

**LODI SCHOOL DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2015

(AUDITED)

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

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LODI, WISCONSIN**

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LODI, WISCONSIN**

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FINANCIAL SECTION

MILLER, BRUSSELL, EBBEN AND GLAESKE LLC

CERTIFIED PUBLIC ACCOUNTANTS

611 E WISCONSIN ST

PORTAGE, WISCONSIN

53901

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lodi School District
Lodi, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lodi School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 7 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year ended June 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, the schedule of funding progress for postemployment benefit plans other than pensions and the schedules for pension related items on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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*, and is also not a required part of the financial statements. This information, including the schedule of expenditures of federal and state awards 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
November 30, 2015

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

LODI SCHOOL DISTRICT
LODI, WISCONSIN

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 3,742,932	\$ 198,630	\$ 3,941,562
Receivables			
Accounts	44,456	17,857	62,313
Taxes	3,603,001		3,603,001
Inventory		6,728	6,728
Due from other governments	209,885		209,885
Prepaid expenses	42,001		42,001
Total Current Assets	<u>7,642,275</u>	<u>223,215</u>	<u>7,865,490</u>
Noncurrent Assets			
Land	214,307		214,307
Site improvements			
Buildings and improvements	38,087,560		38,087,560
Furniture and equipment	910,723	46,994	957,717
Less accumulated depreciation	<u>(21,605,644)</u>	<u>(15,503)</u>	<u>(21,621,147)</u>
Net Noncurrent Assets	<u>17,606,946</u>	<u>31,491</u>	<u>17,638,437</u>
Other Noncurrent Assets			
Net pension asset	<u>1,567,982</u>	<u>30,477</u>	<u>1,598,459</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows of resources	<u>1,341,783</u>	<u>26,080</u>	<u>1,367,863</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 28,158,986</u>	<u>\$ 311,263</u>	<u>\$ 28,470,249</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 22,407	\$ 108	\$ 22,515
Accrued liabilities			
Payroll, payroll taxes, insurance	689,146		689,146
Interest	17,219		17,219
Unearned revenue		18,659	18,659
Current portion of long-term obligations	<u>2,269,754</u>		<u>2,269,754</u>
Total Current Liabilities	<u>2,998,526</u>	<u>18,767</u>	<u>3,017,293</u>
Noncurrent Liabilities			
Noncurrent portion of long-term obligations	<u>4,579,664</u>		<u>4,579,664</u>
Total Noncurrent Liabilities	<u>4,579,664</u>	<u>0</u>	<u>4,579,664</u>
Total Liabilities	<u>7,578,190</u>	<u>18,767</u>	<u>7,596,957</u>
NET POSITION			
Net investment in capital assets	13,681,946	31,491	13,713,437
Restricted	3,881,723	261,005	4,142,728
Unrestricted	<u>3,017,127</u>		<u>3,017,127</u>
Total Net Position	<u>20,580,796</u>	<u>292,496</u>	<u>20,873,292</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,158,986</u>	<u>\$ 311,263</u>	<u>\$ 28,470,249</u>

See Accompanying Notes to the Basic Financial Statements

**LODI SCHOOL DISTRICT
LODI WISCONSIN**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular instruction	\$ 7,323,999	\$ 101,121	\$ 321,770	\$ (6,901,108)	\$ 0	\$ (6,901,108)
Vocational instruction	589,510	6,171	5,472	(577,867)		(577,867)
Special education instruction	2,119,562	22,491	634,154	(1,462,917)		(1,462,917)
Other instruction	1,033,695	101,156		(932,539)		(932,539)
Total Instruction	11,066,766	230,939	961,396	(9,874,431)	0	(9,874,431)
Support Services						
Pupil services	742,839	72,411	110,053	(560,375)		(560,375)
Instructional staff services	609,801	535	155,679	(453,587)		(453,587)
General administration services	305,672			(305,672)		(305,672)
Business administration services	1,075,329			(1,075,329)		(1,075,329)
Business services	435,883		2,049	(433,834)		(433,834)
Operations and maintenance of plant	2,034,860			(2,034,860)		(2,034,860)
Pupil transportation services	785,486		109,603	(675,883)		(675,883)
Central services	539,755		200	(539,555)		(539,555)
Interest on debt	63,726			(63,726)		(63,726)
Insurance	146,114			(146,114)		(146,114)
Other support	374,059		523	(373,536)		(373,536)
Community services	380,238	126,576		(253,662)		(253,662)
Depreciation - unallocated*	739,738			(739,738)		(739,738)
Total Support Services	8,233,500	199,522	378,107	(7,655,871)	0	(7,655,871)
Total Governmental Activities	19,300,266	430,461	1,339,503	(17,530,302)	0	(17,530,302)
Business-Type Activities						
School Food Service Program	634,983	479,531	212,461	0	57,009	57,009
TOTAL SCHOOL DISTRICT	\$ 19,935,249	\$ 909,992	\$ 1,551,964	(17,530,302)	57,009	(17,473,293)
General Revenues						
Property taxes						
General purposes				9,897,971		9,897,971
Debt services				1,952,890		1,952,890
Capital expansion				600,000		600,000
Community services				163,395		163,395
State and federal aids not restricted to specific functions						
General				6,191,647		6,191,647
Other				369,661		369,661
Interest and investment earnings				9,089		9,089
Miscellaneous				501,387		501,387
Gain (loss) on disposal of assets				(162,239)	(2,554)	(164,793)
Total General Revenues				19,523,801	(2,554)	19,521,247
Change in Net Position				1,993,499	54,455	2,047,954
NET POSITION - Beginning of Year, as Restated				18,587,297	238,041	18,825,338
NET POSITION - END OF YEAR				\$ 20,580,796	\$ 292,496	\$ 20,873,292

*This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 4.

FUND FINANCIAL STATEMENTS

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,769,819	\$ 973,113	\$ 3,742,932
Receivables			
Accounts	44,456		44,456
Taxes	3,603,001		3,603,001
Due from other governments	209,885		209,885
Prepaid Expenses	42,001		42,001
TOTAL ASSETS	\$ 6,669,162	\$ 973,113	\$ 7,642,275
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 21,914	\$ 493	\$ 22,407
Accrued liabilities			
Payroll, payroll taxes, insurance	688,484	662	689,146
Total Liabilities	710,398	1,155	711,553
Fund Balances			
Nonspendable	42,001		42,001
Restricted		971,958	971,958
Unassigned	5,916,763		5,916,763
Total Fund Balances	5,958,764	971,958	6,930,722
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,669,162	\$ 973,113	\$ 7,642,275
Total fund balance reported on governmental funds balance sheet			\$ 6,930,722
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:			
Capital assets used in government activities are not financial resources and therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:			
Governmental capital asset		39,212,590	
Governmental accumulated depreciation		(21,605,644)	17,606,946
Pension related assets and liabilities are not financial resources and therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:			
Net pension asset		1,567,982	
Pension related deferred outflows		1,341,783	2,909,765
Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore, are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:			
General obligation debt		(3,925,000)	
Accrued interest on general obligation debt		(17,219)	
Unamortized debt premium		(45,918)	
Vested employee benefits		(2,878,500)	(6,866,637)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES			\$ 20,580,796

See Accompanying Notes to the Basic Financial Statements

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 9,897,971	\$ 2,716,285	\$ 12,614,256
Other local sources	215,634	300,640	516,274
Interdistrict sources	346,285		346,285
Intermediate sources	70,500		70,500
State sources	6,930,680		6,930,680
Federal sources	625,988		625,988
Other sources	180,414	171,607	352,021
Total Revenues	<u>18,267,472</u>	<u>3,188,532</u>	<u>21,456,004</u>
EXPENDITURES			
Instruction			
Regular instruction	7,375,310	38,205	7,413,515
Vocational instruction	597,667		597,667
Special instruction	2,155,848		2,155,848
Other instruction	1,010,367	30,706	1,041,073
Total Instruction	<u>11,139,192</u>	<u>68,911</u>	<u>11,208,103</u>
Support Services			
Pupil services	744,002		744,002
Instructional staff services	610,414	100	610,514
General administration services	305,778		305,778
Building administration services	1,077,107	283	1,077,390
Business services	385,604	50,280	435,884
Operations and maintenance	2,143,184	285,830	2,429,014
Pupil transportation	785,486		785,486
Central services	360,979	318,886	679,865
Principal and interest		1,966,925	1,966,925
Insurance	146,114		146,114
Other support	374,059		374,059
Community services		387,308	387,308
Total Support Services	<u>6,932,727</u>	<u>3,009,612</u>	<u>9,942,339</u>
Total Expenditures	<u>18,071,919</u>	<u>3,078,523</u>	<u>21,150,442</u>
Excess (Deficiency) of Revenues Over Expenditures	195,553	110,009	305,562
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	419	(419)	
Net Other Financing Sources (Uses)	<u>419</u>	<u>(419)</u>	<u>0</u>
Net Change in Fund Balances	195,972	109,590	305,562
FUND BALANCES - Beginning of Year	<u>5,762,792</u>	<u>862,368</u>	<u>6,625,160</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,958,764</u>	<u>\$ 971,958</u>	<u>\$ 6,930,722</u>

See Accompanying Notes to the Basic Financial Statements

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds		\$ 305,562
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	598,350	
Depreciation expense reported in the statement of activities	<u>(808,974)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(210,624)
In governmental funds the entire proceeds, if any, from the disposal of capital assets are reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported. The difference between the two is the original cost of the asset.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	0	
Gain (loss) on disposition reported on the statement of activities	<u>(162,239)</u>	
Book value of assets disposed of		(162,239)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
		131,188
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:		1,870,000
Bond premium received is reported in the governmental fund as an other financing source. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.		
		26,189
Employer pension contributions are reported in the governmental funds when the amounts are paid but not reported in the statement of activities since they are included in the net pension asset and deferred outflows.		
		613,944
Pension expense is included in the statement of activities but not reported in the governmental funds since it is an actuarially determined amount for the pension plan.		
		(587,531)
In governmental funds, interest payments on outstanding long term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	96,925	
The amount of interest accrued during the current period	<u>(89,915)</u>	
Interest paid is greater (less) than interest accrued by		<u>7,010</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$ <u>1,993,499</u>

