---	570,150
Capital outlay	54,234	---	---	---	54,234
Support Services:					
Current	26,367	---	1,556,788	1,144,498	2,727,653
Capital outlay	15,176	---	---	6,143	21,319
Total expenditures	607,675	58,252	1,556,788	1,150,641	3,373,356
Excess (deficiency) of revenues over expenditures	(9,164)	---	30,464	172,581	193,881
Fund Balances - Beginning of year	218,195	---	487,945	914,855	1,620,995
Fund Balances - End of year	\$ 209,031	\$ ---	\$ 518,409	\$ 1,087,436	\$ 1,814,876

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, 2013

	Balance		Balance	
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Assets:				
Cash	\$ 118,247	\$ 244,548	\$ 271,783	\$ 91,012
Liabilities and Net Position:				
Accounts payable	\$ ---	\$ 436	\$ ---	\$ 436
Due to student organizations				
Ben Franklin Elementary School	1,086	2,057	1,917	1,226
Country Dale Elementary School	1,752	3,660	2,112	3,300
Pleasant View Elementary School	3,155	1,252	3,403	1,004
Robinwood Elementary School	4,383	4,985	4,048	5,320
Southwood Glen Elementary School	535	---	101	434
Forest Park Middle School	26,785	60,907	72,019	15,673
Franklin High School	80,551	171,251	188,183	63,619
Total liabilities	\$ 118,247	\$ 244,548	\$ 271,783	\$ 91,012

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, 2013

Awarding Agency	State I.D.	Accrued or (Unearned) Revenue at 7/1/12	State Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/13
Award Description	Number	Receipts		
WI Dept. of Public Instruction				
Entitlement Programs				
Special education and school-age parents **	255.101	\$ --- \$ 1,609,801	\$ 1,609,801	\$ ---
State school lunch	255.102	--- 17,406	17,406	---
Common school fund library aid	255.103	--- 132,882	132,882	---
Bilingual/bicultural aid	255.106	--- 5,016	5,016	---
Pupil transportation	255.107	--- 97,384	97,384	---
Equalization aids	255.201	241,541 14,637,925	14,636,820	240,436
Integration aid-nonresident	255.204	--- 1,070,583	1,070,583	---
High cost special education aid	255.210	--- 6,979	6,979	---
Alcohol and Other Drug Abuse	255.306	--- 1,455	1,455	---
General tuition payments by state	255.401	--- 441,792	441,792	---
Per Pupil Adjustment Aid	255.925	--- 197,300	197,300	---
		241,541 18,218,523	18,217,418	240,436
Passed through CESA #1:				
Special education and school-age parents	255.101	--- 3,960	6,880	2,920
Passed through School District of Elmbrook:				
Special education and school-age parents	255.101	--- 17,637	17,637	---
Passed through Oak Creek / Franklin Vision:				
Special education and school-age parents	255.101	--- 635	6,970	6,335
Passed through MPS:				
Chapter 220	255.204	1,618 1,618	1,292	1,292
Total		\$ 243,159 \$ 18,242,373	\$ 18,250,197	\$ 250,983

** Total DPI aidable expenditures for the year ended June 30, 2013 were \$6,085,068.

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, 2013

Awarding Agency	Federal Catalog Number	Accrued or (Unearned) Revenue at 7/1/12	Receipts	Federal Disbursements/Expenditures	Accrued or (Unearned) Revenue at 6/30/13
Pass-Through Agency					
Award Description					
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Cluster:					
Donated Commodities	10.555	\$ ---	\$ 108,831	\$ 108,831	\$ ---
Food Service Aid - Lunch	10.555	5,615	254,472	299,476	50,619
Total U.S. Department of Agriculture		5,615	363,303	408,307	50,619
U.S. Department of Education					
Title I, Part A Cluster:					
Passed through Wisconsin Department of Public Instruction:					
ESEA Title I-A Basic	84.010	23,859	170,780	294,418	147,497
Passed through Milwaukee Public Schools:					
ESEA Title I-A Basic	84.010	---	1,551	1,551	---
Title I, Part A Cluster Subtotal		23,859	172,331	295,969	147,497
Passed through Wisconsin Department of Public Instruction:					
Special Education Cluster:					
IDEA Flow Through High Cost	84.027	---	1,107	1,107	---
IDEA Flow Through Entitlement	84.027	68,605	607,865	684,810	145,550
IDEA Seclusion and Restraint Training Grant	84.027	---	---	1,568	1,568
IDEA Preschool Entitlement	84.173	2,615	22,778	45,579	25,416
Special Education Cluster Subtotal		71,220	631,750	733,064	172,534
ESEA Title III-A English Language Acquisition	84.365	92	29,068	31,253	2,277
ESEA Title II-A Teacher Principal Training	84.367	16,897	55,819	50,708	11,786
Passed through Whitnall School District:					
Vocational Education- Basic Grants - to States (Carl Perkins)	84.048	---	4,505	4,505	---
Passed through Wisconsin Department of Administration:					
Education Jobs Fund	84.410	225,110	225,110	---	---
Total U.S. Department of Education		337,178	1,118,583	1,115,499	334,094
U.S. Department of Health and Human Services					
Passed through Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	---	133,072	185,640	52,568
Total		\$ 342,793	\$ 1,614,958	\$ 1,709,446	\$ 437,281

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, 2013

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 R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrassse

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

To the School Board
Franklin Public School District
Franklin, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Public School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. This finding is identified as 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

District's Response to Findings

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

Purpose of this Report

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

November 27, 2013
Milwaukee, Wisconsin

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrassse

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

To the School Board
Franklin Public School District
Franklin, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the Franklin Public School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance 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 or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

November 27, 2013
Milwaukee, Wisconsin

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

There were no prior audit findings.

FRANKLIN PUBLIC SCHOOL DISTRICT
Franklin, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I. Summary of Auditors Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 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: | Unmodified |
| 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>
10.555	National School Lunch Program
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, 2013
(Continued)

Section I. Summary of Auditors Results (continued)

State Awards

10. Internal control over major programs:

- 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: Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? 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
255.107	Pupil Transportation Aid
255.201	Equalization Aid
255.204	Integration Aid-Nonresident
255.210	High Cost Special Education Aid
255.925	Per Pupil Adjustment Aid

Section II. Financial Statement Findings

FY2013-001 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, 2013
(Continued)

Section II. Financial Statement Findings (continued)

FY2013-001 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 engage the expertise of an accounting firm to prepare the financial statements and has assigned a staff member to review the financial statements prepared by the auditors.

Section III. Federal and State Award Findings and Questioned Costs

None

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 Yes

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 27, 2013