See Accompanying Notes to the Basic Financial Statements

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015 AND 2014

		Food Service Fund	
		2015	2014
ASSETS			
Current Assets			
Cash	\$	198,630	\$ 176,720
Inventory		6,728	
Accounts receivable		17,857	
Due from other governments			7,046
Total Current Assets		<u>223,215</u>	<u>183,766</u>
Noncurrent Assets			
Furniture and equipment		46,994	364,217
Less accumulated depreciation		<u>(15,503)</u>	<u>(332,742)</u>
Net Noncurrent Assets		<u>31,491</u>	<u>31,475</u>
Other Noncurrent Assets			
Net pension asset		<u>30,477</u>	
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows of resources		<u>26,080</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u>311,263</u>	\$ <u>215,241</u>
LIABILITIES			
Liabilities			
Accounts payable	\$	108	\$ 12,292
Payroll and related liabilities			3,778
Deposits payable		<u>18,659</u>	<u>17,174</u>
Total Liabilities		<u>18,767</u>	<u>33,244</u>
NET POSITION			
Invested in capital assets, net of related debt		31,491	31,475
Restricted for food service programs		204,448	150,522
Restricted for pension related items		<u>56,557</u>	
Total Net Position		<u>292,496</u>	<u>181,997</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>311,263</u>	\$ <u>215,241</u>

See Accompanying Notes to the Basic Financial Statements

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Food Service Fund	
	2015	2014
REVENUES		
Food sales	\$ 479,531	\$ 460,034
Interdistrict		16,820
State sources	7,979	7,676
Federal sources	165,912	165,433
Federal commodities	38,570	39,174
Total Revenues	<u>691,992</u>	<u>689,137</u>
OPERATING EXPENSES		
Salaries and wages	207,808	210,892
Employer paid benefits	109,867	113,719
Supplies, food and materials	311,848	303,628
Purchased services	1,459	15,269
Other	1,096	1,182
Depreciation	2,905	6,528
Total Operating Expenses	<u>634,983</u>	<u>651,218</u>
Operating Income (Loss)	<u>57,009</u>	<u>37,919</u>
NON-OPERATING REVENUES		
Loss on disposal of assets	<u>(2,554)</u>	<u>0</u>
Change in Net Assets	54,455	37,919
NET ASSETS - Beginning of Year, As Restated	<u>238,041</u>	<u>144,078</u>
NET ASSETS - END OF YEAR	<u>\$ 292,496</u>	<u>\$ 181,997</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Food Service Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 463,159	\$ 461,249
Cash received from other government payments	180,937	205,004
Cash payments to employees for services	(321,966)	(334,305)
Cash payments to suppliers for goods and services	(292,190)	(252,204)
Cash payments for purchased services	(1,459)	(15,269)
Cash payments for other operating expenses	(1,096)	(1,182)
Net Cash Provided By (Used For) Operating Activities	<u>27,385</u>	<u>63,293</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash payments for acquisition of capital assets	(5,475)	
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(5,475)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	21,910	63,293
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>176,720</u>	<u>113,427</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 198,630</u>	<u>\$ 176,720</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 57,009	\$ 37,919
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation	2,905	6,528
Net change in pension related items	(513)	
Changes in operating assets and liabilities		
Inventory	(6,728)	
Accounts receivable	(17,857)	
Due from other governments	7,046	15,075
Accounts payable	(12,184)	12,250
Payroll and related liabilities	(3,778)	(9,694)
Deposits payable	1,485	1,215
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 27,385</u>	<u>\$ 63,293</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES		
During the year the District received commodities from the U.S. Department of Agriculture in the amount of:	<u>\$ 38,570</u>	<u>\$ 39,174</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**STATEMENTS OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Current Assets		
Cash and investments	\$ 176,190	\$ 28,685
TOTAL ASSETS	<u>\$ 176,190</u>	<u>\$ 28,685</u>
LIABILITIES		
Due to Student Groups	<u>\$ 0</u>	<u>\$ 28,685</u>
NET ASSETS		
Held in Trust for Scholarships	<u>\$ 176,190</u>	

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST
FOR THE YEAR ENDED JUNE 30, 2015**

ADDITIONS	
Interest and dividend income	\$ 18,744
Other revenue	<u>96,578</u>
Total Additions	<u>115,322</u>
DEDUCTIONS	
Scholarships awarded	15,675
Other trust fund disbursements	<u>58,350</u>
Total Deductions	<u>74,025</u>
Change in Net Assets	41,297
NET ASSETS - Beginning of Year	<u>134,893</u>
NET ASSETS - END OF YEAR	<u>\$ 176,190</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Lodi School District is organized as a common school district governed by an elected seven-member board. The District is comprised of all or parts of eight taxing districts.

The accompanying financial statements present the activities of the Lodi School District. The school district is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand-alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

B. Basis of Presentation

District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental and business-type 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and 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 for 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 that are not classified as program revenues, including all taxes, are presented as general revenues.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other governmental funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental fund:

General Fund - This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund. This includes the General Fund (Fund 10) and the Special Education Fund (Fund 27), which accounts for the activities associated with providing educational programs for students with disabilities. Excess expenditures in Fund 27 are financed with a transfer from Fund 10.

The District operates one enterprise fund, the Food Service Fund. This fund accounts for the activities of the District's food service, generally school hot lunch program.

The District accounts for assets held as an agent for various student and parent organizations in an Agency Fund.

The District accounts for assets held that were accumulated from donations that are used to pay scholarships in the Private-Purpose Trust Funds.

C. Measurement Focus and Basis of Accounting

The district-wide, proprietary 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, includes 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.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

Reports for the District's food service fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Assets and Liabilities

Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

State statutes permit the District to invest available cash balances, other than debt service 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.

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 statements as increases or decreases in investment income.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village and school districts before retaining any for county purposes.

The District's property taxes are levied on or before October 31st on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two installments with the first installment payable the subsequent January 31st, and a final payment no later than the following July 31st. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2014 tax levy is used to finance operations of the District's fiscal year ended June 30, 2015. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Accounts Receivable

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 such an allowance would not be material.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures, except in cases where inventories are offset by deferred revenues if there is a balance at year end.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Due To/Due From Other Funds

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar valued 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	\$5,000	Straight-line	7-50 years
Furniture & equipment	\$5,000	Straight-line	5-20 years

Beginning July 1, 2014 the District increased its capitalization threshold so each item will now have to be equal or greater than \$5,000 to be capitalized.

Vested Employee Benefits

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation is attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The District employees are granted vacation and severance pay in varying amounts, based on length of service. Vacation leave earned in the preceding year must be used within one year of the employee's anniversary date.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 120 days. A maximum of 10 days per year can be credited to contracted employees every year. Regular (Full-time) employees can be credited up to 12 days annually. After 15 years of employment, compensation is paid at the rate of \$20 per day for retiring staff and \$10 per day for teachers leaving the district.

The entire compensated absence liability is reported on the district-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.

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

Postemployment Benefits - Teachers or support staff who retired before July 1, 2012 the District will contribute towards their medical premiums for a period of 7 or 8 years until Medicare eligibility. All current teachers and support staff are eligible to remain on the group medical plan provided they self-pay the full premium required to continue such coverage until Medicare eligibility. The District will also provide to eligible retirees an annual 403(b) contribution in varying amounts based on hire date. The District will also fund during active years of service to all eligible teachers an annual contribution of \$750 into a teachers HRA account. The HRA may be used only during retirement and only for health insurance premiums. There are also similar 403(b) and HRA benefits for administrators and support staff.

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 basic financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position - Net position represents the difference between assets and liabilities. 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 School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Balance Reporting

The Lodi School District reports under provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. Restricted fund balance classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),
4. Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classification.

Fund balance amounts are reported in conformance with generally accepted accounting principles and shall be reclassified not less than the end of each fiscal year for general purpose financial statements. The District will report inventories, prepaid expenses, long-term receivables, and amounts legally or contractually required to be maintained intact as non-spendable. The fund balance for the spendable portion of permanent funds and balance, if any, in the special revenue trust fund, debt service funds, food service fund, postemployment employee benefit trust fund, SAGE funds, and other funds established by regulatory authority will be classified as restricted.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The School Board may authorize and direct an individual to assign fund balances for specific purposes; to the extent such assignment does not create a negative unassigned fund balance. As of June 30, 2015, the School Board has not authorized any individual with the authority to assign funds.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Outflows/Inflows of Resources

The District reports under GASB Statement No. 65, *Items previously reported as assets and liabilities*. In addition to reporting assets and liabilities in the statement of net position and balance sheet, the following are the provisions for reporting a separate section for deferred outflows and inflows of resources:

Deferred Outflows of Resources: The District reports decreases in net position and fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position and governmental funds balance sheet. There were deferred outflows of resources reported in this year's government-wide and proprietary funds statement of net position for pension related items, which are detailed in Note 7.

Deferred Inflows of Resources: The District's government-wide and governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position and fund balance that relates to a future period. There were deferred inflows of resources reported in this year's government-wide and proprietary funds statement of net position for pension related items, which are detailed in Note 7.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

A. Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- A) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- B) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

A. Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities (Continued)

C) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenues and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

	Total Governmental Funds	Long-Term Revenues/ Expenses	Capital Related Items	Long-Term Debt Transactions	Statement Of Activities Total
Revenues and Other Sources					
Property taxes	\$12,614,256	\$ 0	\$ 0	\$ 0	\$12,614,256
Other local sources					
Interest and investment earnings	9,089				9,089
Miscellaneous	149,366				149,366
Charges for services	357,819				357,819
Interdistrict sources					
Other general aid	325,998				325,998
Charges for services	231				231
Operating grants and contributions	20,056				20,056
Intermediate sources					
Operating grants and contributions	70,500				70,500
State sources					
General aid	6,191,647				6,191,647
Operating grants and contributions	695,370				695,370
Other general aid	43,663				43,663
Federal sources					
Charges for services	72,411				72,411
Operating grants and contributions	553,577				553,577
Other revenue sources					
Miscellaneous	352,021				352,021
Other Financing Sources(Uses)					
Gain (loss) on disposal of fixed assets			(162,239)		(162,239)
Total Revenues and Other Sources	<u>\$21,456,004</u>	<u>\$ 0</u>	<u>\$ (162,239)</u>	<u>\$ 0</u>	<u>\$21,293,765</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED)

A. Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities (Continued)

	Total Governmental Funds	Long-Term Revenues/ Expenses	Pension Related Items			Capital Related Items		Long-Term Debt Transactions	Statement Of Activities Total
			Employer Contributions	Pension Expense		Acquisitions	Depreciation		
Expenditures/Expenses									
Regular instruction	\$ 7,413,515	\$ (86,773)	\$ (299,603)	\$ 286,715	\$ 0	\$ 10,145	\$ 0	\$ 7,323,999	
Vocational instruction	597,667	(6,996)	(27,014)	25,853				589,510	
Special education instruction	2,155,848	(25,234)	(102,529)	98,118	(9,308)				2,119,562
Other instruction	1,041,073	(12,185)	(38,065)	36,427				2,667	1,033,695
Pupil services	744,002		(27,014)	25,851				6,445	742,839
Instructional staff services	610,514		(16,576)	15,863					609,801
General administration services	305,778		(2,456)	2,350					305,672
Building administration services	1,077,390		(47,888)	45,827					1,075,329
Business services	435,884		(14,735)	14,101				633	435,883
Operations and maintenance	2,429,014		(23,330)	22,326	(409,484)			16,334	2,034,860
Pupil transportation	785,486								785,486
Central services	679,865		(6,139)	5,875	(172,858)			33,012	539,755
Insurance	146,114								146,114
Principal and interest	1,966,925							(1,903,199)	63,726
Other support services	374,059								374,059
Community Services	387,308		(8,595)	8,225	(6,700)				380,238
Depreciation - unallocated									739,738
Total Expenditures/Expenses	21,150,442	(131,188)	\$ (613,944)	\$ 587,531	(598,350)			(1,903,199)	19,300,266
Net Change for Year	\$ 305,562	\$ 131,188	\$ 613,944	\$ (587,531)	\$ 436,111			\$ 1,903,199	\$ 1,993,499

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 CASH AND INVESTMENTS

The Debt Service Fund and Capital Projects Fund account for their transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, Trust and Agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

Deposits: Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian, per official depository institution for each ownership category and extends into the foreseeable future. In addition, the State of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per public depository above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. However, since the risk that an economic event would occur of the magnitude that would deplete the fund has been assessed as minimal, this coverage has been included in computing the amounts in Category 1 below.

Investments: Wisconsin Statute 66.04(2) and 67.11(2) restrict investment of temporarily idle cash. The School Board has adopted an investment policy pursuant to these statutes, which allows the District to invest in time deposits, securities guaranteed by the U.S. Government, securities of the Wisconsin Local Government Pooled Investment Fund, the Wisconsin School District Liquid Asset Fund and commercial paper, if the security has the highest or second highest rating of a nationally recognized rating agency.

Custodial Credit Risk

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

The District's deposits and investments are categorized into three categories of custodial credit risk:

- Category 1 - Insured or registered which are collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Uninsured and unregistered deposits and investments, which are collateralized with securities, held by the counter party's trust department or agent in the District's name.
- Category 3 - Uncollateralized deposits and uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

The District's deposits and investment balances at June 30, 2015 were as follows:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Associated Bank	<u>\$650,000</u>	<u>\$ 0</u>	<u>\$3,378,613</u>	<u>\$4,028,613</u>	\$3,777,603
Thompson IM Funds					95,028
Investment in local government investment pool					206,279
Wisconsin Investment Series Cooperative					<u>67,527</u>
Total Cash					4,146,437
Less cash and investments - fiduciary funds					<u>(204,875)</u>
Total					<u>\$3,941,562</u>

Investments are stated at cost which approximates 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.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2015, the fair value of the LGIP's assets was substantially equal to the District's share as reported above. The investment in the LGIP is insured against defaults in principal payments by Financial Security Assurance Incorporated.

The difference between carrying amounts and bank balances is due to outstanding checks and deposits in transit.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

Interest Rate Risk

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

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

The District's investments at June 30, 2015 include the following:

	<u>Credit Quality Rating</u>	<u>Credit Exposure As a Percentage of Total Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Wisconsin Local Government				
Investment Pool	Unrated	56%	80 days	\$206,279
Thompson IM Funds	BBB	26%	2.64 years	95,028
Wisconsin Investment				
Series Cooperative	Unrated	18%	Not available	67,527
Total		<u>100%</u>		<u>\$368,834</u>

NOTE 4 CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets not being depreciated					
Sites (land)	\$ 214,307	\$ 0	\$ 0	\$ 0	\$ 214,307
Capital assets being depreciated					
Buildings & Improvements	37,942,981	(51,072)	195,651		38,087,560
Furniture and equipment	3,834,773	(3,326,749)	402,699		910,723
Total Capital Assets Being Depreciated	<u>41,777,754</u>	<u>(3,377,821)</u>	<u>598,350</u>	<u>0</u>	<u>38,998,283</u>
Less accumulated depreciation for					
Buildings	(20,516,221)	59,815	(740,414)		(21,196,820)
Furniture and equipment	(3,496,031)	3,155,767	(68,560)		(408,824)
Total Accumulated Depreciation	<u>(24,012,252)</u>	<u>3,215,582</u>	<u>(808,974)</u>	<u>0</u>	<u>(21,605,644)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>17,765,502</u>	<u>(162,239)</u>	<u>(210,624)</u>	<u>0</u>	<u>17,392,639</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,979,809</u>	<u>\$ (162,239)</u>	<u>(210,624)</u>	<u>\$ 0</u>	<u>17,606,946</u>
Business-Type Activities					
Capital assets being depreciated					
Furniture and equipment	\$ 364,217	\$ (322,698)	\$ 5,475	\$ 0	\$ 46,994
Less accumulated depreciation	<u>(332,742)</u>	<u>320,144</u>	<u>(2,905)</u>		<u>(15,503)</u>
Business-Type Activities Capital Assets Net of Accumulated Depreciation	<u>\$ 31,475</u>	<u>\$ (2,554)</u>	<u>\$ 2,570</u>	<u>\$ 0</u>	<u>\$ 31,491</u>

**LODI SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 CAPITAL ASSETS (CONTINUED)

The adjustments column includes capital assets that were removed due to a change in the capitalization policy. All individual capital assets under \$5,000 were removed.

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 10,145
Special education instruction	2,667
Other instruction	6,445
Business services	633
Operations and maintenance of plant	16,334
Central Services	33,012
Depreciation - unallocated	<u>739,738</u>
Total Depreciation for Governmental Activities	<u>\$808,974</u>

NOTE 5 LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Notes and Bonds					
Bonds payable	\$5,795,000	\$ 0	\$1,870,000	\$3,925,000	\$1,925,000
Other Liabilities					
Debt premium	72,107		26,189	45,918	26,189
Vested employee benefits					
Compensated absences	101,742	12,519		114,261	28,565
Postemployment health benefits	<u>2,907,946</u>	<u>147,792</u>	<u>291,499</u>	<u>2,764,239</u>	<u>290,000</u>
Total Other Liabilities	<u>3,081,795</u>	<u>160,311</u>	<u>317,688</u>	<u>2,924,418</u>	<u>344,754</u>
Total Governmental Activities	<u>\$8,876,795</u>	<u>\$160,311</u>	<u>\$2,187,688</u>	<u>\$6,849,418</u>	<u>\$2,269,754</u>

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

The School District does not currently have any long-term liabilities for business-type activities.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Total interest and other fiscal charges paid and accrued during the year:

	<u>Expense</u>	<u>Paid</u>
Bonds payable	\$ 89,915	\$96,925
Less bond premium amortization	<u>(26,189)</u>	<u></u>
Total Interest and Other Fiscal Charges Paid	<u>\$ 63,726</u>	<u>\$96,925</u>

The full faith, credit, and taxing powers of the District secure all general obligation debt, including business-type activities, if any. Bonds and notes payable are comprised of the following individual issues:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Dates of Maturity</u>	<u>Balance 6/30/15</u>
2012 G.O. Refunding Bonds	02/01/12	1.5%-2.0%	04/01/2017	<u>\$3,925,000</u>
Total General Obligation Debt*				<u>\$3,925,000</u>

The legal debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03(1)(b), Wisconsin Statutes. The margin of indebtedness at June 30, 2015 is:

Equalized value certified by Wisconsin Department of Revenue for 2014	\$1,053,750,310
Margin of indebtedness at 10%	\$105,375,031
*Deduct long-term debt applicable to debt margin	<u>(3,925,000)</u>
Margin of Indebtedness	<u>\$101,450,031</u>

Aggregate cash flow requirements for retirement of long-term principal and interest on bonds as of June 30, 2015 are as follows:

Governmental Activities <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,925,000	\$ 68,875	\$1,993,875
2017	<u>2,000,000</u>	<u>40,000</u>	<u>2,040,000</u>
Totals	<u>\$3,925,000</u>	<u>\$108,875</u>	<u>\$4,033,875</u>

NOTE 6 INTERFUND ACTIVITY

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Package Cooperative Fund	\$(1,419)
Long-Term Capital Improvement Trust Fund	General Fund	<u>1,000</u>
Total		<u>\$ (419)</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 EMPLOYEE RETIREMENT PLANS

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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

The WRS also provides death and disability benefits for employees.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$625,877 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**LODI SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

At June 30, 2015, the Lodi School District reported a liability (asset) of \$(1,598,459) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Lodi School District's proportion of the net pension liability (asset) was based on the Lodi School District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Lodi School District's proportion was .06507658%, which was a decrease of .00048501% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Lodi School District recognized pension expense of \$598,951.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 231,727	\$ 0
Changes in assumptions	0	0
Net differences between projected and actual earnings on pension plan investments	774,051	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,453	0
Employer contributions subsequent to the measurement date	<u>354,632</u>	<u>0</u>
Total	<u>\$1,367,863</u>	<u>\$ 0</u>

\$354,632 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2015	\$199,216	\$0
2016	\$199,216	\$0
2017	\$199,216	\$0
2018	\$199,216	\$0
2019	\$199,216	\$0
Thereafter	\$ 17,150	\$0

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

**LODI SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

Sensitivity of the Lodi School District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Lodi School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Lodi School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Lodi School District's proportionate share of the net pension liability (asset)	\$4,509,528	\$(1,598,459)	\$(6,422,300)

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Lodi School District reports under provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* for its other postemployment benefit plan (OPEB).

This allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Plan Description. The Lodi School District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. The Plan is administered by Key Benefit Concepts, LLC. There are 117 active and 20 retired members in the OPEB plan. There are 162 active and 22 retired members in the stipend plan. Benefits and eligibility for teachers and certain support staff are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health. Benefits and administrators, supervisors and non-represented support staff are established and amended by the governing body.

Funding Policy. The District has elected to make payments on a pay as you go basis. The District had expenditures for the year ended June 30, 2015 of \$291,499.

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

	<u>OPEB</u>	<u>Stipend</u>	<u>Total</u>
Annual required contribution	\$ 81,786	\$129,116	\$ 210,902
Interest on net OPEB	95,082	21,236	116,318
Adjustments to annual required contributions	<u>(148,726)</u>	<u>(30,702)</u>	<u>(179,428)</u>
Annual OPEB cost (expense)	28,142	119,650	147,792
Contributions made on behalf of retirees	<u>(291,499)</u>	<u>0</u>	<u>(291,499)</u>
Change in net OPEB obligation	(263,357)	119,650	(143,707)
OPEB obligation at beginning of year	<u>2,377,049</u>	<u>530,897</u>	<u>2,907,946</u>
OPEB Obligation at End of Year	<u>\$2,113,692</u>	<u>\$650,547</u>	<u>\$2,764,239</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and two prior years were as follows:

<u>Fiscal</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net OPEB</u>
<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Annual OPEB</u>	<u>Obligation</u>
		<u>Cost Contributed</u>	
6/30/2015	\$ 28,142	1035.8%	\$2,113,692
6/30/2014	\$ 164,022	287.0%	\$2,377,049
6/30/2013	\$(1,167,452)	(43.0%)	\$2,685,054

**LODI SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

* The District redefined its retiree benefit package for current and future retirees in all labor groups during the year ended June 30, 2013. The new retiree benefits package reduced the district's annual OPEB obligation causing a negative annual OPEB cost in the year of change.

The District's annual stipend (supplement pension costs), the percentage of annual supplemental pension costs contributed to the plan, and the net supplemental pension benefits obligation for the year ended June 30, 2015 and two prior years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Supplemental Pension Cost</u>	<u>Percentage of Annual Supplemental Pension Costs Contributed</u>	<u>Net Supplemental Pension Obligation</u>
6/30/2015	\$119,650	0%	\$650,547
6/30/2014	\$89,607	0%	\$530,897
6/30/2013	\$91,241	21%	\$441,290

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, for the period July 1, 2014 through June 30, 2015, the District's unfunded actuarial accrued liability (UAAL) was \$1,122,731 for the OPEB and \$1,113,907 for the Stipend. The annual payroll for active employees covered by the plan for the June 30, 2015 fiscal year was \$8,467,890 for a ratio of the UAAL to covered payroll of 13.3% and 13.2%, respectively.

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

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

In the July 1, 2014 actuarial valuation, the entry age normal-level % of salary actuarial cost method was used. The actuarial assumptions included a rate of 4.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 7.5% for medical reduced by decrements to an ultimate rate of 5% for medical after 18 years. Mortality, disability and retirement rates are based on the Wisconsin Retirement System experience to value pensions for public school employees. Salary increases are assumed to be 3.0%. The UAAL is being amortized over 26 years using the open level dollar of payroll method. The remaining amortization period at June 30, 2015 was 25 years.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these risks through the purchase of various forms of commercial insurance. Certain commercial insurance policies have established deductible amounts whereby the district would be responsible for the portion of claims, losses and damages under the deductible limits. All funds participate in the coverages provided by the commercial insurance carriers. Each fund would be responsible for its share of losses either below the deductible amounts or for losses exceeding the coverage limits of the commercial policies. There was no significant reduction in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for the past three years.

NOTE 10 CONTINGENCIES AND COMMITMENTS

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

NOTE 11 FUND BALANCES

Portions of fund balances are nonspendable, restricted, committed, assigned or unassigned and not available for current expenses or expenditures. Details of these fund classifications are as follows:

	Governmental Funds		Proprietary Funds
	General Fund	Other Governmental Funds	Food Service Fund
Nonspendable:			
Prepaid expenses	\$ 42,001	\$ 0	\$ 0
Restricted for:			
Special revenue trust		235,749	
Debt service		141,424	
Capital expansion		519,353	
Long-term capital improvement		1,000	
Community service		74,432	
Food service			204,448
Pension related items			56,557
Total Restricted	0	971,958	261,005
Unassigned	5,916,763	0	0
Total fund balances	\$5,958,764	\$971,958	\$261,005

**LODI SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11 FUND BALANCES (CONTINUED)

Restricted net position balances in the district-wide statement of net position consist of the following:

Governmental activities:	
Special revenue trust	\$ 235,749
Debt service	141,424
Capital expansion	519,353
Long-term capital improvement	1,000
Community service	74,432
Pension related items	<u>2,909,765</u>
Total	<u>\$3,881,723</u>
Business-type activities:	
Food service operations	\$ 204,448
Pension related items	<u>56,557</u>
Total	<u>\$ 261,005</u>

NOTE 12 EXCESS OF ACTUAL EXPENDITURE OVER BUDGET

The following individual funds had an excess of actual expenditures over budget for the year ended June 30, 2015:

	Governmental Activities (Expenditures)
General Fund	<u>\$233,147</u>
Package-Cooperative Fund	\$9,230
Community Service Fund	\$111,460
Special Revenue Trust Fund	\$70,101

NOTE 13 LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the School Board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events are evaluated through November 30, 2015, which is the date the financial statements were available to be issued. As of that date no material subsequent events were noted.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 15 PRIOR YEAR RESTATEMENT

Changes to the reporting requirements for pensions detailed in Note 7 requires a restatement to the beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position-Beginning of Year	\$15,885,942	\$ 0
Prior Year Net Pension Liability	2,883,352	56,044
Net Fixed Assets Reclassified from Governmental to Business-Type Activities for Food Service	(31,475)	31,475
Reclassify Food Service Beginning Net Position from Governmental to Business-Type Activities	<u>(150,522)</u>	<u>150,522</u>
Net Position-Beginning of Year, As Restated	<u>\$18,587,297</u>	<u>\$238,041</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budgeted Amounts			Final Budgeted Amounts			Actual Amounts			Final Budget	
	Special Education	General Fund	Total General Fund	Special Education	General Fund	Total General Fund	Special Education	General Fund	Total General Fund	Favorable (Unfavorable)	
REVENUES											
Property taxes	\$ 0	\$ 9,902,471	\$ 9,902,471	\$ 0	\$ 9,902,471	\$ 9,902,471	\$ 0	\$ 9,997,971	\$ 9,997,971	\$ (4,500)	
Other local sources		221,728	221,728		221,728	221,728		215,634	215,634	(6,094)	
Interdistrict sources	68,748	318,000	386,748	68,748	318,000	386,748	20,287	325,998	346,285	(40,463)	
Intermediate sources	52,500	5,339	57,839	52,500	5,339	57,839	65,028	5,472	70,500	12,661	
State sources	572,282	6,091,097	6,663,379	572,282	6,091,097	6,663,379	568,422	6,362,258	6,930,680	267,301	
Federal sources	372,033	436,000	808,033	372,033	436,000	808,033	315,290	310,698	625,988	(182,045)	
Other sources		30,000	30,000		30,000	30,000		180,414	180,414	150,414	
Total Revenues	1,065,563	17,004,635	18,070,198	1,065,563	17,004,635	18,070,198	969,027	17,298,445	18,267,472	197,274	
EXPENDITURES											
Instruction											
Regular instruction		7,340,067	7,340,067		7,344,197	7,344,197		7,375,310	7,375,310	(31,113)	
Vocational instruction		534,265	534,265		534,119	534,119		597,667	597,667	(63,548)	
Special instruction	2,227,431	2,731	2,230,162	2,227,431	2,731	2,230,162	2,155,398	450	2,155,848	74,314	
Other instruction		1,028,610	1,028,610		1,060,817	1,060,817		1,010,367	1,010,367	50,450	
Total Instruction	2,227,431	8,905,673	11,133,104	2,227,431	8,941,864	11,169,295	2,155,398	8,983,794	11,139,192	30,103	
Support Services											
Pupil services	183,940	329,281	513,221	183,940	328,031	511,971	409,448	334,554	744,002	(232,031)	
Instructional staff services	209,342	392,983	602,325	209,342	391,705	601,047	164,857	445,557	610,414	(9,367)	
General administration services		276,763	276,763		276,763	276,763		305,778	305,778	(29,015)	
Building administration services		1,077,084	1,077,084		1,075,385	1,075,385		1,077,107	1,077,107	(1,722)	
Business services	4,193	348,600	352,793	4,193	348,498	352,691	1,821	383,783	385,604	(32,913)	
Operations and maintenance		2,180,236	2,180,236		2,180,236	2,180,236		2,143,184	2,143,184	37,052	
Pupil transportation	226,000	600,097	826,097	226,000	600,097	826,097	252,640	532,846	785,486	40,611	
Central services	7,026	362,354	369,380	7,026	362,354	369,380	200	360,779	360,979	8,401	
Insurance		151,366	151,366		151,366	151,366		146,114	146,114	5,252	
Other support services		324,541	324,541		324,541	324,541	10,780	363,279	374,059	(49,518)	
Total Support Services	630,501	6,043,305	6,673,806	630,501	6,038,976	6,669,477	839,746	6,092,981	6,932,727	(263,250)	
Total Expenditures	2,857,932	14,948,978	17,806,910	2,857,932	14,980,840	17,838,772	2,995,144	15,076,775	18,071,919	(233,147)	
Excess of Revenues Over Expenditures	(1,792,369)	2,055,657	263,288	(1,792,369)	2,023,795	231,426	(2,026,117)	2,221,670	195,553	(35,873)	
OTHER FINANCING SOURCES (USES)											
Transfer from (to) other funds	1,792,369	(1,813,177)	(20,808)	1,792,369	(1,813,177)	(20,808)	2,026,117	(2,025,698)	419	21,227	
Net Other Financing Sources (Uses)	1,792,369	(1,813,177)	(20,808)	1,792,369	(1,813,177)	(20,808)	2,026,117	(2,025,698)	419	21,227	
Net Change in Fund Balances	0	242,480	242,480	0	210,618	210,618	0	195,972	195,972	(14,646)	
FUND BALANCES - Beginning of Year	0	5,762,792	5,762,792	0	5,762,792	5,762,792	0	5,762,792	5,762,792	0	
FUND BALANCES - END OF YEAR	0	6,005,272	6,005,272	0	5,973,410	5,973,410	0	\$ 5,958,764	\$ 5,958,764	\$ (14,646)	

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2015**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the two-digit sub-function level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution.

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

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

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR PENSION RELATED ITEMS
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF LODI SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PENSION LIABILITY
(ASSET)**

Wisconsin Retirement System
Last 10 Fiscal Years*

	<u>2015</u>
Lodi School District's proportion of the net pension liability (asset)	.06507658%
Lodi School District's proportionate share of the net pension liability (asset)	\$(1,598,459)
Lodi School District's covered-employee payroll	\$ 8,929,532
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

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

SCHEDULE OF LODI SCHOOL DISTRICT'S CONTRIBUTIONS

Wisconsin Retirement System
Last 10 Fiscal Years*

Contractually required contributions	\$ 625,877
Contributions in relation to contractually required contributions	\$ (625,877)
Contribution deficiency (excess)	\$ 0
Lodi School District's covered-employee payroll	\$8,929,532
Contributions as a percentage of covered-employee payroll	7.01%

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2015**

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

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

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT
BENEFIT PLANS OTHER THAN PENSIONS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
OPEB						
6/30/2015	\$ 0	\$ 1,122,731	\$ 1,122,731	0.0%	\$ 8,467,890	13.3%
6/30/2014	\$ 0	\$ 2,685,054	\$ 2,685,054	0.0%	\$ 7,841,596	34.2%
6/30/2013	\$ 0	\$ 13,167,492	\$ 13,167,492	0.0%	\$ 7,882,710	167.0%
STIPEND						
6/30/2015	\$ 0	\$ 1,113,907	\$ 1,113,907	0.0%	\$ 8,467,890	13.2%
6/30/2014	\$ 0	\$ 850,323	\$ 850,323	0.0%	\$ 7,841,596	10.8%
6/30/2013	\$ 0	\$ 887,020	\$ 887,020	0.0%	\$ 7,882,710	11.3%

OTHER SUPPLEMENTARY INFORMATION

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEETS
GENERAL FUND
JUNE 30, 2015 AND 2014

	2015			2014		
	Special Education	General Fund	Total General Fund	Special Education	General Fund	Total General Fund
ASSETS						
Cash and investments	\$ 0	\$ 2,769,819	\$ 2,769,819	\$ 0	\$ 3,176,917	\$ 3,176,917
Receivables						
Accounts		44,456	44,456			
Taxes		3,603,001	3,603,001		3,555,634	3,555,634
Due (to) from other funds	(46,860)	46,860		(13,261)	13,261	
Due from other governments	69,640	140,245	209,885	60,767	188,073	248,840
Prepaid expense		42,001	42,001		65,205	65,205
TOTAL ASSETS	\$ 22,780	\$ 6,646,382	\$ 6,669,162	\$ 47,506	\$ 6,999,090	\$ 7,046,596
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 889	\$ 21,025	\$ 21,914	\$ 0	\$ 378,180	\$ 378,180
Accrued payroll and related items	21,891	666,593	688,484	47,506	858,118	905,624
Total Liabilities	<u>22,780</u>	<u>687,618</u>	<u>710,398</u>	<u>47,506</u>	<u>1,236,298</u>	<u>1,283,804</u>
Fund Balances						
Nonspendable		42,001	42,001		65,205	65,205
Unassigned		5,916,763	5,916,763		5,697,587	5,697,587
Total Fund Balances	<u>0</u>	<u>5,958,764</u>	<u>5,958,764</u>	<u>0</u>	<u>5,762,792</u>	<u>5,762,792</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,780	\$ 6,646,382	\$ 6,669,162	\$ 47,506	\$ 6,999,090	\$ 7,046,596

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015					2014					Variance Favorable (Unfavorable)
	Final Budget		Actual		Variance Favorable (Unfavorable)	Final Budget		Actual			
	Special Education	General Fund	Special Education	General Fund		Special Education	General Fund	Special Education	General Fund		
REVENUES											
Property taxes	\$ 0	\$ 9,902,471	\$ 9,902,471	\$ 9,897,971	\$ (4,500)	\$ 0	\$ 9,903,918	\$ 9,908,918	\$ 9,908,470	\$ (1,448)	\$ (1,448)
Other local sources		221,728	221,728	215,634	(6,094)		162,058	162,058	214,598	214,598	52,540
Interdistrict sources	68,748	318,000	366,748	346,285	(40,463)	58,632	328,848	366,248	304,039	362,671	(33,577)
Intermediate sources	52,500	5,339	57,839	57,839	12,661	41,000	6,060,333	41,000	58,591	17,591	17,591
State sources	572,282	6,091,097	6,663,379	6,362,258	267,301	567,500	6,060,333	6,627,833	5,969,132	6,465,270	(162,563)
Federal sources	372,033	436,000	808,033	310,698	(497,335)	367,000	533,000	900,000	525,716	864,482	(35,538)
Other sources		30,000	30,000	180,414	150,414		30,000	30,000	135,523	135,523	105,523
Total Revenues	1,065,563	17,004,635	18,070,198	17,298,445	18,267,472	1,042,900	17,024,157	18,067,057	16,963,532	18,009,585	(57,472)
EXPENDITURES											
Instruction											
Regular instruction		7,344,197	7,344,197	7,375,310	(31,113)		7,432,687	7,432,687	7,144,584	288,103	288,103
Vocational instruction		534,119	534,119	597,667	(63,548)		542,821	542,821	544,293	(1,472)	(1,472)
Special instruction	2,227,431	2,731	2,230,162	450	74,314	2,421,214	2,890	2,424,104	1,230	2,213,550	210,550
Other instruction		1,060,817	1,060,817	1,010,367	50,450		996,420	996,420	1,011,874	(15,454)	(15,454)
Total Instruction	2,227,431	8,941,864	11,169,295	8,983,794	30,103	2,421,214	8,974,818	11,396,032	8,701,981	10,914,301	481,731
Support Services											
Pupil services	183,940	328,031	511,971	334,554	(232,031)	149,353	323,680	473,033	298,658	517,104	(44,071)
Instructional staff services	209,342	391,705	601,047	445,557	(9,367)	185,824	412,272	598,096	510,230	696,295	(98,199)
General administration services		276,763	276,763	305,778	(29,015)		288,574	288,574	278,130	10,444	10,444
Building administration services		1,075,385	1,075,385	1,077,107	(1,722)		1,085,028	1,085,028	1,068,054	16,974	16,974
Business services	4,193	348,498	352,691	383,783	(32,913)	5,170	365,114	370,284	354,151	15,434	15,434
Operations and maintenance		2,180,236	2,180,236	2,143,184	37,052		2,134,215	2,134,215	2,292,574	(158,359)	(158,359)
Pupil transportation	226,000	600,097	826,097	532,846	40,611	159,922	628,330	788,252	589,703	812,668	(24,416)
Central services	7,026	362,354	369,380	360,779	8,401	9,811	267,757	277,568	327,318	(61,879)	(61,879)
Insurance		151,366	151,366	146,114	5,252		175,614	175,614	105,199	70,415	70,415
Principal and interest							800	800	726	74	74
Other support services		324,541	324,541	363,279	(49,518)	2,805	342,784	345,589	335,934	9,655	9,655
Total Support Services	630,501	6,038,976	6,669,477	6,092,961	(263,250)	512,885	6,024,168	6,537,053	6,160,677	6,800,981	(263,928)
Total Expenditures	2,857,932	14,980,840	17,838,772	15,076,775	(233,147)	2,934,099	14,998,986	17,933,085	14,862,658	17,715,282	217,803
Excess (Deficiency) of Revenues Over Expenditures	(1,792,369)	2,023,795	231,426	2,221,670	(35,873)	(1,891,199)	2,025,171	133,972	(1,806,571)	294,303	160,331
OTHER FINANCING SOURCES (USES)											
Transfer from (to) other funds	1,792,369	(1,813,177)	(20,808)	(2,025,698)	419	1,891,199	(1,911,599)	(20,400)	(1,826,660)	(20,089)	311
Net Other Financing Sources (Uses)	1,792,369	(1,813,177)	(20,808)	(2,025,698)	419	1,891,199	(1,911,599)	(20,400)	(1,826,660)	(20,089)	(22,118)
Net Change in Fund Balance	0	210,618	210,618	195,972	(14,646)	0	113,572	113,572	274,214	274,214	160,642
FUND BALANCE - Beginning of Year	0	5,762,792	5,762,792	5,762,792	0	0	5,488,578	5,488,578	5,488,578	5,488,578	0
FUND BALANCE - END OF YEAR	0	\$ 5,973,410	\$ 5,973,410	\$ 5,958,764	\$ (14,646)	0	\$ 5,602,150	\$ 5,602,150	\$ 5,762,792	\$ 5,762,792	\$ 160,642

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Capital Expansion Fund	Long-Term Capital Improvement Trust Fund	Debt Service Fund	Package- Cooperative Fund	Spec. Rev. Trust Fund	Community Service Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and investments	\$ 519,353	\$ 1,000	\$ 141,424	\$ 165	\$ 235,749	\$ 75,422	\$ 973,113
TOTAL ASSETS	<u>\$ 519,353</u>	<u>\$ 1,000</u>	<u>\$ 141,424</u>	<u>\$ 165</u>	<u>\$ 235,749</u>	<u>\$ 75,422</u>	<u>\$ 973,113</u>
Liabilities							
Liabilities							
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 493	\$ 493
Payroll and related liabilities				165		497	662
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>165</u>	<u>0</u>	<u>990</u>	<u>1,155</u>
FUND BALANCES							
Fund Balances							
Restricted	<u>519,353</u>	<u>1,000</u>	<u>141,424</u>	<u>0</u>	<u>235,749</u>	<u>74,432</u>	<u>971,958</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 519,353</u>	<u>\$ 1,000</u>	<u>\$ 141,424</u>	<u>\$ 165</u>	<u>\$ 235,749</u>	<u>\$ 75,422</u>	<u>\$ 973,113</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Expansion Fund	Long-Term Capital Improvement Trust Fund	Debt Service Fund	Package- Cooperative Fund	Special Rev. Trust Fund	Community Service Fund	Total Nonmajor Governmental Funds
Revenues							
Property taxes	\$ 600,000	\$ 0	\$ 1,952,890	\$ 0	\$ 0	\$ 163,395	\$ 2,716,285
Other local sources	163		53	29,715	144,133	126,576	300,640
Other sources	21,607				150,000		171,607
Total Revenues	<u>621,770</u>	<u>0</u>	<u>1,952,943</u>	<u>29,715</u>	<u>294,133</u>	<u>289,971</u>	<u>3,188,532</u>
Expenditures							
Instruction							
Regular instruction					38,205		38,205
Other instruction				28,296	2,410		30,706
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,296</u>	<u>40,615</u>	<u>0</u>	<u>68,911</u>
Support Services							
Instructional staff services					100		100
Building administration services					283		283
Business services					50,280		50,280
Operations and maintenance	276,728				9,102		285,830
Central services	318,886						318,886
Principal and interest			1,966,925				1,966,925
Community services						387,308	387,308
Total Support Services	<u>595,614</u>	<u>0</u>	<u>1,966,925</u>	<u>0</u>	<u>59,765</u>	<u>387,308</u>	<u>3,009,612</u>
Total Expenditures	<u>595,614</u>	<u>0</u>	<u>1,966,925</u>	<u>28,296</u>	<u>100,380</u>	<u>387,308</u>	<u>3,078,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,156</u>	<u>0</u>	<u>(13,982)</u>	<u>1,419</u>	<u>193,753</u>	<u>(97,337)</u>	<u>110,009</u>
OTHER FINANCING SOURCES (USES)							
Transfer from (to) other funds	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(1,419)</u>	<u>0</u>	<u>0</u>	<u>(419)</u>
Net Change in Fund Balances	<u>26,156</u>	<u>1,000</u>	<u>(13,982)</u>	<u>0</u>	<u>193,753</u>	<u>(97,337)</u>	<u>109,590</u>
FUND BALANCES - Beginning of Year	<u>493,197</u>	<u>0</u>	<u>155,406</u>	<u>0</u>	<u>41,996</u>	<u>171,769</u>	<u>862,368</u>
FUND BALANCES - END OF YEAR	<u>\$ 519,353</u>	<u>\$ 1,000</u>	<u>\$ 141,424</u>	<u>\$ 0</u>	<u>\$ 235,749</u>	<u>\$ 74,432</u>	<u>\$ 971,958</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEETS
CAPITAL EXPANSION FUND
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	<u>\$ 519,353</u>	<u>\$ 493,197</u>
TOTAL ASSETS	<u><u>\$ 519,353</u></u>	<u><u>\$ 493,197</u></u>
FUND BALANCES		
Fund Balances		
Restricted	<u>\$ 519,353</u>	<u>\$ 493,197</u>
TOTAL FUND BALANCES	<u><u>\$ 519,353</u></u>	<u><u>\$ 493,197</u></u>

LODI SCHOOL DISTRICT
LODI, WISCONSIN

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CAPITAL EXPANSION FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES						
Property taxes	\$ 600,000	\$ 600,000	\$ 0	\$ 50,000	\$ 50,000	\$ 0
Other local sources	135	163	28		133	133
Other sources		21,607	21,607			
Total Revenues	<u>600,135</u>	<u>621,770</u>	<u>21,635</u>	<u>50,000</u>	<u>50,133</u>	<u>133</u>
EXPENDITURES						
Support Services						
Operations and maintenance	515,000	276,728	238,272	50,000		50,000
Central services	175,000	318,886	(143,886)			
Total Support Services	<u>690,000</u>	<u>595,614</u>	<u>94,386</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balance	(89,865)	26,156	116,021	0	50,133	50,133
FUND BALANCE - Beginning of Year	<u>493,197</u>	<u>493,197</u>	<u>0</u>	<u>443,064</u>	<u>443,064</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 403,332</u>	<u>\$ 519,353</u>	<u>\$ 116,021</u>	<u>\$ 443,064</u>	<u>\$ 493,197</u>	<u>\$ 50,133</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEETS
LONG-TERM CAPITAL IMPROVEMENT TRUST FUND
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 1,000	\$ 0
TOTAL ASSETS	<u>\$ 1,000</u>	<u>\$ 0</u>
FUND BALANCES		
Fund Balances		
Restricted	\$ 1,000	\$ 0
TOTAL FUND BALANCES	<u>\$ 1,000</u>	<u>\$ 0</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - LONG-TERM CAPITAL IMPROVEMENT TRUST FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Other local sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	0	0	0	0	0	0
EXPENDITURES						
Other instruction						
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0	0	0
OTHER FINANCING SOURCES (USES)						
Transfer from (to) other funds	0	1,000	1,000	0	0	0
Net Change in Fund Balance	0	1,000	1,000	0	0	0
FUND BALANCE - Beginning of Year	0	0	0	0	0	0
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	<u>\$ 141,424</u>	<u>\$ 155,406</u>
TOTAL ASSETS	<u><u>\$ 141,424</u></u>	<u><u>\$ 155,406</u></u>
FUND BALANCES		
Fund Balances		
Restricted for debt service	<u>\$ 141,424</u>	<u>\$ 155,406</u>
TOTAL FUND BALANCES	<u><u>\$ 141,424</u></u>	<u><u>\$ 155,406</u></u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 1,952,890	\$ 1,952,890	\$ 0	\$ 1,923,050	\$ 1,923,050	\$ 0
Other local sources		53	53		55	55
Total Revenues	<u>1,952,890</u>	<u>1,952,943</u>	<u>53</u>	<u>1,923,050</u>	<u>1,923,105</u>	<u>55</u>
EXPENDITURES						
Support Services						
Debt service						
Principal	1,870,000	1,870,000		1,795,000	1,795,000	
Interest	96,925	96,925		159,175	159,296	(121)
Total Expenditures	<u>1,966,925</u>	<u>1,966,925</u>	<u>0</u>	<u>1,954,175</u>	<u>1,954,296</u>	<u>(121)</u>
Net Change in Fund Balance	(14,035)	(13,982)	53	(31,125)	(31,191)	(66)
FUND BALANCE - Beginning of Year	<u>155,406</u>	<u>155,406</u>	<u>0</u>	<u>186,597</u>	<u>186,597</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 141,371</u>	<u>\$ 141,424</u>	<u>\$ 53</u>	<u>\$ 155,472</u>	<u>\$ 155,406</u>	<u>\$ (66)</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEETS
PACKAGE-COOPERATIVE FUND
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 165	\$ 37
TOTAL ASSETS	<u>\$ 165</u>	<u>\$ 37</u>
Liabilities		
Payroll and Related Liabilities	\$ 165	\$ 37
FUND BALANCES		
Fund Balances		
Restricted	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 165</u>	<u>\$ 37</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - PACKAGE-COOPERATIVE FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Other local sources	\$ 19,066	\$ 29,715	\$ 10,649	\$ 18,692	\$ 30,939	\$ 12,247
Total Revenues	<u>19,066</u>	<u>29,715</u>	<u>10,649</u>	<u>18,692</u>	<u>30,939</u>	<u>12,247</u>
EXPENDITURES						
Other instruction	<u>19,066</u>	<u>28,296</u>	<u>(9,230)</u>	<u>39,092</u>	<u>51,028</u>	<u>(11,936)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>1,419</u>	<u>1,419</u>	<u>(20,400)</u>	<u>(20,089)</u>	<u>311</u>
OTHER FINANCING SOURCES (USES)						
Transfer from (to) other funds	<u>0</u>	<u>(1,419)</u>	<u>(1,419)</u>	<u>20,400</u>	<u>20,089</u>	<u>(311)</u>
Net Change in Fund Balance	0	0	0	0	0	0
FUND BALANCE - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE TRUST FUND
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 235,749	\$ 41,996
TOTAL ASSETS	<u>\$ 235,749</u>	<u>\$ 41,996</u>
 FUND BALANCES		
Fund Balances		
Restricted	\$ 235,749	\$ 41,996
TOTAL FUND BALANCES	<u>\$ 235,749</u>	<u>\$ 41,996</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - SPECIAL REVENUE TRUST FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Other local sources	\$ 0	\$ 144,133	\$ 144,133	\$ 0	\$ 27,469	\$ 27,469
Other sources		150,000	150,000			
Total Revenues	0	294,133	294,133	0	27,469	27,469
Expenditures						
Instruction						
Regular instruction		38,205	(38,205)			
Other instruction	3,710	2,410	1,300		424	(424)
Total Instruction	3,710	40,615	(36,905)		424	(424)
Support Services						
Pupil services	4,800		4,800		1,000	(1,000)
Instructional staff services		100	(100)			
General administration services	408		408		397	(397)
Building administration services	21,361	283	21,078		17,224	(17,224)
Business services		50,280	(50,280)			
Operations and maintenance		9,102	(9,102)			
Total Support Services	26,569	59,765	(33,196)	0	18,621	(18,621)
Total Expenditures	30,279	100,380	(70,101)	0	19,045	(19,045)
Net Change in Fund Balance	(30,279)	193,753	224,032	0	8,424	8,424
FUND BALANCE - Beginning of Year	41,996	41,996	0	33,572	33,572	0
FUND BALANCE - END OF YEAR	\$ 11,717	\$ 235,749	\$ 224,032	\$ 33,572	\$ 41,996	\$ 8,424

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

COMPARATIVE BALANCE SHEET
COMMUNITY SERVICE FUND
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and investments	\$ 75,422	\$ 176,999
TOTAL ASSETS	<u>\$ 75,422</u>	<u>\$ 176,999</u>
LIABILITIES		
Liabilities		
Accounts payable	\$ 493	\$ 0
Payroll and related liabilities	497	5,230
Total liabilities	<u>990</u>	<u>5,230</u>
FUND BALANCES		
Fund Balances		
Restricted	<u>74,432</u>	<u>171,769</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 75,422</u>	<u>\$ 176,999</u>

LODI SCHOOL DISTRICT
LODI, WISCONSIN

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - COMMUNITY SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 163,395	\$ 163,395	\$ 0	\$ 163,395	\$ 163,395	\$ 0
Other local sources	106,800	126,576	19,776	10,000	115,787	105,787
Total Revenues	<u>270,195</u>	<u>289,971</u>	<u>19,776</u>	<u>173,395</u>	<u>279,182</u>	<u>105,787</u>
EXPENDITURES						
Support Services						
Community services	275,848	387,308	(111,460)	260,206	265,447	(5,241)
Total Expenditures	<u>275,848</u>	<u>387,308</u>	<u>(111,460)</u>	<u>260,206</u>	<u>265,447</u>	<u>(5,241)</u>
Net Change in Fund Balance	(5,653)	(97,337)	(91,684)	(86,811)	13,735	100,546
FUND BALANCE - Beginning of Year	<u>171,769</u>	<u>171,769</u>	<u>0</u>	<u>158,034</u>	<u>158,034</u>	<u>0</u>
FUND BALANCE - END OF YEAR	<u>\$ 166,116</u>	<u>\$ 74,432</u>	<u>\$ (91,684)</u>	<u>\$ 71,223</u>	<u>\$ 171,769</u>	<u>\$ 100,546</u>

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
PUPIL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
ASSETS				
Cash and investments	\$ 95,135	\$ 280,168	\$ 346,618	\$ 28,685
TOTAL ASSETS	<u>\$ 95,135</u>	<u>\$ 280,168</u>	<u>\$ 346,618</u>	<u>\$ 28,685</u>
LIABILITIES				
Due to student organizations				
Elementary School	\$ (558)	\$ 12,794	\$ 12,236	\$ 0
Middle School	25,155	69,362	92,804	1,713
High School	68,737	186,958	226,612	29,083
Primary School	<u>1,801</u>	<u>11,054</u>	<u>14,966</u>	<u>(2,111)</u>
TOTAL LIABILITIES	<u>\$ 95,135</u>	<u>\$ 280,168</u>	<u>\$ 346,618</u>	<u>\$ 28,685</u>

FEDERAL AND STATE SINGLE AUDIT AND
GOVERNMENT AUDITING STANDARDS REPORTS AND SCHEDULES

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Program or Award Amount	Accrued Receivable July 1, 2014	Revenues		Expenditures	Accrued Receivable June 30, 2015
				Grantor	Local Share		
U.S. DEPARTMENT OF AGRICULTURE							
Wisconsin Department of Public Instruction:							
Food Service Aid - Breakfast	10.553		\$ 986	\$ 986	\$ 0	\$ 0	\$ 0
July 1, 2013 - June 30, 2014				21,276		21,276	
July 1, 2014 - June 30, 2015							
Food Distribution	10.555			38,570		38,570	
July 1, 2014 - June 30, 2015							
National School Lunch Program	10.555		6,060	6,060		144,636	
July 1, 2013 - June 30, 2014				144,636			
July 1, 2014 - June 30, 2015							
Total U.S. Department of Agriculture			7,046	211,528	0	204,482	0
U.S. DEPARTMENT OF EDUCATION							
Wisconsin Department of Public Instruction:							
ESEA Title I-A	84.010 *		29,965	29,965		123,240	22,972
July 1, 2013 - June 30, 2014		\$ 129,462		100,268			
July 1, 2014 - June 30, 2015							
Special Education Cluster	84.027 *		58,514	58,514		297,815	57,487
IDEA Flow Through		300,914		240,328			
July 1, 2013 - June 30, 2014							
July 1, 2014 - June 30, 2015							
IDEA Preschool	84.173 *		2,253	2,253			
July 1, 2013 - June 30, 2014		14,702				12,153	12,153
July 1, 2014 - June 30, 2015							
Total Special Education Cluster			60,767	301,095	0	309,968	69,640
ESEA V-B Charter Schools	84.282		44,377	44,377		40,141	
July 1, 2014 - June 30, 2014		150,000					
July 1, 2014 - June 30, 2015		150,000					
Title IIA	84.367		1,090	1,090		35,773	
July 1, 2013 - June 30, 2014							
July 1, 2014 - June 30, 2015		35,773		35,773			

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Program or Award Amount	Accrued Receivable July 1, 2014	Revenues		Expenditures	Accrued Receivable June 30, 2015
				Grantor Reimbursements	Local Share		
U.S. DEPARTMENT OF EDUCATION							
Wisconsin Department of Public Instruction: Pass-through CESA 5							
Carl Perkins	84.048						
July 1, 2014 - June 30, 2015		\$ 5,472	\$ 0	\$ 5,472	\$ 0	\$ 5,472	\$ 0
Total U. S. Department of Education			136,199	558,181	0	514,594	92,612
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Direct Award:							
Drug Free Communities	93.276						
July 1, 2014 - June 30, 2015		118,000				44,456	44,456
Wisconsin Department of Health Services							
Medical Assistance Program	93.778						
July 1, 2014 - June 30, 2015		N/A		72,411		72,411	
Total U.S. Department of Health and Human Services				72,411		116,867	44,456
TOTAL FEDERAL ASSISTANCE							
		\$	143,245	\$ 842,120	\$ 0	\$ 835,943	\$ 137,068

* Major Program

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Administering Agency Pass-Through Agency Award Description	State I.D. Number	Accrued Receivable July 1, 2014	Revenues		Expenditures	Accrued Receivable June 30, 2015
			Grantor	Reimbursements		
WISCONSIN DEPT. OF PUBLIC INSTRUCTION						
Entitlement Programs						
Major State Programs						
Special Education and School Age Parents	255.101					
Internal District Programs		\$ 0	\$ 568,422	\$ 568,422	\$ 0	0
CESA 5			65,029	65,029		
Deforest Area School District			20,056	20,056		
Total Special Education and School Age Parents		0	653,507	653,507		0
General Equalization	255.201	100,684	5,949,623	5,953,447		104,508
Pupil Transportation	255.107		45,325	45,325		
Per Pupil Aid	255.945		238,200	238,200		
Total Major State Programs		100,684	6,886,655	6,890,479		104,508
Nonmajor State Programs						
Common School Fund	255.103		55,763	55,763		
State School Lunch Aid	255.102		5,763	5,763		
School Breakfast	255.344		2,217	2,217		
Peer Review Mentor Grant - Educator Effectiveness Pilot	255.940		10,860	10,860		
Career and Technical Educ Incentive Grants	255.950		15,000	15,000		
DNR	N/A		30,897	30,897		
Computer Aid	N/A	11,958	11,958	12,766		12,766
Total Nonmajor State Programs		11,958	132,458	133,266		12,766
TOTAL STATE ASSISTANCE						
		\$ 112,642	\$ 7,019,113	\$ 7,023,745	\$	117,274

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Lodi School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements as prescribed by the Wisconsin Department of Public Instruction. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2014-2015 eligible costs under the State Special Education Program are \$2,511,217.

MILLER, BRUSSELL, EBBEN AND GLAESKE LLC

CERTIFIED PUBLIC ACCOUNTANTS

611 E WISCONSIN ST

PORTAGE, WISCONSIN

53901

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

Board of Education
Lodi School District
Lodi, Wisconsin

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lodi School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 as items 2015-001 and 2015-002 to be significant deficiencies.

Compliance and Other Matters

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

Lodi School District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's 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.

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
November 30, 2015

MILLER, BRUSSELL, EBBEN AND GLAESKE LLC
CERTIFIED PUBLIC ACCOUNTANTS
611 E WISCONSIN ST
PORTAGE, WISCONSIN
53901

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

Board of Education
Lodi School District
Lodi, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the Lodi 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 its major federal and state programs for the year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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, OMB Circular A-133, and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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 of the Lodi School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Lodi School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005. Our opinion on each major federal and state program is not modified with respect to these matters.

Lodi School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Lodi School District is responsible for establishing and maintaining effective internal control over compliance with the types of 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 a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003 that we consider to be significant deficiencies.

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

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

Miller, Brussell, Ebben and Glaeske LLC

Portage, Wisconsin
November 30, 2015

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to the financial statements? ☐ Yes ☒ No

Federal Awards

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses? ☒ Yes ☐ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)? ☒ Yes ☐ No

Identification of major federal award programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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84.027	IDEA Flow Through
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84.173	IDEA Preschool
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84.010	ESEA Title I-A
--------	----------------

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

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

State Awards

Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses? ☒ Yes ☐ None reported

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

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

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

State Awards (Continued)

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? X Yes No

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.201	General Equalization Aid
255.107	Pupil Transportation
255.945	Per Pupil Aid

Section II - Financial Statement Findings

2015-001 Segregation of Duties

Condition: The size of the office staff precludes a proper segregation of functions to assure adequate internal control.

Criteria: Lack of segregation of duties.

Cause: The limited number of office staff results in incompatible functions being performed by the same individuals.

Effect: There may be inappropriate transactions recorded and assets may not be adequately safeguarded.

Recommendations: This is not unusual for Districts your size, but the Board of Education and management should continue to be aware of this condition and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under these conditions, the most effective controls lie in the Board of Education's and management's knowledge of matters relating to the District's operations.

Management Views and Corrective Action Plan: See corrective action plan 2015-001.

2015-002 Preparation of the District's Financial Statements

Condition: The District does not have management personnel with necessary expertise to prepare the financial statements, related notes and GASB 34 conversion entries necessary to report in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the District's financial statements.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings (Continued)

2015-002 Preparation of District's Financial Statements (Continued)

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Cause: The additional cost associated with hiring staff experienced in preparation of the District's financial statements, including additional training, outweighs the derived benefits.

Effect: Because management relies on the auditor to assist with preparation of the financial statements, the District's system of internal control may not prevent, detect or correct misstatements in the financial statements.

Recommendation: We recommend District personnel continue reviewing the financial statements by competent staff and approve them before issuance. We will continue to work with the District, providing information and training where needed, to make the District's personnel more knowledgeable about its responsibility for the financial statements.

Management Views and Corrective Action Plan: See corrective action plan 2015-002.

Section III - Federal Award Findings and Questioned Costs

Federal Awards Significant Deficiencies

Same as 2015-001 above.

2015-003 Financial Reporting for Federal Assistance

Conditions: OMB Circular A-133 requires the District to prepare appropriate financial statements, including the schedules of expenditures of federal awards. While the current staff of the District maintains financial records supporting amounts reported in the schedules of expenditures of federal awards, the District contracts with its auditor to compile the data from these records and prepare the single audit report for the District.

Criteria: Having staff with expertise in federal reporting to prepare the District's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedules of expenditures of federal awards, or accompanying notes to the schedule.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section III - Federal and State Award Findings and Questioned Costs (Continued)

Cause: The additional cost associated with hiring staff sufficiently experienced to prepare the District's single audit report, including the additional training time, outweigh the derived benefits.

Effect: Because management relies on its auditor to assist with the preparation of the financial statements, including single audit reports, the District's system of internal control may not prevent, detect or correct misstatements in these financial statements.

Recommendation: We recommend District personnel continue reviewing the District's single audit report prepared by its auditor. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the District is necessary to ensure all federal programs are properly reported in the District's single audit report.

Management Views and Corrective Action Plan: See corrective action plan 2015-003.

Federal Awards Findings and Questioned Costs

2015-004 Time and Effort Reporting, Federal ID Number 84.027 and 84.173

Condition: The District did not have time and effort reporting completed for all employees at the time of the audit.

Criteria: Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification at least every six months that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis.

Cause: The District did not believe that time and effort reporting was required for employees who worked solely on single cost objectives.

Effect: The District is not in compliance with the federal requirement requiring time and effort reporting for employees who work on federal programs.

Recommendations: We recommended that the District establish procedures to ensure that time and effort reporting is completed in a timely manner for all employees working on a federal program.

Management Views and Corrective Action plan: See corrective action plan 2015-004.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Section III - Federal and State Award Findings and Questioned Costs (Continued)

State Awards Findings and Questioned Costs

2015-005 Transportation Findings, State ID Number 255.107

Condition: After our program testing was done and after the pupil transportation report was submitted, the District reviewed the listing of students with the bus company and found additional students to add. The report was resubmitted to include around 45 extra students. We also noted that the District has no process in place to determine what students should be in the 1-90 day category.

Criteria: The District needs to have proper processes in place to document and verify that the pupils reported were transported at least once during the school year. Also, pupils may only be classified in the transportation tables by days enrolled. This requires the District to have a system for identifying pupils transported by days enrolled. The number of pupils enrolled 90 days or less is reported separately from pupils enrolled in excess of 90 days.

Cause: The pupil transportation count was down significantly from the prior years. This could be because the District started using a new bus company. This is why the District decided to review and adjust the original count.

Effect: The original report was understated so the District had to work with the bus company to determine the additional students.

Recommendations: We recommend that the transportation director work closely with the bus company to make sure students are being reported to them correctly on the transportation listing. Also, the transportation director should develop a process for determining what students should be reported in the 1-90 day category and to check the enrollment status of each student reported on the bus list provided by the contracted bus company to make sure the students are properly reported in the correct categories.

Management Views and Corrective Action plan: See corrective action plan 2015-005.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

Significant Deficiency 2015-001 Segregation of Duties

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - Management and the Board will continue to be aware of this condition and continue to be involved in the matters relating to the District's operations. However, it is not feasible or cost effective to add staff to achieve the desired level of internal control.

Anticipated Completion Date - This action will be on going.

Significant Deficiency 2015-002 Preparation of the District's Financial Statements

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - Management and the Board will continue to designate competent staff to oversee and review the financial reports and approve them before issuance. However, it is not feasible or cost effective to add staff with the competence to prepare these reports.

Anticipated Completion Date - This action will be ongoing.

Significant Deficiency 2015-003 Financial Reporting for Federal and State Assistance

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - Management and the Board will continue to designate competent staff to oversee and review the financial reports and approve them before issuance. However, it is not feasible or cost effective to add staff with the competence to prepare these reports.

Anticipated Completion Date - This action will be ongoing.

Federal Awards Finding and Questioned Costs 2015-004, Time and Effort Reporting

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - The business manager will meet with the special education director to discuss this finding and establish a procedure for determining that all appropriate staff members complete their time and effort documentation in a timely manner.

Anticipated Completion Date - As soon as possible.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

State Awards Finding and Questioned Costs 2015-005, Transportation Findings

Management Views - Management agrees with the finding and the recommendation.

Corrective Action Planned - The transportation director at the District will work closely with the bus company to make sure students are being reported to them correctly. The transportation director will also develop a process for determining what students should be reported in the 1-90 day category and check the enrollment status of every student that the contracted bus company has counted as an eligible student for bus service to make sure the enrollment status is properly reported.

Anticipated Completion Date - As soon as possible.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

2014-001 Segregation of Duties

Condition: The size of the office staff precludes a proper segregation of functions to assure adequate internal control.

Recommendations: This is not unusual for Districts your size, but the Board of Education and management should continue to be aware of this condition and to realize that the concentration of duties and for the effective system of internal control. Under these conditions, the most effective controls lie in the Board of Education's and management's knowledge of matters relating to the District's operations.

Current Status: Management and the Board will continue to be aware of this condition and continue to be involved in the matters relating to the District's operations. However, they continue to believe it is not feasible or cost effective to add staff to achieve the desired level of internal control.

2014-002 Preparation of the District's Financial Statements

Condition: The District does not have management personnel with necessary expertise to prepare the financial statements, related notes and GASB 34 conversion entries necessary to report in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with preparation of the District's financial statements.

Recommendations: We recommended District personnel continue reviewing the financial statements by competent staff and approve them before issuance. We will continue to work with the District providing information and training where needed, to make the District's personnel more knowledgeable about its responsibility for the financial statements.

Current Status: Management and the Board continue to believe that cost to hire additional staff to eliminate the control deficiency outweighs the benefits to be received. Competent staff will continue to be designated to oversee and review the financial reports and approve them before issuance.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

2014-003 Time and Effort Reporting

Condition: Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification at least every six months that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis. The District did not have time and effort reporting completed for all but two employees at the time of the audit.

Recommendation: We recommended that the District establish procedures to ensure that time and effort reporting is completed in a timely manner for all employees working on a federal program.

Current Status: The District is working on procedures to ensure time and effort reporting is completed for all employees working on a federal grant.

2014-004 Unallowable Costs

Condition: For a particular cost to be allowed for the IDEA program, it must be an excess cost of providing special education and related services. In addition, for a cost to be allowed, it must be necessary and reasonable for the proper and efficient performance and administration of the grant. The District claimed costs for administering the Medicaid program to the IDEA grant. The costs for administering the Medicaid SBS program may not be charged to the IDEA grant, because they are not necessary for the performance of the IDEA grant.

Recommendation: We recommend the District review all costs charged to federal grants for allowability prior to filing for reimbursement.

Current Status: The unallowable costs were recoded to the correct account and the reimbursement amount was corrected. The District has procedures in place to be sure only allowable costs are recorded to federal grants in the future.

**LODI SCHOOL DISTRICT
LODI, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2015**

2014-005 Special Education Transportation

Condition: The District claimed special education pupil transportation costs for a bus route that included a student that did not have special education transportation in his/her IEP. The Department of Public Instruction requires that special education transportation routes claimed must contain only children with disabilities whose IEP states that child must have "special" transportation (cannot ride with regular education children).

Recommendation: The District should review the list of riders for any routes charged to this program and ensure all riders have special education included as part of their IEP.

Current Status: The finding was based on one child who did not have transportation listed in their IEP. Going forward the District will make sure transportation is listed in all IEPs for students being transported.

2014-006 Special Education Open Enrollment

Condition: The Department of Public Instruction (DPI) required that special education open enrollment flat-rate tuition be recorded to fund 10. The District recorded this amount to fund 27 and did not reclassify it to fund 10 until after submitting its IP-1505/PI-1505-SE.

Recommendation: The District should review DPI recording requirements for open enrollment in order to ensure correct recording in future years.

Current Status: This finding was corrected and the District is now aware of the proper recording requirements.

2014-007 Fixed Asset Tracking

Condition: Federal award guidelines require that the District track assets purchased with federal funds to ensure that they are in compliance with equipment and real property management grant requirements. The District currently does not track assets that are purchased with federal grant dollars.

Recommendation: We recommended that the District take an inventory of assets purchased with federal grant dollars and any future purchases to ensure that they are in compliance with the equipment and real property management grant requirements.

Current Status: The District is now keeping track of these assets by placing a sticker on all fixed assets purchased with federal grant dollars.